



DISTRICT COUNCIL

Despatched: 28.08.15

AUDIT COMMITTEE

08 September 2015 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

Chairman: Cllr. Grint Vice-Chairman: Cllr. Brookbank

Cllrs. Clack, Dyball, Edwards-Winsor, Layland, Purves and Reay and a vacancy

	<u>Pages</u>	<u>Contact</u>
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 23 June 2015, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 7 - 8)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Statement of Accounts 2014/15 - Outcome of External Audit	(Pages 9 - 150)	Helen Martin Tel: 01732 227483
6. Internal Audit 2015/16 - 1st Progress Report	(Pages 151 - 164)	Bami Cole Tel: 01732 227236
7. Report on Internal Audit recommendations outstanding	(Pages 165 - 180)	Bami Cole Tel: 01732 227236
8. Risk Management Training Presentation		Bami Cole Tel: 01732 227236

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|---|-------------------|---------------------------------------|
| 9. Draft Strategic Risk Register | (Pages 181 - 198) | Bami Cole
Tel: 01732 227236 |
| 10. Members' Allowance Scheme Monitoring | (Pages 199 - 212) | Adrian Rowbotham
Tel: 01732 227153 |
| 11. Work Plan | (Pages 213 - 214) | |

EXEMPT INFORMATION

(At the time of preparing this agenda, there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public.)

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

AUDIT COMMITTEE

Minutes of the meeting held on 23 June 2015 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank

Cllrs. Dyball, Layland, Purves and Reay

Apologies for absence were received from Cllrs. Clack and Edwards-Winser

Cllrs. Searles and Eyre were also present.

1. Minutes

Resolved: That the minutes of the Committee held on 17 March 2015 be agreed and signed as a correct record.

2. Declarations of Interest

There were no additional declarations of interest.

3. Actions from Previous Meeting

The completed action was noted. The Chairman confirmed there were no plans to call in managers to meetings for the moment but the Committee reserved the right if the need arose.

4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

5. Overview of the Audit Committee

The Chief Finance Officer presented a report which outlined the purposes and terms of reference for the Audit Committee. The report gave an overview of the matters considered by the Committee over the previous two years.

The Chairman encouraged Members to bring their range of skills to the Committee and to ask questions.

Action 1: References to the Audit Commission in the Audit Committee terms of reference to be updated to Public Sector Audit Appointments.

Resolved: That the purpose and remit of the Audit Committee be noted.

6. External Audit - Annual Audit Plan and Update

The Committee welcomed Andy Mack, the Engagement Lead and Geoffrey Banister, the Engagement Manager from the Council's External Auditors, Grant Thornton to the meeting. The representatives of Grant Thornton tabled [an Introduction to External Audit](#) and explained to the Committee the role of external auditors including who Grant Thornton were, what they did as external auditors, how they worked with the Council, what they felt made a good Audit Committee and what work was expected to come to the Committee soon.

The representatives of Grant Thornton advised that a fee reduction of 25% was expected next year. When the Audit Commission was finally wound up it was expected they would have reserves which may also allow for a rebate. Although Grant Thornton sought to reduce fees their intent was to maintain their standards of quality.

A Member asked how satisfaction with the external auditors could be measured. Mr. Mack responded that Grant Thornton was reviewed by Public Sector Audit Appointments and reports of the Financial Reporting Council inspectors. Grant Thornton were willing to come to an agreed list of specific expectations the Council may have from them. The Chairman added that Members of the Committee also completed a questionnaire at the end of each year which included questions about their satisfaction with the external auditors.

Action 2: The Chief Finance Officer to look at expectations the Council may have for external auditors and whether such a report can be brought to a future meeting.

Mr. Mack presented the Audit Plan to the Committee, which highlighted the key elements of their 2014/15 external audit strategy for the Council. This included their audit approach, significant and other risks identified and their role in assessing Value for Money.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the Audit Plan 2014/15 and update from Grant Thornton be noted.

7. Anti-Fraud Team Report 2014/15

The Anti-Fraud Manager presented a report setting out the activities of the Anti-Fraud Team during 2014/15 and details of a proposed re-structure of the Team in February 2016. Members also reviewed the Anti-Fraud, Sanctions and Prosecution Policy, which had been updated to take account of a change in, and align with, the Department for Work & Pensions' Sanctions Policy.

Responding to Members' questions, the Anti-Fraud Manager confirmed that the Team's current role was predominantly as a Housing Benefit anti-fraud team and the past year had seen the highest levels of detected fraud since the shared service had begun,

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particularly due to a new real-time HMRC data matching service. From February 2016 and the creation of the Single Fraud Investigation Service (S-FIS) the Team would no longer have responsibility for dealing with Housing Benefit fraud. The Team was seeking to broaden into a Corporate Fraud Team and pick up those areas not covered by the S-FIS. The Anti-Fraud Manager drew Members' attention to the Cost Benefit Analysis 2014/15 which showed a net financial benefit to the council and anticipated that the new team would also benefit the council. The Team would reduce by 1.0 FTE following the restructure.

The Chairman expressed an interest in the Committee considering an update on the Team in February 2016 following the introduction of S-FIS.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the report and the work of the Anti-Fraud Team carried out in 2014/15 and the proposed re-structure of fraud investigation resources in February 2016 be noted; and
- b) it be recommended to Cabinet to approve the Anti-Fraud, Sanctions and Prosecution Policy.

8. The Role of Internal Audit

The Committee received a [presentation](#) from the Audit, Risk and Anti-Fraud Manager on the role of Internal Audit.

The Chairman clarified that the work plan for Internal Audit was approved at the end of each year and Members can then suggest areas of potential interest or concern for future focus.

9. Internal Review of Effectiveness of Internal Audit

The Audit, Risk and Anti-Fraud Manager presented a report detailing the outcome of the annual self-assessment review of the Council's Internal Audit function. He had carried out the self-assessment using the CIPFA toolkit and was the second report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS). The Accounts and Audit Regulations 2011 required the Council to carry out an annual review of the effectiveness of its Internal Audit Function. The results from the process would also feed into the Internal Audit Manager's Annual Report and the Council's Annual Governance Statement.

The results indicated that the Council's Internal Audit arrangements substantially met the new Code Standards however, some areas for further development had been identified to meet full compliance. The key aspects for further development, set out in a separate action plan, were presented by the Chief Finance Officer as part of the report on the external review by PwC (Minute 10). The Audit, Risk and Anti-Fraud Manager noted the

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review was carried out while there were two vacancies in the Team, which had subsequently been filled by temporary staff.

The Chairman considered it a thorough assessment.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the conclusion of the Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2014/15 against the Public Sector Internal Audit Standards, that the Council had an adequate and effective Internal Audit service which contributes towards the proper, economic and effective use of resources in achieving its objective be supported.

10. External Review of Internal Audit

The Chief Finance Officer presented a report which was the outcome of the external review of Internal Audit by PwC, together with an action plan to address the points raised. The purpose of the review was not only to ensure that the Internal Audit Team were compliant with the new Public Sector Internal Audit Standards (PSIAS) but was also to provide assurance that the Internal Audit Service was adding more value to the Council in strengthening internal controls, risk management and governance processes and that it made appropriate recommendations through audit reviews to improve both the internal control framework and the achievement of value for money.

The outcome of the review showed that the PSIAS were largely complied with and suggested ways for the service to move forward. The Action Plan had been agreed by the Dartford Borough Council and Sevenoaks District Council Partnership Board and the Management Team at each authority.

The Audit, Risk and Anti-Fraud Manager highlighted that the Team accepted it could make better use of IT resources and so new software had been approved in principle, pending a sound business case, and initially two or three staff were receiving training. In response to a question he advised that ISO 9002 accreditation was being dropped because of the cost burden in achieving accreditation, though the Team still intended to maintain those standards.

The Chairman noted that the report appeared more thorough than he was expecting. Mr. Mack from Grant Thornton said the Council should continue to respond to the report and he suggested a follow-up report be carried out in six to nine months for validation of the completed actions. The Chairman asked that Officers seriously consider this suggestion.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That:

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- a) The Action Plan, attached to the report at Appendix B, be approved; and
- b) Further updates be provided to the Committee at future meetings.

11. Internal Audit Annual Report 2014/15

The Audit, Risk and Anti-Fraud Manager presented a report which set out the achievements of the Internal Audit Team in delivering the assurance requirements for the period April 2014 to March 2015. In 2014/15 the Team completed 17 reviews, equivalent to 100% of the revised internal audit plan. The report advised that the Team had performed well within its available resources and had met the objectives of providing an adequate and effective internal audit and control framework for the Council during the year.

Members were directed to the full Overall Assurance Opinion. Based on the work completed in 2014/15 and other sources of assurance available to the team, the Audit, Risk and Anti-Fraud Manager's overall assurance opinion was that the Council's control environment contributed effectively to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. The control environment was designed to manage risks to a reasonable level rather than to eliminate all risks and so it could provide only reasonable and not absolute assurance of effectiveness.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That:

- a) The work of the Internal Audit Team in 2014/15 be noted; and
- b) The Audit Manager's Annual Assurance opinion that the Council has effective internal controls, risk management and governance arrangements in place for delivering its objectives and the management of its business risk, be supported.

12. Annual Governance Statement 2014/15

The Chief Finance Officer presented the Annual Governance Statement (AGS) which he advised was an important corporate document which explained the Council's governance arrangements and controls it employed to manage the risk of failure to achieve strategic objectives. The Council was responsible for ensuring that its business was conducted in accordance with the law, proper standards, good governance and that public money was safeguarded and properly accounted for. The document was owned by all Senior Officers and Members of the Council.

The Chief Executive, Chief Officers and Managers were involved in the process and completed a detailed questionnaire to raise any issues that could be included in the AGS. The Internal Audit Team also analysed the previous years AGS and minutes of various meetings held during the year to ensure that everything was included.

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The process confirmed that the Council had sound systems of internal controls and good governance arrangements in place. A significant governance issue had been included in that the Health and Safety Executive had initiated two charges against the Council under the Health and Safety at Work, etc. Act 1974 following a fatal accident on 13 September 2010.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: that the Annual Governance Statement for 2014/15, which accompanies the Council's Accounts be agreed for signature by the Leader of the Council.

13. Statement of Accounts 2014/15 - Establishment of Member Working Group

Members considered setting up a working group to review the 2014/15 Draft Statement of Accounts. The working group would have the authority to recommend changes whilst ensuring that the accounts still adhered to the statutory regulations. The Chairman explained that the working group would be able to consider the document in detail and could report back to the Audit Committee when they considered them in September 2015.

The Chairman encouraged the working group to help increase understanding of the accounts, which can appear opaque. The representatives from Grant Thornton suggested that Members might want to pay particular attention to the presentation of information in the explanatory notes and the foreword to the Accounts.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) a Member Working Group be set up to review the 2014/15 Draft Statement of Accounts; and
- b) the membership consist of Cllrs. Grint, Layland and Reay with the Portfolio Holder for Finance, Cllr. Searles, invited to attend.

14. Work Plan

The work plan was noted. An update on the Anti-Fraud Team would be added to the work plan for January 2016.

THE MEETING WAS CONCLUDED AT 8.45 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 23.06.2015

Action	Description	Status and last updated	Contact Officer
ACTION 1	References to the Audit Commission in the Audit Committee terms of reference to be updated to Public Sector Audit Appointments.	This will be amended when the terms of reference are next updated.	Adrian Rowbotham Ext. 7153
ACTION 2	The Chief Finance Officer to look at expectations the Council may have for external auditors and whether such a report can be brought to a future meeting.	This has been discussed with the Chairman and it is recommended that an item called 'External Auditor Relationship and Future Appointments' is added to the workplan for the meeting on 15 March 2016.	Adrian Rowbotham Ext: 7153

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STATEMENT OF ACCOUNTS 2014/15 – OUTCOME OF EXTERNAL AUDIT

Audit Committee – 8 September 2015

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2014/15 accounts.

Portfolio Holder Cllr. Searles

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Audit Committee: It be RESOLVED that the Statement of Accounts 2014/15 be approved.

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 14 July 2015.
- 2 The external audit of the accounts began on 23 June and the Audit Findings Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VfM) conclusion for 2014/15.
- 3 The external auditor, Andy Mack and Geoffrey Banister from Grant Thornton, will attend the meeting to discuss their report on the 2014/15 audit. The accounts are required to be signed off by the end of September 2015.
- 4 The Audited Statement of Accounts 2014/15 is attached as Appendix C.
- 5 The format of the statement remains the same as 2013/14 and has been compiled in line with International Financial Reporting Standards (IFRS).

Review by Working Group

- 6 At the meeting of the working group on 14 July, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.

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- 7 Following the working group, the Foreword has been amended to include greater emphasis on the Property Investment Strategy.

Commentary on the Auditor's Report

Audit Findings

- 8 Grant Thornton have stated that the accounts give a true and fair view of the Council's financial position, and have been properly prepared in accordance with the Code of Practice.
- 9 No adjustments were identified that affected the Council's reported financial position, however the draft statements were below the standard expected as more issues were identified than in previous years.
- 10 A review of the Finance Team was already planned for later this year and the outcome of this audit identifies that an element of the review needs to focus on the resources and skills required to produce an improved Statement of Accounts. This should identify the current gaps so that changes can be put in place in time for the 2015/16 process.

Value for Money

- 11 Grant Thornton have issued an unqualified conclusion to our arrangements for Value for Money. They examined our arrangements for securing economy, efficiency and effectiveness in our use of resources and confirm that we have strong arrangements in place.
- 12 The 'traffic light' indicators for value for money are all assessed as green.
- 13 The Council's track record of good financial performance is considered indicative of robust financial planning arrangements and the 10-year financial plan is considered to reflect best practice.
- 14 The Council's financial governance arrangements continue to be strong and effective financial control has enabled the successful delivery of planned financial outcomes for the year.

Summary

- 15 We would like to express our thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee.
- 16 The Finance Team will be working with Grant Thornton to analyse the 2014/15 Accounts process so that the findings can be taken into account when reviewing the future requirements of the team.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972 the section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

Members will note that there are no material issues to be brought to the attention of the Committee and that the external auditor expects to issue an unqualified opinion on the financial statements and value for money conclusion.

Appendices

Appendix A – Grant Thornton Audit Findings
2014/15

Appendix B – Letter of Representation

Appendix C – Audited Statement of Accounts
2014/15

Background Papers:

None

**Adrian Rowbotham
Chief Finance Officer**

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The Audit Findings for Sevenoaks District Council

Year ended 31 March 2015

August 2015

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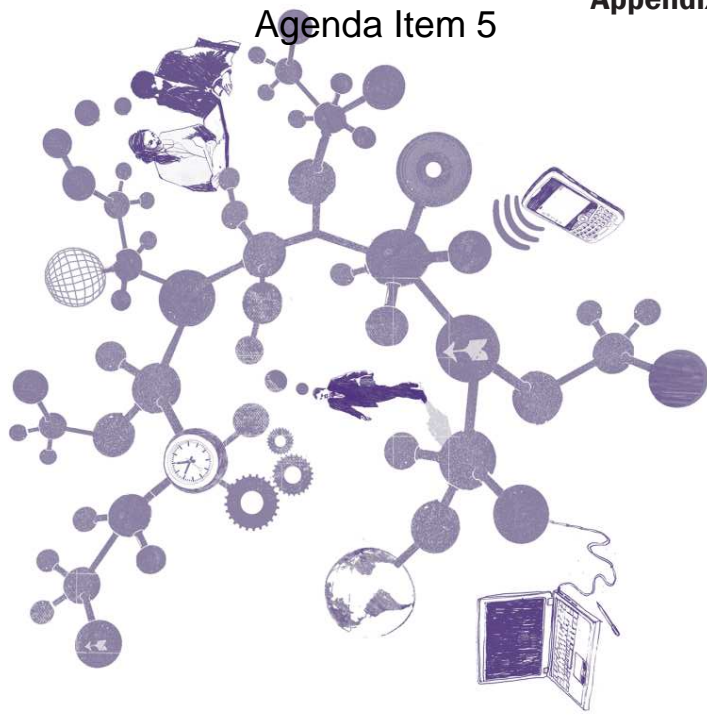
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Members of Sevenoaks District Council
Sevenoaks District Council
Council Offices
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24 August 2015

Dear Members

Audit Findings for Sevenoaks District Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Sevenoaks District Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management and the Audit Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Andy Mack
Engagement lead

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Sevenoaks District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We recognise that officers have worked hard to support us during the audit and to address points raised by our review. The quality of the working papers and documents supporting the balances within the financial statements were of a reasonable standard and we did not identify any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of [£11,227k]; the audited financial statements show the same.

Whilst the above is pleasing, the Council was unfortunately unable to provide a complete set of draft financial statements by the agreed date at the start of the audit. In addition, there were a high number of disclosure and presentational errors in the draft statements which the Council has corrected in the revised set of financial statements. In overall terms, the draft statements were below the standard which we would expect. This has had an impact in terms of time spent and the audit fee.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion. The Council continues to have strong arrangements in place and as part of the Council's ambition to become financially self-sustainable it has started to purchase investment assets in 2014/15 .

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention in particular to control issues identified in relation to:

- self authorisation of journals

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Executive and Chief Finance Officer.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Finance Officer and the finance team.

We propose to hold a debrief meeting with the finance team after the accounts are signed off to discuss how the Council can both strengthen and bring forward its accounts closedown process to meet the requirements of the Department for Communities and Local Government. This will be critical as the deadline for accounts closedown moves forward to July by 2017/18. Further details are set out in section two of this report.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
August 2015

Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
- 03. Value for Money
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 23 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 23 June 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions • We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review and testing of journal entries has not identified any significant issues except that a lack of segregation of duties in the journal process increases the risk that any potential misstatement could be undetected.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces Cut off testing to assess whether transactions are recorded in the correct period Substantive testing of operating expenditure payments for remainder of the year Substantive testing of year end payable balances Procedures to gain assurance that material goods and services received prior to the year are correctly accrued for. 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces Trend analysis and risk identification for monthly payroll costs Substantive testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated Testing to confirm the completeness of payroll transactions and appropriate cut-off. 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding We have completed modules set by the DWP which include performance of an analytical review and BEN01 certification. This will involve the selection of samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with DWP guidelines and welfare legislation Tested the reconciliation of the Housing Benefit system to the general ledger. 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The Council's revenue recognition policies are disclosed within the accounting policies. This confirms that the revenue is recognised in the year to which it relates, rather than when the cash is actually received.</p>	<p>Our review of this policy confirms it is in line with the CIPFA Code of Practice.</p>	<p> Green</p>
<p>Estimates and judgements</p>	<p>Key estimates and judgements included within the accounts include:</p> <ul style="list-style-type: none"> • Going concern • Leases • Arrears • Business rate appeals • Pensions liability • Property, Plant and Equipment • Provisions 	<p>Following our consideration of these judgements and estimates, we are satisfied they are in line with the Code of Practice, and with the approach taken by the Council in the previous year.</p>	<p> Green</p>

Assessment

 **Red** Marginal accounting policy which could potentially attract attention from regulators  **Amber** Accounting policy appropriate but scope for improved disclosure  **Green** Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Going concern</p>	<p>The Chief Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Chief Officers' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	<p> Green</p>
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p> Green</p>

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found numerous non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any significant related party transactions which have not been disclosed. Two ex Members did not respond to the Council's letter on related parties, they had no related party disclosures last year.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent and were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Welfare expenditure and Operating Expenses as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
<p>1.</p> <p style="text-align: center;">Page 26</p>	<p>The Council has only a few staff that can prepare and authorise journals. We identified that journals were prepared and reviewed by the same officer during the year. We have tested all material balances within the financial statement and are satisfied of the validity and accuracy of material journals.</p> <p>A lack of segregation of duties in the journal process increases the risk that any potential misstatement could be undetected.</p>	<p>Ensure all journals are approved electronically by an officer that has not been involved in the preparation process.</p>

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £,000
1 Included in Property Plant and Equipment was £2,577k of vehicles plant and equipment assets fully written down (net book value £nil), incorrectly recognised in cost and accumulated depreciation despite no longer being owned by the Council.		2,577 Dr 2,577 Cr Cost	
2 Non Domestic Rates debtor was originally netted off the creditor.		£805 Dr Debtors £805 Cr Creditors	

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 A Debtor has an associated provision incorrectly included in Creditors. Note 12 Financial instruments: a provision of £81k has not been netted off trade receivables in the disclosure note.		Dr Creditors £72 Cr Bad Debt Provision £72	These amendments are too small to impact on the reader of the accounts These amendments are too small to impact on the reader of the accounts

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. As recommended for the last two years the Council should build into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.

Many casting errors, incorrect use of brackets and typos were identified in the financial statements such as the comprehensive income & expenditure statement (CIES), Movement in reserves statement, notes 8, 9, 10, 17, 18, 21, 24, 31.

		Impact on the financial statements	
Adjustment type	Value £'000		
1 Misclassification	1,197	CIES: Revenue Expenditure Funded by Capital under Statute (REFCUS) £1,197k for affordable housing, was incorrectly included in central services to the public rather than housing services. 2013/14 comparatives amended for £852k, in line with the above. Matching income of £1,197k was transferred from capital grants and contributions to housing services.	
Misclassification	855	CIES: REFCUS £855k should have been in central service to the public rather than capital grants and contributions.	
Misclassification	355	CIES: REFCUS gross income and gross expenditure for environmental and regulatory services were overstated by £355k.	
4 Misclassification	237	CIES: REFCUS gross income and gross expenditure for planning services were overstated by £237k.	
5 Misclassification	483	CIES: REFCUS £483k disabled facilities grant was incorrectly included in planning services rather than housing services.	
6 Disclosure	5,592	Note 10 PPE: The Stag Theatre £5,592k was incorrectly disclosed as a revaluation adjustment in the draft accounts. It has been corrected to show the derecognition of the asset value, reflecting the lease arrangement at peppercorn rent.	
7 Disclosure		Note 10 PPE: The draft accounts included a line which referred to an 'error correction.' This disclosure is not in line with the Code of Practice on Local Authority Accounting and has now been corrected.	
8 Misclassification	400	Note 20 Unusable Reserves: The Capital Adjustment Account showed capital expenditure of £1,650k when it should be £1,250k. The difference of £400k, related to the purchase of Suffolk House, which had been incorrectly included.	
9 Misclassification	271	Note 12 Financial Instruments: This note excluded a partnership debtor of £271k which has now been included.	

Misclassifications & disclosure changes continued

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Impact on the financial statements
10 Misclassification	2,462 551	Note 31 Capital Expenditure and Capital Financing: Sources of finance were corrected for Government grant to £2,462k and sums set aside from revenue to £551k.
11 Misclassification	805 1,861 147	Note 21 Cash Flow Statement –Operating Activities : Movement in debtors and creditors – changed for the £805k – disclosure of Non Domestic Rates debtor (see adjustment misstatements on page 15) Pension Liability – changed from £545k to £1,861k – this was an error Note 22 Cash Flow Statement –Investing Activities: Proceeds from sale of PPE changed from £1,103k to £147k because it incorrectly included the purchase of Swanley working men's club. These adjustments affect the Cash flow statement.
12 Disclosure		Note 33 Impairment Losses: The note has been amended as it incorrectly stated that the Authority suffered no impairment losses, when this was not the case.
13 Disclosure		Note 36 Contingent Liabilities: The note has been amended to remove the paragraph which referred to a provision for Non Domestic Rate appeals as this is not a contingent liability.
14 Misclassification	3,307 1,274	Note 20 Unusable Reserves: The note has been amended to show the revaluation reserve upwards £3,307K and downwards revaluations £1,274K separately, rather than a net figure.
15 Disclosure	2,377	Note 14 Debtors: The note has been amended to now show the specific debtors to which the bad debt provision relates to.
16 Disclosure		Accounting Policies: The critical judgements disclosure has been improved to provide information on future funding levels.
17 Disclosure		Note 36 Contingent Liabilities: This has been amended to include disclosure of the Health and Safety Executive (HSE) claim.
18 Disclosure		We have made a suggestion to improve the Annual Governance Statement, referring to 2014 rather than 2015.

Misclassifications & disclosure changes continued

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Impact on the financial statements
19 Misclassification	1,242	Note 18 Provisions: The note has been expanded to show the additional provisions made during the year £1,242k and amounts used during the year £285k, rather than just the net figure.
20 Disclosure		Note 24 Amounts Reported for Resource Allocation Decisions: Note 29 Grant Income: Updated to correct Revenue Expenditure Funded by Capital under Statute (REFCUS) errors above and incorrect disclosure of costs and income in cost of services.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial

resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures

economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted: The Council has a detailed ten year financial plan and has identified its key financial targets for the period up to 2024. Financial governance arrangements are strong and effective financial control enabled the successful delivery of planned financial outcomes for the year.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted: As part of the Council's ambition to become financially self-sustainable it has developed a new investment and asset management strategy. The Council has started to implement its strategy to invest in land and property that generate a return and to also establish a trading company to maximise both opportunities to invest and levels of return.

Overall Vfm conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Agenda Item 5

Value for Money

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The Council's key financial outcomes continue a track record of strong financial performance. The Council successfully delivered the 2014/15 budget and has maintained its robust reserve levels that will enable it to continue to invest in projects in the future.	Green
Strategic financial planning	The Council has robust financial planning arrangements and delivery of 2014/15. The 10 year financial plan reflects best practice and has helped to mitigate projected funding shortfalls using risk reserves. This allows the council to take a longer term view in regard to addressing funding shortfalls through service development. The Council has prioritised financial self sufficiency as a key plank of its Corporate Plan and overall financial strategy. This is supported by investment in new assets that provide increased revenue to the Council's budgets.	Green
Financial governance	The Council's financial governance arrangements have been strengthened in the year. After the 2015 elections new Cabinet Portfolios were put in place by the Leader of the Council. One of the seven portfolios is dedicated to Finance and is supported by a Finance Advisory Committee. Each of the Portfolio Holders, Cabinet Advisory Committees, Cabinet and Council are directly involved in the budget setting process.	Green
Financial control	The Council's 10 year budget ensures that the Council is not reliant on short term solutions as all decisions taken are evaluated over the long term. A robust budget setting process ensures that future risks are evaluated and sufficient resources are made available to ensure pressures can be managed within the budget limits set.	Green
Prioritising resources	The Council thoroughly reviews assumptions and models a range of scenarios which are presented to Members for their consideration, before finalising both the annual budget and the 10 year plan. As part of the process the Council's proposed growth and savings items are subject to Service Change Impact Assessments.	Green
Improving efficiency & productivity	The Council continues to have a rounded approach to performance management which incorporates information on cost and productivity as appropriate to individual services. The Council monitors a range of performance indicators on a monthly basis. These are considered by the Management Team and also by the Scrutiny Committee at each of their meetings. Portfolio Holders review performance of services within their remit at each of their monthly Briefing Meetings.	Green

Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non-audit services and independence**
- 05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	57,541	64,000
Grant certification on behalf of Public Sector Audit Appointments Limited (estimated)	16,460	Work in progress
Total audit fees	£74,001	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

The extra fee reflects delays in the preparation of the draft financial statements as well as the number of errors in the draft financial statements which resulted in considerable additional audit time and resources.

The final fee is subject to approval by Public Sector Audit Appointments Ltd.

Section 5: Communication of audit matters

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan		Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance		✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications		✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought			✓
Confirmation of independence and objectivity		✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.		✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged			
Details of safeguards applied to threats to independence			
Material weaknesses in internal control identified during the audit			✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements			✓
Compliance with laws and regulations			✓
Expected auditor's report			✓
Uncorrected misstatements			✓
Significant matters arising in connection with related parties			✓
Significant matters in relation to going concern			✓

Agenda Item 5

Appendices

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Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure all journals are approved electronically by an officer that has not been involved in the preparation process.	High	<p>The risk of mis-appropriation of funds within codes is small due to the following processes already in place.</p> <ol style="list-style-type: none"> 1. Journals requested by non-Finance staff are agreed by Finance. 2. End of year accruals are authorised by the relevant Chief Officer before being agreed by Finance. 3. The budget monitoring reports require comments for any variances over £10,000 and are analysed on a line-by-line basis by the Finance Team. <p>Random checks will now be carried out to reduce the opportunity to mis-appropriate funds within codes. This will involve the Chief Finance Officer and Head of Finance completing monthly checks. This will ensure that journals completed by each member of the Finance Team are checked on a regular basis.</p>	15/09/15 Head of Finance
2	Improve the timeliness of the financial statements preparation process. This will be particularly important given the Department for Communities and Local Government's proposals to move the sign off deadline to 31 July by 2018.	High	<p>It is intended to bring the 2015/16 annual accounts process forward by a further week as we move towards the earlier deadline.</p>	31/01/16 Head of Finance
3	As recommended for the last two years the Council should build into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.	High	<p>A review of the resources and skills required will be carried out to identify the current gaps to reduce the chances of issues arising in future years. Changes will be in place for the 2015/16 annual accounts.</p>	31/12/15 Head of Finance
4	Improve the accuracy, completeness and disclosures of the notes to the financial statements.	High	<p>As 3 above.</p>	

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVENOAKS DISTRICT COUNCIL

We have audited the financial statements of Sevenoaks District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2014/15.

Our audit is made solely to the members of Sevenoaks District Council, as a body, in accordance with Part 48 of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of the Chief Executive Responsibilities, the Chief Executive 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- *give a true and fair view of the financial position of Sevenoaks District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- *have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- *in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- *we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- *we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- *we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- *securing financial resilience; and
- *challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Sevenoaks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Sevenoaks District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature

Andy L Mack

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

Grant Thornton UK LLP
Grant Thornton House
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?? September 2015



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 My Ref:
 Your Ref: AR/kd
 Date: 9 September 2015

Dear Sirs

**Sevenoaks District Council
 Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Sevenoaks District Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Chief Executive: Dr. Pav Ramewal
 Council Offices, Argyle Road, Sevenoaks, Kent TN13 1HG
 Telephone: 01732 227000 DX 30006 Sevenoaks
 Email: information@sevenoaks.gov.uk
www.sevenoaks.gov.uk

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the Council has been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xvi We confirm that we are satisfied that the assumptions underlying the NDR appeals provision are consistent with our knowledge and is properly accounted for.

Information Provided

- xvii We have provided you with:

a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b) additional information that you have requested from us for the purpose of your audit; and

c) unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xviii We have communicated to you all deficiencies in internal control of which management is aware.

- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a) management;

b) employees who have significant roles in internal control; or

c) others where the fraud could have a material effect on the financial statements.

- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxiv We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 8th September 2015.

Yours faithfully

.....

Name: Cllr Grint

Position: Audit Committee Chair

Date: 9 September 2015

.....

Name: Pav Ramewal

Position: Chief Executive

Date: 9 September 2015

Signed on behalf of the Council

Audit findings

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 A Debtor has an associated provision incorrectly included in Creditors.		Dr Creditors £72 Cr Bad Debt Provision £72	These amendments are too small to impact on the reader of the accounts
2 Note 12 Financial instruments: a provision of £81k has not been netted off trade receivables in the disclosure note.		£81	These amendments are too small to impact on the reader of the accounts

1 A Debtor has an associated provision incorrectly included in Creditors.

2 Note 12 Financial instruments: a provision of £81k has not been netted off trade receivables in the disclosure note.

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Appendix C

STATEMENT OF ACCOUNTS
2014/2015



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EXPLANATORY FOREWORD

Introduction

The objective of this financial report is to provide electors, local residents, Council Members, partners and other stakeholders with transparent information about the Council's finances and to give confidence that public money has been properly accounted for, and that the financial standing of the Council is secure.

This explanatory foreword is structured as follows:

- Corporate vision for Sevenoaks District Council
- Summary of 2014/15 Budget and Outturn
- Explanation of the Financial Statements
- Statement of Responsibilities for the Financial Statements
- Core Financial Statements

Corporate Vision for Sevenoaks District Council

Our vision for the District is 'to sustain and develop a fair, safe and thriving local economy'.

To achieve this vision, we have made five promises to the District. These are:

- To provide value for money
- To work in partnership to keep the District of Sevenoaks safe
- To collect rubbish efficiently and effectively
- To protect the Green Belt
- To support and develop the local economy

High quality and innovative financial management is a priority for the Council and our vision and promises. We were amongst the first in local government to introduce a ten year budget framework, a tool that allows us to plan our finances over the long term and remove the need for knee-jerk decisions in the face of continued decline in financial support from government.

Whilst working extensively to deliver savings we have at the same time been investing and protecting our most valued services, as well as looking at new ways to improve our customer experience.

Our investment strategy is committed to:

- Improving efficiency and cost effectiveness of the services we provide. This will be achieved by working in partnership with others, increasing income and reducing running costs.

- Consider buying and building new assets that either help improve the way we provide services or generate a financial return.
- Generate returns on investments, by making use of available reserves and taking advantage of low interest rates on long-term borrowing.
- Invest in methods to attract, support and generate business within the District.

Managing our business and resources

We set the highest possible standards for the management of our business and resources across the Council. This is managed by:

- Streamlining Council services and financial planning processes: the revised process is less bureaucratic which frees up Member and officer time.
- Setting a balanced 10 year budget: enables the Council to manage peaks and troughs more effectively and also highlights longer term pressures.
- Making flexible use of the Budget Stabilisation Fund: The ability to use underspends to absorb overspends in later years increases resilience at times of increased uncertainty.
- Making effective use of earmarked reserves: Use of reserves smoothed over our 10 year budget, allowing for more time to find sustainable solutions to financial pressures.
- Reviewing and more tightly managing inflationary pressures: The use of the 10-year budget highlights and supports us to address the Council's structural inflationary gap and the pressure this places on its budget.

Property Investment Strategy

The Council has adopted a Property Investment Strategy with a view to earning income from property assets to mitigate the expected fall in future government funding.

A Property Investment Strategy Reserve of £8m was set aside from the Council's existing earmarked reserves and capital receipts to fund the initial purchases.

The following three properties have been acquired under this strategy:

- The Swanley Working Mens Club was acquired during 2014/15 and funded from the Capital Receipts Reserve.
- A deposit was paid for the purchase of Suffolk House, Sevenoaks during 2014/15 and the acquisition was completed during 2015/16.
- A Petrol Filling Station in Swanley (purchased in 2015/16)

Agenda Item 5

Suffolk House and the Swanley Filling Station are tenanted and the rentals will assist in the Council's move to become self sufficient in the light of expected reductions in government grant.

Comparison of Outturn to Budget

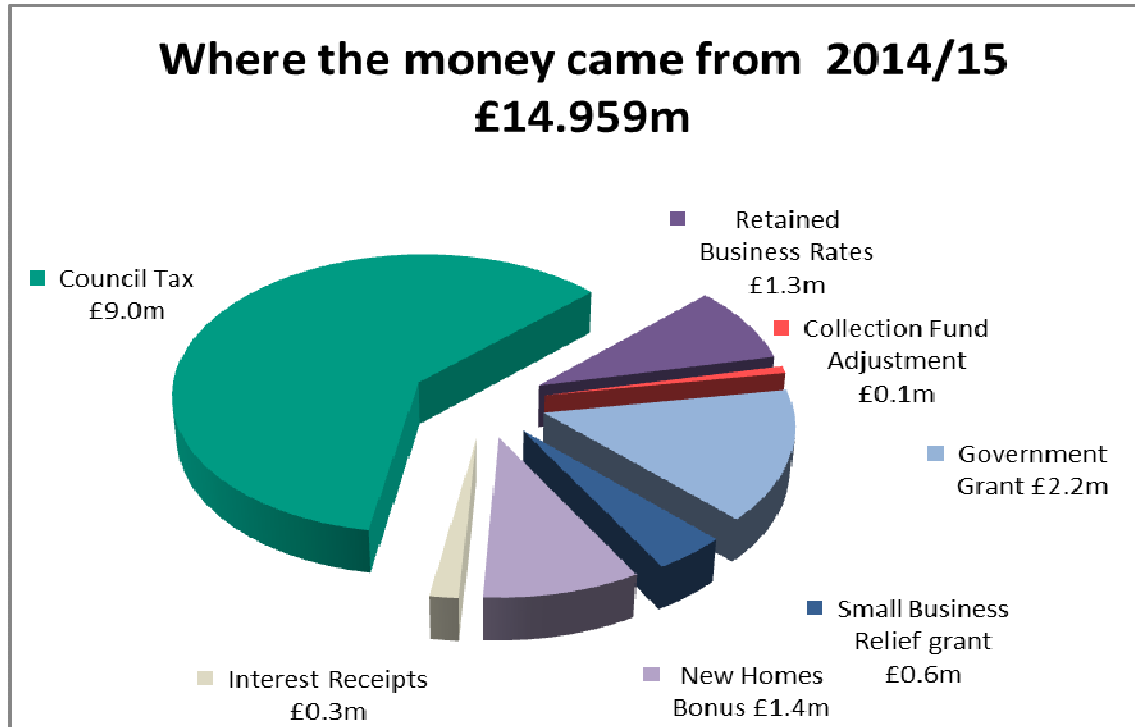
The original budget approved by Council on 18 February 2014 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2014/15 a supplementary estimate of £18,000 was approved for Christmas car parking. In February 2015, Cabinet agreed a transfer of £2,213,000 from the General Fund reserve to a new Earmarked Reserve for Property Investment. This left a balance of £1,500,000 in the General Fund Reserve which remains a sufficient and prudent sum to protect the Council against unexpected risks.

The final outturn position is a surplus of £500,173. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund Reserve.

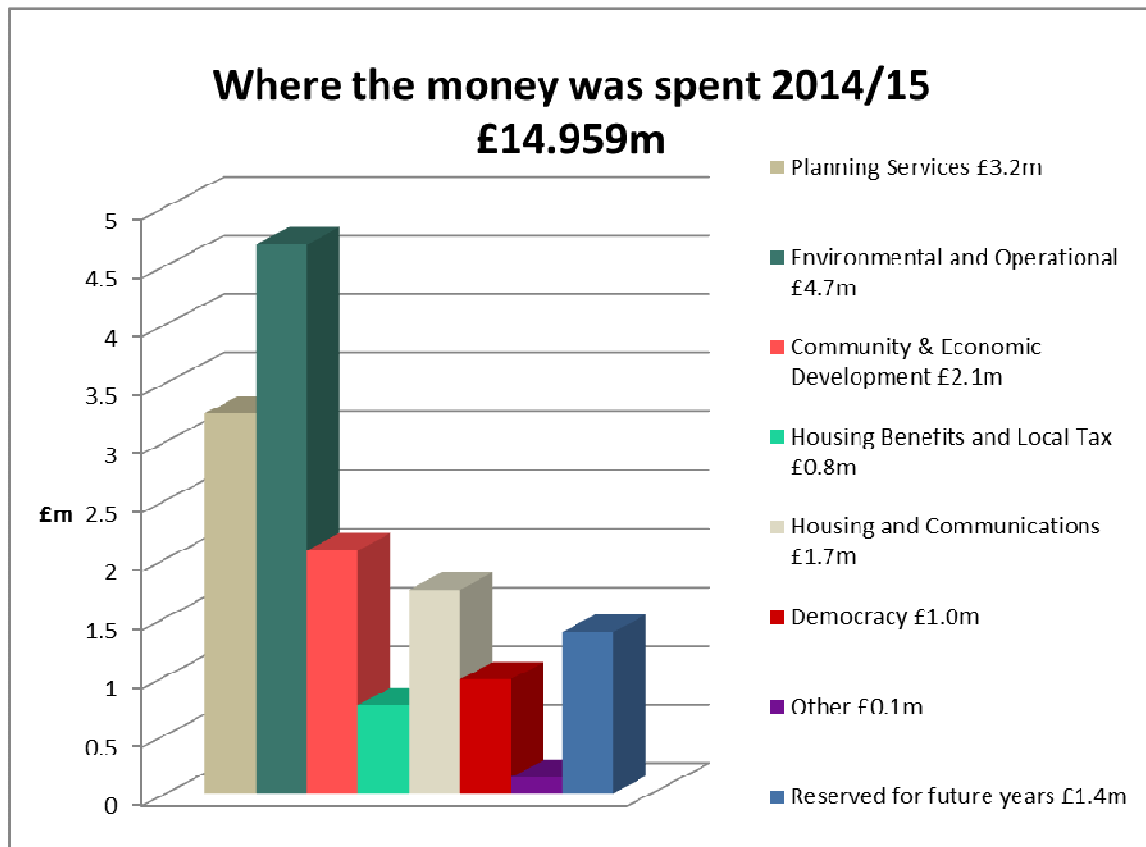
The table below shows a comparison of outturn figures in 2013/14 and 2014/15

	Final Outturn 2013/14 £000	Final Outturn 2014/15 £000
Council Tax	(8,728)	(9,010)
Government Support (Inc Council Tax Support Grant), Retained Business Rates and New Homes Bonus	(6,155)	(5,694)
Interest Receipts	(237)	(255)
Total Income	(15,120)	(14,959)
Planned Contributions to Reserves	655	613
Timing differences on Retained Business Rates	595	-
Contribution to carry forward reserve	129	204
Contribution to Provisions	-	60
Total Expenditure on services	13,497	13,582
Excess of Income over Expenditure	(244)	(500)
Contribution to Budget Stabilisation Reserve	244	500
(Fav)/Adv variance	-	-

The total income for 2014/15 came from the following sources:



Our income of £14.959m was spent on the following services:



Explanation of the Financial Statements.

The Statement of Accounts consists of the following:

- **The Statement of Responsibilities**, setting out the general responsibilities of both the District Council and the Chief Executive in making proper financial arrangements and in maintaining financial records.
- **The Independent Auditor's report.** The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
 - The core financial statements:
 - i. **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for tax setting purposes. The line entitled 'Net Increase / Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.
 - ii. **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
 - iii. **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. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund

capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

- iv. **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.
- v. **Notes to the core financial statements** provide further detailed information.
- vi. **The Collection Fund Statement**, which is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Accounting Practice

The authority has always adopted best practice in the presentation of its accounts as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

These accounts also reflect the CIPFA Service Reporting Code of Practice and, in particular, the service spend analysis shown within the Comprehensive Income and Expenditure Statement is based on this code.

Assets

Expenditure on operational non current assets during the year centred on commercial vehicle replacements.

Agenda Item 5

Operational property is valued on a five year rolling programme and each class of assets is valued in the same year. To gain additional re-assurance that the value of property held in the balance sheet was not understated, all properties with a previous value exceeding £100,000 were revalued in 2014/15.

Fixed assets owned by the Council include the following:

Operational Land & Buildings

Central Offices, Argyle Road
Swimming Pool/Leisure Centres
- Sevenoaks
- White Oak, Swanley
- Edenbridge
Lullingstone Clubhouse and Pro shop
Dunbrik Depot
Pavilion/Toilets, Holly Bush Rec
Indoor Bowls Centres
- Sevenoaks
- Swanley
Public Conveniences* – 5
Bus Facility, Sevenoaks

Surface Car Parks – 16
Stangrove Park, Edenbridge
Oxenhill Meadow, Otford

Non-Operational Assets

The Red Deer, Lullingstone Park
Land, Inglewood, Sevenoaks
Shoreham Woods/Timberden Farm
Glen Dunlop House, Sevenoaks
Stag Theatre, Sevenoaks
Black Boy Public House, Sevenoaks
Bus Station Café, Sevenoaks
Swanley Working Mens Club

Community Assets

Bishops Palace, Otford
Vine Paddock, Holly Bush Recreation Ground
Bradbourne Lakes, Sevenoaks
The Shambles, High St, Sevenoaks
Bartholomew Way Town Park

*Includes those leased to Parish Councils

No properties were sold during the year

Land at Croft Road, Westerham and 27-37 High Street, Swanley are treated as surplus assets.

Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension Defined Benefit Obligation (liability) based on IAS19 is estimated at £68.4m at 31 March 2015, compared to £54.8m at 31 March 2014.

IAS 19 does not have any impact on the actual level of employer contributions paid to the Kent County Council fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy, (rather than being based on corporate bond yields).

The last actuarial valuation of the pension fund was at March 2013. At that time the District Council's share of the overall deficit was £25m.

The inclusion of the pension liability in the Balance Sheet gives rise to a net liability of £9.534m; if the Pensions Liability were excluded, the total Net Assets would be £58.9m.

Balance Sheet

Here is a summarised balance sheet showing the net asset position of the Council at the end of March 2015:

31 March 2014 £'000		31 March 2015 £'000	
Assets			
29,882	Long Term assets		31,086
34,409	Current Assets		40,617
64,292	Total Assets		71,703
(7,103)	Current Liabilities		(12,157)
(55,497)	Long Term Liabilities		(69,079)
1,692	Total Net Assets / (Liabilities)		(9,534)
Reserves			
(27,918)	Usable Reserves		(27,279)
26,226	Unusable Reserves		36,813
(1,692)	Total Reserves		9,534

The balance sheet position has changed from a net asset of £1.692m at the end of March 2014 to a net liability of £9.534m at the end of March 2015; the main reason for this change is the significant change in the Pensions Liability.

Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held £3.460m of capital receipts which will be used in 2015/16 to purchase commercial property. The Council is debt-free.

During the year there were net transfers of £2.6m in to the earmarked reserves. At the end of the year the total of earmarked reserves was £22.3m. of which £6.7m was in the Budget Stabilisation Reserve.

Agenda Item 5

Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. The Council participated in a joint action, co-ordinated by the Local Government Association, to recover the investment and associated interest. Prior to November 2014 the Council had received £547,700 in partial payments from the Landsbanki Winding-up Board. On the 19 November 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that the Council has recovered in excess of 95% of the £1 million that was deposited with Landsbanki in 2008.

Impact of Current Economic Climate

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years. In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

Material Events After the Reporting Date

Since the reporting date the following material events have occurred:

The council completed the purchases of:

- Suffolk House for £4.0m (a deposit of £400,000 was paid in 14/15)
- Petrol Filling Station in Swanley for £2.45m.

Business Rates Retention Scheme

Up to 31 March 2013 the Council collected non-domestic rates on an agency basis for central government and the total amount collected was redistributed to councils as part of overall grant funding arrangements.

From 2013/14, the local government finance regime was changed with the introduction of the retained business rates scheme. The main aim is to give councils a greater incentive to grow businesses in their areas by allowing them to retain a proportion of the total non-domestic rates received. The Sevenoaks share

is 40%, with the remainder being paid to precepting authorities and central government. It does, however, also increase the financial risk due to non-collection and the volatility of the non-domestic rateable values. In addition, Councils are expected to finance successful appeals made by ratepayers against their rateable values. As such, Councils are required to make a provision for these amounts which are charged to the Collection Fund and relative shares taken into account by each of the precepting authorities and central government.

The provision for appeals charged to the Collection Fund in 2014/15 has been calculated as £4.510m and the District's share of this provision is £1.804m.

Under the current accounting regulations an adjustment is made to retained business rates for funding purposes, so that only the previously estimated levels affect the income of a council in a given year. Any deficit or surplus is then distributed afterwards, impacting upon the funding position in future years.

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 Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Executive's Responsibilities

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

In preparing this Statement of Accounts, the Chief Executive 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 Chief Executive has also:

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

Chief Executive's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2015 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL
Chief Executive
8 September 2015

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purpose of setting council tax. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Financial Year 2013/14	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied Capital Receipts Reserve		Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Notes	9				20		
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	(3,713)	(17,630)	-	(1,693)	(23,037)	31,220	8,184
<u>Movement in reserves during 2013/14</u>							
(Surplus) or deficit on the provision of services	(1,816)	-	-	-	(1,816)	-	(1,816)
Other Comprehensive Income and Expenditure	-	-	-	(12)	(12)	(8,048)	(8,060)
Total Comprehensive Income and Expenditure	(1,816)	-	-	(12)	(1,828)	(8,048)	(9,876)
Adjustments between accounting basis & funding basis under regulations (note 8)	(190)	-	-	(2,863)	(3,053)	3,053	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(2,006)	-	-	(2,875)	(4,881)	(4,995)	(9,876)
Year end balance transferred (to)/from Budget Stabilisation Reserve	244	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	1,762	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (note 9)	2,006	(2,006)	-	-	-	-	-
(Increase)/Decrease in 2013/14	-	(2,006)	-	(2,875)	(4,881)	(4,995)	(9,876)
Balance at 31 March 2014	(3,713)	(19,637)	-	(4,568)	(27,918)	26,226	(1,692)

Agenda Item 5

	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Financial Year 2014/15 Notes		9				20	
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	(3,713)	(19,637)	-	(4,568)	(27,918)	26,226	(1,692)
<u>Movement in reserves during 2014/15</u>							
(Surplus) or deficit on the provision of services	1,451	-	-	-	1,451	-	1,451
Other Comprehensive Income and Expenditure	-	-	-	(4)	(4)	9,780	9,776
Total Comprehensive Income and Expenditure	1,451	-	-	(4)	1,447	9,780	11,227
Adjustments between accounting basis & funding basis under regulations (note 8)	(1,919)	-	-	1,111	(808)	808	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(468)	-	-	1,107	639	10,588	11,227
Year end balance transferred (to)/from Budget Stabilisation Reserve	500	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(32)	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (note 9)	468	(468)	-	-	-	-	-
Transfer to Property Investment Reserve	2,213	(2,213)	-	-	-	-	-
(Increase)/Decrease in 2014/15	2,213	(2,681)	-	1,107	639	10,588	11,227
Balance at 31 March 2015	(1,500)	(22,318)	-	(3,461)	(27,279)	36,813	9,534

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2013/14			Note	2014/15		
Gross Exp Restated	Gross Income Restated	Net Exp Restated		Gross Exp	Gross Income	Net Exp
£000	£000	£000		£000	£000	£000
2,997	(1,839)	1,158		3,815	(2,411)	1,404
1,122	(38)	1,084		1,027	(68)	959
6,698	(1,053)	5,645		6,634	(1,065)	5,569
5,846	(2,224)	3,622		5,637	(2,496)	3,141
1,242	(2,832)	(1,590)		1,298	(3,156)	(1,858)
31,343	(29,576)	1,767		34,752	(32,021)	2,731
2,339	(27)	2,312		2,615	(39)	2,576
-	-	-		92	-	92
51,587	(37,589)	13,998	24	55,870	(41,256)	14,614
		(2,192)				(141)
		(303)	25			(248)
		3,322				3,496
		7				3
		834				3,110
		(874)	11			(57)
		26				(23)
		2,203	35			2,351
		(392)				(344)
		963				1,927

The figures for 2013/14 are restated due to a reclassification of grant income within cost of services.

Continued overleaf

Agenda Item 5

Gross Exp Restated £000	2013/14		Note	Gross Exp £000	2014/15	
	Gross Income Restated £000	Net Exp Restated £000			Gross Income £000	Net Exp £000
		-	29	Capital Grants and Contributions		-
		(11,804)		Council Tax		(12,626)
		(1,488)		National Non Domestic Rates Redistribution		(1,289)
		(4,319)	29	Non Service Related Government Grants		(4,285)
		<u>(17,611)</u>		Taxation and Non Specific Grant Income		<u>(18,200)</u>
		<u>(1,816)</u>		(Surplus) or Deficit on the Provision of Services		<u>1,451</u>
		(8,597)	10	(Surplus) or deficit on the revaluation of property, plant & equipment assets		(1,930)
		537	35	Actuarial (gains)/losses on pension assets/liabilities		11,706
		<u>(9,876)</u>		Total Comprehensive Income and Expenditure		11,227

BALANCE SHEET

31 March 2014 £000	Note		31 March 2015 £000
		Long Term Assets	
25,689	10 & 31	Property, Plant and Equipment	25,892
-	38	Heritage Assets	-
3,462	11	Investment Property	4,769
-		Intangible Assets	-
297	12	Long Term Investments	50
434	14	Long Term Debtors	375
<u>29,882</u>		Total Long Term Assets	<u>31,086</u>
		Current Assets	
16,127	12	Short Term Investments	17,058
-	16	Assets held for sale	-
16,935	15	Cash and Cash Equivalents	20,231
54	13	Inventories	47
1,172	14	Short Term Debtors	2,594
121	14	Payments in Advance	686
<u>34,409</u>		Total Current Assets	<u>40,617</u>
		Current Liabilities	
(3,340)	17	Receipts in Advance	(2,016)
(2,670)	17	Short Term Creditors	(8,091)
(1,093)	18	Short Term Provisions	(2,050)
<u>(7,103)</u>		Total Current Liabilities	<u>(12,157)</u>
27,307		Net Current Assets	28,460
		Long Term Liabilities	
(365)	17	Long Term Creditors	(363)
(257)	18	Long Term Provisions	(257)
(54,867)	35	Net Pensions Liability	(68,434)
(8)	29	Capital Grants Receipts in Advance	(26)
<u>(55,497)</u>		Total Long Term Liabilities	<u>(69,079)</u>
1,692		Total Net Assets/(Liabilities)	<u>(9,534)</u>

continued overleaf

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31 March 2014 £000	Note	continued from previous page	31 March 2015 £000
		Usable Reserves	
(4,568)	MIRS	Usable Capital Receipts Reserve	(3,460)
(19,637)	9	Earmarked Reserves	(22,318)
(3,713)		General Fund	(1,500)
	20	Unusable Reserves	
(14,592)		Capital Adjustment Account	(14,092)
(14,665)		Revaluation Reserve	(16,676)
152		Accumulated Absences Account	152
664		Collection Fund Adjustment Account	(815)
54,867	35	Pensions Reserve	68,434
(200)		Deferred Capital Receipts	(190)
(1,692)		Total Reserves	9,534

These financial statements replace the unaudited financial statements and were authorised at the meeting of the Audit Committee on 8 September 2015.

Dr Pav Ramewal
Chief Executive
8 September 2015

COUNCIL APPROVAL

The Audit Committee, at its meeting on 8 September 2015, approved the Statement of Accounts for year ended 31 March 2015 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
8 September 2015

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.

2013/14			2014/15
£000	Note		£000
1,816		Net (surplus) or deficit on the provision of services	(1,451)
2,859	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	6,975
(1,538)	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(485)
3,137		Net cash flows from operating activities	5,039
3,812	22	Investing Activities	(1,749)
5	23	Financing Activities	6
6,953		Net (increase) or decrease in cash and cash equivalents	3,296
9,982		Cash and cash equivalents at the beginning of the reporting period	16,935
16,935	15	Cash and Cash Equivalents at the end of the reporting period	20,231

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NOTES TO THE CORE FINANCIAL STATEMENTS**1. Accounting Policies****a. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

b. 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.

c. 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.

d. 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

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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.

e. 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 they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation.

f. 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 officers employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

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 has been revised and the new standard 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 35.

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 at the 18 year point on the Merrill Lynch AA-rated Corporate bond yield curve which was chosen to meet the requirements of IAS19 and with consideration of the Employers liabilities.
- 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.

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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 six components:

Current Service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service lines for which employees worked.

Past Service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.

Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities in events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs.

Net Interest on defined liability/(asset) – the expected increase in the present value of liabilities during the years they move one year closer to being paid – debited to the Financing and Investment income line of the Comprehensive Income and Expenditure Statement.

Re-measurement of defined benefit liability – comprising:

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Return on plan assets – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

g. 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.

h. 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.

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. This includes investments, trade debtors and loans.

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

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receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing, and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

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

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

j. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The Council writes off the entire cost to the Comprehensive Income and Expenditure Statement in the year the cost is incurred.

k. 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.

l. 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. 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.

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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.

m. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

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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.

n. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o. 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.

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

- infrastructure, community assets and assets under construction – depreciated historical costs.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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,

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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. 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

p. Provisions, Contingent Liabilities and Contingent Assets

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 in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

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 arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

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

q. Reserves

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

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

r. 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.

s. VAT

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

t. 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 policy 1.o.

At present the Council has no material heritage assets.

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

The 2014/15 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year.

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- Annual Improvements to IFRSs 2011-2013 Cycle
- IFRIC 21 Levies

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.

3. 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 judgement made in the Statement of Accounts is:

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

4. Prior Period Adjustment

There are no prior period adjustments.

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

This Statement contains estimated figures that are based on assumptions made by the Council about the future or other uncertainties. These estimates are made taking into account historical experience, current trends and other relevant factors. Assumptions were made in the following areas:

- Property, Plant and Equipment is depreciated over the estimated life of assets based on knowledge of professional officers supported by regular valuations from our valuers.
- Provision for Appeals related to Business Rates was prepared by professionally qualified officers based on information from the Valuation Office and experience of recent claims.

- Pensions Liabilities are calculated by the actuaries employed by the Kent County council Pension Fund.

6. Material Items of Income and Expense

A Transformation Challenge grant of £97,000 was received to support the implementation of the Building Control partnership.

Back dated VAT refunds in respect of car parking and trade waste totalling £103,000 were received.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Executive on 9 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

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

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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 Basis under Regulations 2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(2,081)	-	-	2,081
Movements in the market value of Investment Properties	57	-	-	(57)
Capital grants and contributions applied	2,462	-	-	(2,462)
Non Specific Capital Grants	-	-	-	-
Revenue expenditure funded from capital under statute	(2,658)	-	-	2,658
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	142	(142)	-	-
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.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	551	-	-	(551)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(6)	-	-	6

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Adjustments between Accounting basis and Funding Basis under Regulations 2014/15 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,250	-	(1,250)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)	4	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,849)	-	-	4,849
Employer's pensions contributions and direct payments to pensioners payable in the year	2,988	-	-	(2,988)
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	120	-	-	(120)
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	1,359	-	-	(1,359)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	(1,919)	1,112	-	(807)

Adjustments between Accounting basis and Funding Basis under Regulations 2013/14	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(1,518)	-	-	1,518
Movements in the market value of Investment Properties	874	-	-	(874)
Capital grants and contributions applied	1,293	-	-	(1,293)
Non Specific Capital Grants	-	-	-	-
Revenue expenditure funded from capital under statute	(1,471)	-	-	1,471
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	2,192	(2,870)	-	(678)
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.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	821	-	-	(821)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(5)	-	-	5

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2013/14 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(7)	7	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,818)	-	-	4,818
Employer's pensions contributions and direct payments to pensioners payable in the year	3,015	-	-	(3,015)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rate income calculated for the year in accordance with statutory requirements	(567)	-	-	567
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	(191)	(2,863)	-	(3,053)

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 2013/14 and 2014/15.

	Balance at 31Mar 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31Mar 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31Mar 2015 £000
General Fund	(3,713)	-	-	(3,713)	2,213	-	(1,500)
Budget Stabilisation	(4,051)	-	(1,297)	(5,348)	150	(1,506)	(6,704)
Financial Plan *	(5,224)	580	-	(4,644)	1,294	(810)	(4,160)
Property Investment	-	-	-	-	50	(3,781)	(3,731)
Asset Maintenance	(1,000)	-	-	(1,000)	-	-	(1,000)
Housing Benefit Subsidy	(1,021)	-	(61)	(1,082)	515	(97)	(664)
Pension Fund	(810)	-	(509)	(1,319)	1,319	(640)	(640)
Local Plan/LDF	(520)	89	(97)	(527)	-	(107)	(634)
Re-organisation	(386)	21	(100)	(465)	-	-	(465)
Vehicle Renewal	(508)	639	(435)	(304)	355	(470)	(419)
Action and Development	(395)	-	-	(395)	-	-	(395)
Community and Business	(460)	29	(19)	(449)	118	(52)	(383)
New Homes Bonus	(594)	215	-	(379)	-	-	(379)
First Time Sewerage	(915)	-	-	(915)	549	-	(366)
Carry Forward Items	(144)	96	(129)	(177)	46	(204)	(336)
Vehicle Insurance	(277)	-	(7)	(283)	-	(10)	(293)
IT Asset Maintenance	(315)	-	(89)	(404)	160	-	(244)
Corporate Project Support	-	-	-	-	-	(200)	(200)
Capital Financing	-	145	(298)	(153)	167	(198)	(184)
Flood Support	-	-	(173)	(173)	29	-	(144)
Repayable Housing Grant Assistance	(62)	-	(37)	(100)	-	(17)	(117)
District Elections	(70)	-	(17)	(88)	-	(18)	(106)
Housing Surveys	(38)	-	(17)	(55)	-	(50)	(105)
Homelessness	(197)	56	(56)	(197)	122	(28)	(103)
Health & Safety	-	-	-	-	-	(100)	(100)
Other (Under £100k)	(642)	60	(595)	(1,177)	758	(26)	(445)
Total	(17,631)	1,930	(3,936)	(19,637)	5,632	(8,314)	(22,318)
Grand Total	(21,344)	1,930	(3,936)	(23,349)	7,845	(8,314)	(23,818)

*Includes management of NDR element of the collection fund deficit

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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 moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Property Investment - To support the aims of the Property Investment Strategy agreed by Council 22 July 2014
- Asset Maintenance – To fund emergency asset maintenance works.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Local Plan / LDF - To help support the Local Plan and Local Development Framework.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Community and Business - To fund ongoing and future projects.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- Carry Forward Items - For specific items agreed by cabinet.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Corporate Project - To support use of external expertise in investigating proposed Corporate Projects (agreed Cabinet February 2014)
- Capital Financing – Annual contributions from revenue to fund some capital projects – not fully used in 2014/15
- Flood Support - To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme
- Repayable Housing Assistance – Part of the grant may be repayable when the conditions are no longer met e.g. house sold
- District Elections - To finance local elections.
- Housing Surveys – To fund Housing Surveys at the time of need (Cabinet June 15)
- Homelessness Prevention – For preventing homelessness.
- Health & Safety - Set up following the prosecution against the Council brought by the Health and Safety Executive (Cabinet June 2015)
- Other - Other small reserves set aside.

10. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At 1 April 2013	21,630	8,088	211	1,036	30,965
Additions	4	639	-	-	643
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	8,402	-	-	-	8,402
- Surplus or Deficit	(77)	-	-	-	(77)
Derecognition – Disposals	(119)	(4)	-	(812)	(935)
Derecognition – Other	(78)	(925)	-	-	(1,003)
Reclassifications	65	-	-	-	65
At 31 March 2014	29,827	7,798	211	224	38,060
Accumulated Depreciation and Impairment					
At 1 April 2013	(6,136)	(6,291)	-	(41)	(12,468)
Depreciation Charge	(164)	(571)	-	-	(735)
Depreciation written out to the					
- Revaluation Reserve	57	-	-	(183)	(126)
- Surplus/ Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	24	-	-	-	24
Derecognition Other	10	925	-	-	935
Reclassifications	-	-	-	-	-
At 31 March 2014	(6,209)	(5,937)	-	(224)	(12,370)
Net Book Value					
As at 31 March 2013	15,494	1,797	211	995	18,497
As at 31 March 2014	23,618	1,861	211	-	25,690

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Movements in 2014/15

Movements in 2014/15:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1 April 2014	29,827	7,798	211	-	224	38,060
Additions	-	355	-	-	-	355
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	(452)	-	-	2,052	-	1,600
- Surplus or Deficit	(1,234)	-	-	(121)	-	(1,355)
Derecognition – Disposals	-	(232)	-	-	-	(232)
Derecognition – Other Reclassifications	(5,592) (438)	(2,577) -	- -	(8) 438	(224) -	(8,401) -
At 31 March 2015	22,111	5,344	211	2,361	-	30,027
Accumulated Depreciation and Impairment						
At 1 April 2014	(6,209)	(5,937)	-	-	(224)	(12,370)
Depreciation Charge	(137)	(582)	-	-	-	(719)
Depreciation written out to the						
- Revaluation Reserve	330	-	-	-	-	330
- Surplus/ Deficit on the Provision of Services						
Derecognition – Disposals	-	232	-	-	-	232
Derecognition Other Reclassifications	5,592	2,577	-	-	224	8,393
At 31 March 2015	(424)	(3,710)	-	-	-	(4,134)
Net Book Value						
As at 31 March 2014	23,618	1,861	211	-	-	25,690
As at 31 March 2015	21,687	1,634	211	2,361	-	25,893

Depreciation

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

- Buildings - up to 60 years
- Vehicles - up to 7 years
- Equipment - up to 5 years

Capital Commitments

At 31 March 2015, there were no significant sums outstanding on capital contracts.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value 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 2015, by external independent valuers, I. Dewar FRICS FIRR V MCI Arb, R. Messenger BSc FRICS FIRR V MCI Arb REV, S. Layfield FRICS IRR V and A. Williams Dip BSc (Hons) MRICS FIRR V REV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

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 some larger commercial vehicles over 7 years.

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The regular rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2014/15	Investment Properties, Stag Theatre, Parks and Woodlands
2013/14	Investment Properties; car parks, public conveniences
2012/13	Depot, Offices, bus station. *
2011/12	Amenity Land *
2010/11	Leisure Centres, Golf Course, Hollybush *

* By exception these properties were also revalued in 2014/15.

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 & Equipment £000	Community Assets £000	TOTAL £000
Carried at historical cost:		5,343	211	5,554
Valued at current value in:				
2014/15	23,408	-	-	23,408
2013/14	1,063	-	-	1,063
2012/13	-	-	-	-
2011/12	-	-	-	-
2010/11	-	-	-	-
Total	24,471	5,343	211	30,025

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.

	2013/14 £000	2014/15 £000
Rental income from investment property	71	61
Direct operating expenses from investment property	-	-
Net gain/(loss)	71	61

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 repairs, maintenance or enhancement.

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

	2013/14 £000	2014/15 £000
Balance at start of the year	2,735	3,462
Purchases	-	1,250
Disposals	(83)	-
Net Gains/ (losses) from fair value adj.	874	57
Transfers from Property, Plant & Equipment	(64)	-
Other Changes	-	-
	<u>3,462</u>	<u>4,769</u>

During 2014/15 the Council purchased Swanley Working Mens Club.

12. Financial Instruments

The investment figures are made up mainly of surplus capital and revenue reserve balances. The investments are placed with recognised financial institutions. These are classified in the loans and receivables category of financial instruments, having fixed or determinate payments and not quoted in an active market.

Balances due to our trade creditors and from our trade debtors are also included here.

The balances, which include the principal and the interest accrued, at the year end can be analysed as follows:

	Long Term		Current	
	31/03/2014 £'000	31/03/2015 £'000	31/03/2014 £'000	31/03/2015 £'000
Loans & Receivables				
Investments	297	50	16,127	17,058
Net trade receivables (within debtors)	434	375	903	878
Cash & cash equivalents	-	-	16,935	20,231
Total Financial Assets	731	425	33,965	38,167
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(365)	(363)	(906)	(1,608)
Total Financial Liabilities	(365)	(363)	(906)	(1,608)

Short-term investments are those that were placed for a period in excess of three months and fall to be repaid within one year of the balance sheet date. Long-term investments were placed for over one year. Investments placed for less than three months are treated as cash or cash equivalents.

Net trade receivables also include sums owed by our partnership councils as at 31 March 2015.

Fair value of assets carried at amortised cost

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Market rates at 31 March 2015 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	31,986	32,053	35,150	35,232

The fair value is greater than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans in the market at the Balance Sheet date.

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 movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. Risk management is carried out by the Council in the following ways:

- Formal adoption of the requirements of the CIPFA Treasury Management Code of Practice and Treasury Policy Statement.
- Approving annually in advance prudential and treasury indicators for the following three years and an Annual Treasury Management Strategy.

These policies are implemented by treasury management officers and 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. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings 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 the top five Societies ranked by assets with a maximum investment period of 100 days if the Society does not satisfy the creditworthiness modelling approach.
- No more than £6m (or £7m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £10m per Group. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £2m if it doesn't.
- Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies, with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is 30%.
- 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.

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 £29.8m at 31 March 2015 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. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise.

The only historical experience of default relates to the Icelandic investment, which was disposed of in 2014/15.

Icelandic Bank Defaults

As detailed in the Explanatory Foreword, the Council had £1m invested with Landsbanki Islands hf. On the 19 November 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale proceeds combined with previous distributions means that in excess of 95% of the deposit with Landsbanki has been recovered.

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The total impairment (principal plus interest not received) in the financial years up to and including 2014/15 has been recognised in the Income and Expenditure Account. As at 31 March 2015 this amounted to £168,600, offset by notional interest of £86,800. This impairment has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies were recovered.

Liquidity Risk

The Council ensures that it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council is also required to provide a balanced budget by 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.

The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets is as follows:

	31 March 2014	31 March 2015
	£000	£000
Less than 1 year	33,050	37,801
Between 1 and 2 years	-	-

Refinancing and Maturity Risk

This risk relates to the maturing of both longer term financial liabilities and longer term financial assets. As the Council does not currently have any debt and does not lend for periods in excess of one year, 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:

Investments at variable rates – the interest income credited to the Income and Expenditure Account 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.

By way of example, if interest rates on fixed deposits had been 1% higher during 2014/15 (with all other variables held constant), the financial effect would have been to increase investment income by £676,000.

Price Risk

The Council does not invest in equity shares or marketable bonds 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 and, therefore, no exposure to loss arising from movements in exchange rates, except in the case of the Icelandic investment. An element of previous distributions is in Icelandic Krona, which has been placed in an escrow account in Iceland and is currently earning interest at a rate of approximately 4%. The value of the escrow account, together with accrued interest, has been estimated to be approximately £8,100 as at the balance sheet date. However, as the value of the escrow account is small, the potential exchange rate loss is minimal.

13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot.

	2013/14	2014/15
	£000	£000
Balance outstanding at start of the year	30	54
Purchases	517	422
Recognised as an expense in the year	(493)	(429)
Balance outstanding at end of the year	54	47

14. Debtors

	As at 31 March 2014			As at 31 March 2015		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
Long Term Debtors						
Employee Car Loans	85	-	85	66	-	66
Loan to Sencio	106	-	106	81	-	81
Finance lease	192	-	192	186	-	186
Other	51	-	51	41	-	41
Total Long Term Debtors	434	-	434	374	-	374
Short Term Debtors						
Collection Fund (CF)						
NDR Payers	(15)	-	(15)	805	(362)	443
NDR Bad Debt Provision	-	(351)	(351)	-	-	-
Council Tax Payers	600	(456)	144	637	(486)	151
General Fund						
DWP – Housing Benefit Grant	88	-	88	563	-	563
Housing Benefit Overpayments	1,519	(1,151)	368	1,913	(1,448)	465
Partnership working	215	-	215	271	-	271
VAT	125	-	125	174	-	174
Other	679	(81)	598	607	(81)	526
	3,211	(2,039)	1,172	4,970	(2,377)	2,593
Prepayments*	-	-	-	686	-	686

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

*Prepayments 13/14 were £121,000. Prepayments as at 31/3/15 include deposit paid for Suffolk House.

15. Cash and Cash Equivalents

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

	31/03/14 £000	31/03/15 £000
Cash held by the Authority	1	9
Bank current accounts	1,373	2,181
Short-term deposits with:		
Banks	7,055	6,033
Building Societies	5,004	4,003
Other Local Authorities	-	2,002
Money Market Funds	3,502	6,003
Total Cash and Cash Equivalents	16,935	20,231

16. Assets Held for Sale

At 31 March 2015 no properties were specifically held for sale.

17. Creditors and Receipts in Advance

	31/03/14 £000	31/03/15 £000
Receipts in Advance		
Tax Payers	(246)	(273)
NDR	(197)	(211)
Section 106 receipts	(2,689)	(1,361)
Other Receipts in Advance	(208)	(172)
Total Receipts in Advance	<u>(3,340)</u>	<u>(2,016)</u>
Short Term Creditors		
NDR	(232)	(4,356)
NDR - Deferrals	(139)	11
Central Government (NDR)	-	-
Council Tax (Preceptors)	(581)	(1,304)
Capital	-	-
Insurance	(151)	(156)
HMRC	(522)	(529)
Kent County Council	(289)	(305)
Other General Fund	(756)	(1,452)
Total Short Term Creditors	<u>(2,670)</u>	<u>(8,091)</u>
Long Term Creditors		
Long Term Creditor (Quakers Hall Allotments)	(365)	(363)

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

18. Provisions

The following provisions have been made by the Council:

	NDR Appeals	MMI	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2014	907	257	152	34	1,350
Additional Provisions made during year	1,182	-	-	60	1,242
Amounts Used during the year	(285)	-	-	-	(285)
Balance at 31 March 2015	1,804	257	152	94	2,307

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.

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.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the Council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.

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.

Other Provisions: The Personal Search Provision is in respect of potential restitutionary claims in relation to personal search fees of the land register.

19. Usable Reserves

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

20. Unusable Reserves

	31/03/14	Movement in Year	31/03/15
	£'000	£'000	£'000
Capital Adjustment Account	(14,592)	500	(14,092)
Revaluation Reserve	(14,665)	(2,011)	(16,676)
Accumulated Absences Account	152	-	152
Collection Fund Adjustment Account	664	(1,479)	(815)
Pensions Reserve	54,867	13,567	68,434
Deferred Capital Receipts Reserve	(200)	10	(190)
Total Unusable Reserves	26,226	10,587	36,813

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.

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2013/14 £000		2014/15 £000	£000
(14,991)	Balance at 1 April		(14,592)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,518	Charges for depreciation and impairment of non current assets	2,081	
-	Revaluation Losses on Property, Plant and Equipment	-	
1,471	Revenue expenditure funded from capital under statute	2,658	
-	Deferred Capital Receipts movement	-	
447	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	103	
<u>3,436</u>			<u>4,842</u>
(49)	Adjusting Amounts written out of the Revaluation Reserve		(22)
3,387	Net Written out amount of the cost of non current assets consumed in the year		4,820
	Capital Financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,250)	
(1,293)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(2,462)	
-	- Non-specific capital grant	-	
-	- Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
(821)	Capital Expenditure charged against the General Fund	(551)	
<u>(2,114)</u>			<u>(4,263)</u>
(874)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(57)
<u>(14,592)</u>	Balance at 31 March		<u>(14,092)</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.

2013/14		2014/15	
£000		£000	£000
(6,347)	Balance at 1 April		(14,665)
(8,598)	Upward Revaluation of Assets	(3,307)	
-	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	1,274	
(8,598)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(2,033)	(2,033)
49	Difference between fair value depreciation and historical cost depreciation	22	
231	Accumulated gains on assets sold or scrapped	-	
280	Amount written off to the Capital Adjustment Account	22	22
(14,665)	Balance at 31 March		(16,676)

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.

2013/14		2014/15	
£000		£000	£000
152	Balance at 1 April		152
-	Settlement or cancellation of accrual made at the end of previous year	-	
-	Amounts accrued at the current year end	-	
-	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	-	
152	Balance at 31 March		152

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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.

2013/14 £000		2014/15 £000
97	Balance at 1 April	664
(28)	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	(120)
595	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,359)
664	Balance at 31 March	(815)

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 substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £000		2014/15 £000
52,527	Balance at 1 April	54,867
537	Actuarial Gains/(Losses) on pensions assets and liabilities	11,706
4,818	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,849
(3,015)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,988)
54,867	Balance at 31 March	68,434

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.

2013/14 £000		2014/15 £000
(217)	Balance at 1 April	(200)
5	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	6
12	Transfer to the Capital receipts reserve upon receipt of cash	4
(200)	Balance at 31 March	(190)

21. Cash Flow Statement – Operating Activities

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

2013/14 £000		2014/15 £000
735	Depreciation	726
1,566	Impairment and downward valuations	1,355
-	Amortisation	-
-	Increase in impairment provision for bad debts	337
(126)	(Increase)/Decrease in creditors	4,092
792	Increase/(Decrease) in debtors / payments in advance	(2,324)
(24)	Increase/(Decrease) in stock	7
1,803	Pension liability	1,861
(1,046)	Carrying amount of non-current assets sold	-
(841)	Other non-cash items charged to the net surplus or deficit on the provision of services	921
2,859		6,975

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

2013/14 £000		2014/15 £000
-	Purchase of short-term and long-term investments	-
(392)	Proceeds from short-term and long-term investments	(344)
(1,146)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(142)
(1,538)		(486)

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
295	Interest received	344
-	Interest paid	-
-	Dividends received	-

22. Cash Flow Statement – Investing Activities

2013/14 £000	<u>Investing Activities</u>	2014/15 £000
(643)	Purchase of property, plant & equipment, investment property and intangible assets	(1,605)
1,128	Purchase of short term and long term investments	(684)
-	Other payments for investing activities	-
2,882	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	147
392	Proceeds from sale of short-term and long-term investments	344
53	Other receipts from investing activities	49
3,812	Net Cash Flow from investing activities	(1,749)

23. Cash Flow Statement – Financing Activities

2013/14 £000	<u>Financing Activities</u>	2014/15 £000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
5	Cash payments for finance leases	6
-	Other payments for financing activities	-
5	Net Cash Flow from Financing activities	6

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority’s Cabinet on the basis of budget reports analysed across Chief Officers. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for centrally and not charged to Chief Officers.

The income and expenditure of the Authority’s services recorded in the budget reports for the year is as follows:

Chief Officers Income and Expenditure 2013/14	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal and Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(277)	(817)	(5,432)	(135)	(1,399)	(649)	(176)	(8,885)
Government Grants	(207)	-	-	(101)	(28,785)	(7)	(7)	(29,107)
Total Income	(484)	(817)	(5,432)	(236)	(30,184)	(656)	(183)	(37,992)
Employee Expenses	519	1,810	2,256	708	2,654	1,552	458	9,958
Other Service Expenses	954	323	5,964	306	31,842	2,303	273	41,963
Total Expenditure	1,473	2,133	8,220	1,014	34,495	3,855	731	51,921
Net Expenditure	989	1,315	2,788	778	4,312	3,199	548	13,929

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Chief Officer Income and Expenditure 2014/15	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal and Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
	Fees, Charges & Service Income	(454)	(937)	(6,033)	(133)	(1,538)	(737)	(229)
Government Grants	(113)	-	(89)	(130)	(30,362)	-	(61)	(30,755)
Total Income	(567)	(937)	(6,122)	(263)	(31,900)	(737)	(290)	(40,815)
Employee Expenses	505	1,689	2,282	702	2,693	1,616	466	9,953
Other Service Expenses	901	307	6,377	286	34,054	2,367	365	44,657
Total Expenditure	1,406	1,997	8,658	988	36,747	3,984	831	54,611
Net Expenditure	839	1,060	2,536	725	4,847	3,247	541	13,795

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.

	2013/14 restated £000	2014/15 £000
Net Expenditure in Chief Officer Analysis	13,929	13,795
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	69	819
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	13,998	14,614

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.

2013/14 restated	Chief Officer Analysis £000	Amounts not reported to management £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	(8,885)	-	-	(8,885)	-	(8,885)
Interest and Investment Income	-	-	-	-	(392)	(392)
Income from Council Tax and NDR	-	-	-	-	(13,292)	(13,292)
Government Grants and Contributions	(29,107)	-	-	(29,107)	(4,319)	(33,426)
Total Income	(37,992)	-	-	(37,992)	(18,003)	(55,595)
Employee Expenses	9,958	-	-	9,958	-	9,958
Other Service Expenses	41,963	69	-	42,032	1,900	43,932
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(874)	(874)
Interest Payments & similar payments	-	-	-	-	26	26
Precepts & Levies	-	-	-	-	3,322	3,322
Payments to Housing Capital Receipts Pool	-	-	-	-	7	7
Gain or loss on disposal of non-current assets	-	-	-	-	(2,192)	(2,192)
Total Expenditure	51,921	69	-	51,990	2,189	54,179
(Surplus) or deficit on the provision of services	13,929	69	-	13,998	(15,814)	(1,816)

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Reconciliation to Subjective Analysis 2014/15	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(9,972)	(2,052)	-	(12,024)	-	(12,024)
Interest and Investment Income	-	-	-	-	(344)	(344)
Income from Council Tax and NDR	-	-	-	-	(13,915)	(13,915)
Government Grants and Contributions	(30,755)	-	-	(30,755)	(4,285)	(35,040)
Total Income	(40,727)	(2,052)	-	(42,779)	(18,544)	(61,323)
Employee Expenses	9,953	-	-	9,953	2,352	12,305
Other Service Expenses	44,569	2,871	-	47,440	(249)	47,191
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(57)	(57)
Interest Payments & similar payments	-	-	-	-	(23)	(23)
Precepts & Levies	-	-	-	-	3,496	3,496
Payments to Housing Capital Receipts Pool	-	-	-	-	3	3
Gain or loss on disposal of non-current assets	-	-	-	-	(141)	(141)
Total Expenditure	54,522	2,871	-	57,393	5,381	62,774
(Surplus) or deficit on the provision of services	13,795	819	-	14,614	(13,163)	1,451

25. Trading Operations

Trading Accounts are operated for Direct Services, which includes two major services, Refuse Collection and Street Cleaning.

The following table sets out the financial trading accounts for 2014/15:

2013/14		Income	Expenditure	(Surplus)/Deficit
£000		£000	£000	2014/15
				£000
	Direct Services			
(54)	Refuse Collection	(2,342)	2,183	(159)
11	Street Cleansing	(1,193)	1,232	39
(255)	Other Operational Accts	(1,980)	1,866	(114)
(5)	Overhead Accounts	(1,174)	1,160	(14)
(303)		(6,689)	6,441	(248)

Other Operational Accounts include vehicle workshop and premises cleaning. Overhead Accounts include transport fleet and depot.

For management accounting purposes, recharges for internal work completed by the trading accounts have been priced to include a capital financing charge. The Code of Practice does not permit charges for cost of capital to be debited to trading accounts. The following table sets out the position if capital charges had been made:

2013/14		Income	Expenditure	(Surplus)/Deficit
£000		£000	£000	2014/15
				£000
	Direct Services			
(20)	Refuse Collection	(2,342)	2,217	(125)
41	Street Cleansing	(1,193)	1,245	52
(248)	Other Operational Accounts	(1,980)	1,874	(106)
(3)	Overhead Accounts	(1,174)	1,162	(12)
(230)		(6,689)	6,498	(191)

26. Members' Allowances

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

	2013/14	2014/15
	£000	£000
Allowances	343	349
Expenses	16	13
Total	359	362

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27. 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:

2013/14	Salary £	Bonuses £	Expenses £	Compensation Loss of Employment	Pension £	Other Emol- uments £	Total £
Chief Executive (Robin Hales) To 31 August 13	56,983	3,192	134	-	8,411	3,751	72,471
Chief Executive (P Ramewal) from 01 September 13	78,726	-	197	-	10,851	478	90,252
Director Of Community and Planning Services To 5 April 13	1,559	2,680	2	60,722	571	4,699	70,233
Director of Corporate Resources To 31 August 13	47,238	2,680	88	-	6,068	-	56,074
Monitoring Officer to 31 August 2013; Chief Officer Legal and Governance from 01 September 2013	72,523	2,414	45	-	9,722	-	84,704
Chief Housing Officer from 01 September 13	39,097	-	23	-	5,356	-	44,477
Chief Finance Officer from 01 September 13	39,097	-	98	-	5,356	-	44,551
Chief Officer Corporate Support from 01 September 13	39,097	-	-	-	5,356	-	44,453
Chief Officer Communities and Regeneration from 01 September 13	39,097	-	135	-	5,356	-	44,588
Chief Planning Officer from 01	41,892	-	-	-	5,739	-	47,631

September 13							
Chief Officer Environmental and Operations from 01							
September 13	42,872	-	63	-	5,874	-	48,809
Head of Strategy and Transformation from 01							
September 13	28,889	-	-	-	3,958	-	32,846
Head of Human Resources from 01							
September 13	32,222	-	10	-	4,414	-	36,646

2014/2015	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol- uments	Total
Chief Executive (P Ramewal)	141,447	-	165	-	19,779	4,358	165,749
Chief Officer Legal	77,720	500	59	-	10,506	-	88,785
Chief Housing Officer	70,842	500	87	-	9,534	-	80,963
Chief Finance Officer	70,842	500	160	-	9,534	-	81,034
Chief Officer Corporate Support	71,404	500	5	-	9,613	-	81,522
Chief Officer Communities and Business	70,849	500	161	-	9,534	-	81,044
Chief Planning Officer	75,937	500	-	-	10,254	-	86,691
Chief Officer Environmental and Operations	77,720	500	143	-	10,506	-	88,869
Head of Strategy and Transformation	47,507	500	-	-	6,766	-	54,773
Head of Human Resources	14,472	-	18	-	5,611	-	20,101

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

The Chief Executive declined his appraisal bonus in 2014/15.

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 Band	Number of Employees	
	2013/14	2014/15
£50,000 - £54,999	4	8
£55,000 - £59,999	4	3
£60,000 - £64,999	2	2
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-

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	
	13/14	14/15	13/14	14/15	13/14	14/15	13/14 £000	14/15 £000
£0 - £20,000	3	3	3	6	6	9	59	43
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,000	-	-	-	-	-	-	-	-
Total	3	3	3	6	6	9	59	43

28. 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.

	2013/14 £000	2014/15 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	59	58
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	21	21
Fees payable in respect of other services provided by external auditors during the year	-	2
Refund from Audit Commission	(8)	(6)
Total	72	75

29. Grant Income

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

	2013/14 restated £000	2014/15 £000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant (DCLG)	(2,952)	(2,241)
New Homes Bonus (DCLG)	(993)	(1,396)
Council Tax Freeze (DCLG)	-	-
S31 Small Business Rate Reduction	(374)	(648)
Total	(4,319)	(4,285)
<u>Credited to Services</u>		
Benefit Subsidy (DWP)	(28,024)	(29,607)
Community Facility Improvements	(852)	(2,052)
Housing Benefit Administration (DWP)	(542)	(496)
Flood Support (DCLG)	(173)	-
Choosing Health PCT (KCC)	(138)	(131)
Disabled Facilities (KCC)	(401)	(411)
Homelessness (DCLG)	(92)	(91)
New Burdens (DCLG)	(65)	(62)
Communities against Drugs (KCC)	(60)	(35)
Community Sports (Sports England)	-	(42)
Regional Housing Fund (DCLG)	(40)	-
Other	(54)	(73)
Total	(30,441)	(33,000)

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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. The balances at year-end are as follows:

	2013/14 £000	2014/15 £000
Capital Grants Receipts in Advance		
Regional Housing Pot (DCLG/KCC)	(8)	(16)
Community Infrastructure Levy	-	(9)
Total	(8)	(25)

30. 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 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 2015 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in note 26. During 2014/15 the Council awarded a grant of £3,000 to a voluntary organisation in which two members had an interest. The grant was made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grant. The Register of Members' Interests is open to public inspection.

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. No senior officers declared any related party transactions with the Council in 2014/15.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the

following organisation:

- Sevenoaks Leisure Limited – management fee of £80,950. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31 March 2018 and interest of 7% per year.

31. 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.

	2013/14 £000	2014/15 £000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	643	355
Intangible Assets	-	-
Investment Properties	-	1,250
Revenue Expenditure Funded from Capital under Statute	1,471	2,658
	<u>2,114</u>	<u>4,263</u>
Sources of Finance:		
Capital Receipts	-	(1,250)
Government Grants and other contributions	(1,290)	(2,462)
Sums set aside from revenue	(824)	(551)
	<u>(2,114)</u>	<u>(4,263)</u>
Closing Capital Financing Requirement	-	-

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32. 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.

Payments under operating leases during the year amounted to £33,145 (£3,640 in 2013/14). Payments under operating leases in 2013/14 related to leased cars.

	Minimum Lease Payments	
	31/03/14	31/03/15
	£000	£000
Not later than one year	4	33
Later than one year and not later than five years	-	216
Later than five years	-	473
Total	4	722

The leased company car scheme has ceased with the last payments made in 2013/14; there were no payments under operating leases for company cars payable in 2014/15.

Finance Leases

Authority as Lessee

The Council has no finance leases as a lessee.

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 whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	31/03/14	31/03/15
	£000	£000
Gross Investment in the Lease	328	302
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	184	177
Unearned Finance Income	144	125

The gross investment in the lease will be received over the following periods.

	31/03/14	31/03/15
	£000	£000
Not later than one year	24	24
Later than one year and not later than 5 years	118	118
Later than 5 years	185	160
Total	328	302

33. Impairment Losses

During 2014/15 there were revaluation losses totalling £1.355m.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £43,000 (£59,000 in 2013/14) – see note 27 for the number of exit packages and total cost per band. One of these was as a result of the budget savings agreed by Council on 16 December 2010.

35. 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 defined benefit final salary 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.

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- 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 the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that 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.

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:

	2013/14	2014/15
Comprehensive Income and Expenditure Statement	£000	£000
Cost of Services		
Service cost comprising:		
Current Service cost	2,355	2,355
Past Service costs	205	92
Net Interest Expense (includes administration expense)	2,258	2,402
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,818	4,849
Other post employment charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(2,501)	(4,560)
Actuarial gains and losses arising on change in demographic assumptions	2,655	-
Actuarial gains and losses arising on changes in financial assumptions	2,419	16,328
Other	(2,036)	(62)
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	537	11,706
Movement in Reserves Statement		
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	4,818	4,849
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	3,015	2,988

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Pensions Assets and Liabilities recognised in the Balance Sheet

	2013/14 £000	2014/15 £000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(120,362)	(140,663)
Present Value of Unfunded Liabilities	(2,274)	(2,337)
Total Pensions Liability	(122,636)	(143,000)
Fair Value of plan assets (at bid value)	67,769	74,566
Net liability arising from the defined benefit obligation	(54,867)	(68,434)

Reconciliation of movements in the fair value of scheme assets	2013/14 £000	2014/15 £000
Opening fair value of scheme assets	65,548	67,769
Interest on assets	2,803	2,967
Return on assets less interest	2,501	4,560
Other actuarial gains/losses	(2,285)	-
Administration expense	(55)	(51)
Contributions from employer	3,015	2,988
Contributions from scheme participants	585	635
Estimated benefits paid plus unfunded net of transfers in	(4,343)	(4,302)
Closing Value of scheme assets	67,769	74,566

Reconciliation of the movements in defined benefit obligation	2013/14 £000	2014/15 £000
Opening Defined Benefit Obligation	118,075	122,636
Current Service Cost	2,355	2,355
Interest Cost	5,006	5,318
Change in Financial Assumptions	2,419	16,328
Change in Demographic assumptions	2,655	-
Experience loss/gain on defined benefit obligation	(4,321)	(62)
Estimated benefits paid net of transfers in	(4,143)	(4,102)
Past service costs including curtailments	205	92
Contributions by scheme participants	585	635
Unfunded pension payments	(200)	(200)
Closing Defined Benefit Obligation	122,636	143,000

Scheme Assets

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

	31/03/14 %	31/03/15 %
Equity investments	71	68
Gilts	1	1
Bonds	11	11
Property	10	13
Cash	3	3
Target return portfolio	4	4
Total	100	100

Note: The extract from the actuaries report contains roundings.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11% (2013/14 was 8%). The actual return on Fund assets over the year may be different.

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 2013.

The principal assumptions used by the actuary have been:

	2013/14	2014/15
Expected return for year (see note below)	8.0%	11.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.7	22.8
Women	25.1	25.2
Longevity at 65 for future pensioners		
Men	24.9	25.1
Women	27.4	27.6
Rate of Inflation (CPI)	2.8%	2.4%
Rate of increase in salaries	4.6%	4.2%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.4%	3.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Barnett Waddingham estimate the duration of Employers liabilities at 18 years.

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which was chosen by the actuaries to meet the requirements of IAS19 and with consideration of the duration of Employer’s liabilities.

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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 total obligation of £143.0m.

	£000 Increase of +0.1%	£000 Decrease of 0.1%
Adjustment to discount rate	2,783	2,911
Adjustment to long term salary increase	2,847	2,845
Adjustment to pensions increases and deferred revaluation	2,910	2,783
Adjustment to mortality age rating assumptions	2,749	2,943

Projected Pension Expense for the year to 31 March 2016

	2015/16 Projection £000
Service Cost	2,846
Net interest on the defined liability	2,212
Administration expense	56
Total	5,114
Employer Contributions	2,827

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 final salary 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.

36. Contingent LiabilitiesPersonal Search Fees

Sevenoaks District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £57k. plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is not expected to exceed £10k plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The initial claim was settled after the balance sheet date.

Health and Safety

The Health and Safety Executive (HSE) have initiated two charges under the Health and Safety at Work Act 1974 following an incident on the 13th September 2010 where a motorbike rider collided with Sevenoaks District Council road sweeper lorry. The Council is represented by its insurers and is receiving legal representation.

37. Contingent Assets

The Council transferred the remaining part of its housing stock to Moat Housing Association in 1993. When Shared Ownership Lessees purchase further equitable shares in their property the Council receives the proceeds of purchasing the further share, less certain costs. This contingent asset applies for a period of 30 years commencing in 1993.

38. 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 Note 10.

Oxford Palace Gatehouse is not held on the balance sheet as the Council considers that obtaining a robust and accurate valuation for this unique and specialist property would be not straightforward and the cost would be disproportionate to the benefit of the user of these accounts.

At present the Council has no other material heritage assets and these are valued for insurance purposes only.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2014/15

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 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.

2013/14			2014/15		
Council Tax £000	NDR £000		Council Tax £000	NDR £000	Total £000
		<u>Income</u>			
71,919		Billed to Council Tax Payers	74,681		74,681
	35,178	Income from Business Ratepayers		35,429	35,429
293		Reduction in Bad Debts Provision	341	712	1,053
		Repayment of Deferred Charges		151	151
		Reimbursement of previous year's estimated Collection Fund deficit		3,083	3,083
72,212	35,178		75,022	39,375	114,397
		<u>Expenditure</u>			
		Precepts & Demands:			
49,301	3,031	Kent County Council	50,899	2,913	53,812
6,656		Police & Crime Commissioner for Kent	6,872		6,872
3,197	337	Kent & Medway Fire & Rescue Authority	3,301	324	3,625
8,728	13,471	Sevenoaks District Council	9,010	12,948	21,958
3,322		Town & Parish Councils	3,496		3,496
		Business Rates:			
	16,838	Payments to Government		16,185	16,185
	170	Cost of Collection Allowance		170	170
	53	Transitional Protection		21	21
		Bad and Doubtful Debts:			
501	54	Provision for Non Payment	521	27	548
	2,267	Provision for Appeals		2,954	2,954
339	443	Write Offs	216	436	652
		Contribution towards previous year's estimated Collection Fund surplus			
72,044	36,664		74,315	35,978	110,293
	(1,486)	(DEFICIT)/SURPLUS FOR YEAR	707	3,397	4,104
		COLLECTION FUND BALANCE			
(576)	-	Balance at beginning of year	(408)	(1,486)	(1,894)
168	(1,486)	(Deficit)/Surplus for year	707	3,397	4,104
(408)	(1,486)	BALANCE AT END OF YEAR	299	1,911	2,210

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.

The tax base for 2014/15 was approved by Cabinet in January 2014 as follows:

Band	2013/14			2014/15		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	1.50	5/9ths	0.83	1.25	5/9ths	0.70
A	956.50	6/9ths	637.52	928.80	6/9ths	619.20
B	1,722.00	7/9ths	1,339.10	1,766.74	7/9ths	1,374.10
C	7,539.50	8/9ths	6,701.93	7,711.27	8/9ths	6,854.50
D	9,481.50	9/9ths	9,481.01	9,562.91	9/9ths	9,562.90
E	6,330.75	11/9ths	7,737.68	6,408.31	11/9ths	7,832.40
F	5,250.25	13/9ths	7,583.20	5,292.93	13/9ths	7,645.30
G	6,918.00	15/9ths	11,530.36	6,963.36	15/9ths	11,605.60
H	<u>1,186.50</u>	18/9ths	<u>2,372.94</u>	<u>1,227.51</u>	18/9ths	<u>2,455.00</u>
	<u>39,386.50</u>		<u>47,384.57</u>	<u>39,863.08</u>		<u>47,949.70</u>
Contributions in lieu for Crown property						<u>14.50</u>
						<u>47,964.20</u>
Collection rate adjustment			99.3%	99.3%		
Council Tax Base			47,052.88	47,629.02		

The tax rate for a band D property in 2014/15 was £1,471.42, excluding Town and Parish Council taxes (2013/14 = £1,442.69).

	2013/14	2014/15
	£	£
Kent County Council	1,047.78	1,068.66
Police & Crime Commissioner for Kent	141.47	144.28
Kent & Medway Fire & Rescue Authority	67.95	69.30
Sevenoaks District Council	185.49	189.18
	<u>1,442.69</u>	<u>1,471.42</u>
Town & Parish Councils (Average)	70.61	73.41
TOTAL (including an average town & parish rate)	<u>1,513.30</u>	<u>1,544.83</u>

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Note 2 Non-Domestic Rates (NDR)

NDR is organised on a national basis. For 2014/15, the Government specified a standard rate in the pound of 48.2p (47.1p in 2013/14) for large businesses and 47.1p (46.2p in 2013/14) for small businesses. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area.

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. In the case of Sevenoaks the local share is 40%. The remainder is distributed to precepting authorities and in the case of Sevenoaks these are Central Government (50%), Kent County Council (9%) and Kent & Medway Fire & Rescue Authority (1%). 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.

According to the rating list, the total non-domestic rateable value at 31 March 2015 was £90,160,884 (31 March 2014 = £89,285,806).

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, from the financial year 2013/14 onwards, in respect of 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 2014, the estimated balance at 31 March 2014 in respect of council tax transactions was zero. Had there been an estimated surplus or deficit, it would have been 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 2013/14 and taken into account by the respective authorities in the calculation of their council taxes for 2014/15. The actual position at 31 March 2014 was a deficit of approximately £408,000.

The estimated balance at 31 March 2014 in respect of NDR transactions was a deficit of £3,083,000. This was shared between Kent County Council, Kent & Medway Fire & Rescue Authority and the District Council in the proportions detailed in Note 2. The actual position at 31 March 2014 was a deficit of approximately £1,486,000.

The actual surplus of £299,000 at 31 March 2015 in respect of council tax and the actual surplus of £1,911,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2015/16.

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 £000	PCC £000	KMFRA £000	Gov't £000	SDC £000	Total £000
2013/14	Council Tax:						
	Arrears	2,400	324	156		590	3,470
	Provision for Bad Debts	(1,857)	(251)	(121)		(456)	(2,685)
	Prepayments & Refunds	(1,257)	(170)	(81)		(309)	(1,817)
	Cash	432	58	28		106	624
	(Surplus)/Deficit	282	38	19		69	408
	NDR:						
	Arrears	147		16	817	653	1,633
	Provision for Bad Debts	(79)		(9)	(438)	(351)	(877)
	Provision for Appeals	(204)		(23)	(1,133)	(907)	(2,267)
	Prepayments & Refunds	(96)		(11)	(536)	(429)	(1,072)
	Cash	99		11	548	439	1,097
	(Surplus)/Deficit	134		15	743	595	1,486
	Total	0	0	0	0	0	0
2014/15	Council Tax:						
	Arrears	2,564	346	166		628	3,704
	Provision for Bad Debts	(1,983)	(268)	(129)		(485)	(2,865)
	Prepayments & Refunds	(1,402)	(189)	(91)		(343)	(2,025)
	Cash	1,028	139	67		251	1,485
	(Surplus)/Deficit	(207)	(28)	(13)		(51)	(299)
	NDR:						
	Arrears	181		20	1,004	803	2,008
	Provision for Bad Debts	(81)		(9)	(452)	(362)	(904)
	Provision for Appeals	(406)		(45)	(2,255)	(1,804)	(4,510)
	Prepayments & Refunds	(117)		(13)	(650)	(520)	(1,300)
	Cash	595		66	3,308	2,647	6,616
	(Surplus)/Deficit	(172)		(19)	(955)	(765)	(1,911)
	Total	0	0	0	0	0	0

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.

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.

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.

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:
 - (i) 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.

DCLG. Department for Communities and Local Government

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.

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

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

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.

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.

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

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whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

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. In the case of Sevenoaks, the District Council retains 40%, Kent County Council 9% and Kent & Medway Fire & Rescue Authority 1%. The other 50% is passed to Central Government.

Precept. The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. 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.

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 local authorities. It is payable to all 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.

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	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 2014/15

1. Background

1.1 Further to Regulation 4 of the Accounts and Audit Regulations (England) 2011, 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 Executive 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;
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and the Strategy and Performance Advisory Committees); and
- others responsible for providing assurance, in particular Grant Thornton, in their role as the Council's External Auditor.

1.3 Thus the AGS, as a corporate document, is owned by all Senior Officers and Members of the Council. 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/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 were 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. The Council has a duty under the Local Government Act 1999 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. A copy of the code can be obtained from the Audit, Risk and Anti-fraud Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(3 & 4) of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the authority 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,

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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 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 delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts. A new governance framework was implemented in 2013/14 and the changes were subjected to review during 2014/15 by the Council's Internal Audit Service. The review identified that the Council's Governance Framework was effective.

4. The Governance Framework

4.1 The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's vision and promises for the period ending in March 2015 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Sustainable Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three year action plan is agreed with partners at each review point, with the current action plan covering the period from April 2013 to March 2016. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year. The plans and report can be found on the Council's website, via the following links:

Sustainable Community Action Plan 2013-28 & 2014 Annual Report:

[\[http://www.sevenoaks.gov.uk/services/community-and-living/community-plan\]](http://www.sevenoaks.gov.uk/services/community-and-living/community-plan)

Corporate Plan:

[\[http://www.sevenoaks.gov.uk/services/council-and-democracy/the-councils-vision-and-promises\]](http://www.sevenoaks.gov.uk/services/council-and-democracy/the-councils-vision-and-promises).

- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Select/Scrutiny Committee, the Finance and Resources Group and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continue to operate well during the year new and also includes an Audit Committee, whose terms of reference is consistent with CIPFA standards. This arrangement will be subjected to review following the election of a new Council at the May Elections. Hence the plans will continue to be scrutinised under existing arrangements and any changes will be considered and determined by the full Council. The promises and priorities within

the plans 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

During 2014-15, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Mandatory Public Sector Internal Audit Standards (PSIAS) 2013 which have replaced the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006).

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager's overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year. The review of the effectiveness of Internal Audit was assessed in 2014/15 as 'effective' in meeting the requirements of an adequate and effective internal audit service. A number of areas were suggested for further developments. A copy of the report is included in the agenda for this meeting.

An external quality review of internal audit was also undertaken by Pricewaterhouse Coopers in December 2014. The review outcome was largely consistent with that of the internal review undertaken by management and also suggested a number of areas for further development. An action plan has been presented to the Strategic Management Team to address the relevant issues raised.

The outcome of the review of the effectiveness of internal audit therefore indicates that the arrangements in place for the provision of an internal audit service are "effective" and delivers good value for money, but it does not yet meet full compliance with the new Public Sector Internal Audit Standards.

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b) External Audit

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

The Council's current financial management was commended in all its recent audit and inspection reports by the external auditors, Grant Thornton, and unqualified opinions were issued in relation to both financial statements and value for money for 2013-14

c) Financial Management

A robust budgetary control system is in place and regular monitoring reports are produced for Chief Officers and the Strategic Management Team, Heads of Services and relevant managers, Cabinet, the Finance Advisory Committee (previously Finance and Resources Advisory Committee). Senior accountants 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 monthly and enhanced with commentaries from senior managers where performance is behind target. Strategic information is regularly reported to the Management Team, Cabinet Members, and Advisory Committees.

e) Arrangements for Partnerships

The Council enhances value for money in service delivery through innovative and cost-effective partnership working. 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 relating to Licensing, Revenues and Benefits, Audit and Anti-Fraud, Environmental Health and Building Control.

f) Risk Management

In January 2015 an internal audit of the new arrangements for risk management brought in during 2013/14 was carried out and assessed the new arrangements as "Good" for both Framework and Effectiveness.

g) 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. A written communications protocol has also been established between the Leader and the Chief Executive. 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.

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Gold and 'Champion' status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in December 2012. The Council was one of the

first local authorities nationally to achieve this standard in its previous inspection in 2009. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures. The Council has designed, delivered and developed a Leadership Masterclass, a bespoke training programme for Managers of all levels within the organisation. The programme consists of 38 modules delivered covering key aspects of modern day management, empowering managers to manage, support and develop their staff to the best of their ability

i) Monitoring Officer

The Council's Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the two Officers form part of the Council's governance arrangements. The impact of changes regarding the Council's new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.

j) Anti-fraud and Corruption

The Council has put in place a fraud and corruption policy, including a new whistle-blowing policy introduced in 2015, which is published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a well-publicised '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. Appropriate briefings have been made to all staff regarding the Bribery Act 2010. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

The Council's Benefits Fraud investigations team is due to be transferred over to the Department for Works and Pensions (DWP) in February 2016 under the new arrangements introduced by central government. Proposals for an in-house anti-fraud arrangement, post DWP transfer, which will retain experienced staff, have been considered by management and are currently being discussed with the affected staff.

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 Chief Executive. An internal audit review of the new senior management structure was completed in 2014/15, as part of the 2013/14 Annual Governance Statement Action Plan. The review concluded that the current arrangements were effective.

5.2 CIPFA has issued a Statement on the Role of the Section 151 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 2014-15, 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

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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 auditors 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 concluded that, for 2014-15, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the Audit, Risk and Anti-Fraud Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The opinion for 2014/15 indicates that the Council's control environment is effective.

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. The issues raised in last year's governance statements and action plan have been all been satisfactorily addressed, or where appropriate, re-stated in this year's AGS as areas to be addressed going forward.

6.5 The Council continues to review and improve its governance arrangements on a continuous basis, as appropriate. Improvements during 2014-15 include the following:

i). The Council's Monitoring Officer oversees compliance with laws and statutory obligations.

ii). The Monitoring Officer reports to the Council's Standards Committee and Governance Committee as well as Legal and Democratic Advisory Committee. A Monitoring Officer Report is produced each year which is presented to Full Council.

iii). Regular meetings between the two Statutory Officers who are responsible for the three Statutory Functions within the authority this being Monitoring Officer, S.151 Officer and Head of Paid Service Function. These meetings form part of the Council's governance arrangements.

iv). The impact of changes regarding the Council's new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.

v). As a result of The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 all councils were required to adopt the practice of recorded votes on any

decision relating to the budget or council tax at the relevant budget setting meeting of Full Council. As a result of such legislation Standing Orders were amended so as to include provisions requiring recorded votes at budget meetings and this was approved by Council in April 2014.

vi). The recording of all meetings of Full Council, Development Control and Licensing Hearings was introduced by Full Council in November 2014. In addition following the implementation of The Openness of Local Government Bodies Regulations 2014 the Council's Standing Orders were amended to allow the public to report all meetings via social media of any kind such as tweeting, blogging or via Facebook including the filming of meetings.

vii). Following the introduction of the Local Government (Electronic Communication) (England) Order 2015 Members were given the option of receiving agendas electronically by nominating an electronic address for delivery.

viii). The Governance Committee were tasked in April 2014 with continuing to investigate future Governance arrangements in general to allow the newly elected administration in 2015 to consider future governance. Several reports were produced for the Governance Committee during 2014/15 concentrating on the advantages and disadvantages of the Committee System and the Leader and Cabinet System. This work is on-going and is on the work plan for the Governance Committee in 2015-16.

ix) The issues set out in last year's Governance Statement have been addressed, with the exception of the issue set out in 7.1 below. The updated action plan for 2013/14 is attached as annex to this report.

7. Significant Governance Issues

7.1 It is the recommendation of the Statutory Officers of the Council to include in this statement, that the Health and Safety Executive (HSE) have initiated two charges under the Health and Safety at Work Act 1974 following an incident on the 13th September 2010 where a motorbike rider collided with Sevenoaks District Council road sweeper lorry. The Council is represented by its insurers and are receiving legal representation.

Certification

Signature:Date:.....

Cllr. Peter Fleming (Leader of the Council)

Signature:..... Date:

on behalf of Sevenoaks District Council

Dr. Pav Ramewal (Chief Executive and Section 151 Officer)

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INTERNAL AUDIT 2015/16 – FIRST PROGRESS REPORT

Audit Committee – 8 September 2015

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Delivery of the Corporate Plan

Portfolio Holder Cllr. Searles

Contact Officer(s) Bami Cole, ext.7236

Recommendation to Audit Committee: That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2015/16 Annual Internal Audit Plan

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan in compliance with its terms of reference.

Introduction

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2015/16 and outcomes of final Internal Audit reports issued since the meeting of the committee in June 2015.
- 2 The Internal Audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both Senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit Manager, is required to report to the Audit Committee the progress made in delivering the Internal Audit Plan in meeting the Council's assurance requirements, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2015/16 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2015. Members may note that six reviews had commenced, one has been finalised, two are at draft report stage, a further two at feedback stage and one is at field work stage.
- 4 Appendix B sets out details of the final reports which have been issued since the last meeting of this committee and provides a brief summary of the findings and

Agenda Item 6

recommendations agreed with service management, to address any areas for further improvements required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to members of this committee on request.

Internal Audit Resources

- 5 The team is still utilising the services of two temporary agency staff to cover for the two existing staff vacancies. However, the advert for the vacancies have been posted on the Council's website and other relevant recruitment websites. The interviews will take place in September.

Progress of Internal Audit Improvement Plan

- 6 The main focus on the action plan has been to progress the filling of the two vacancies with permanent staff. This is now well underway, as indicated above. We have also taken steps to implement template changes for standard internal audit reports and have arranged to view a demonstration of Team Mate (Audit Management Software) in September.

Key Implications

Financial

Not Applicable.

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2011.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2011, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Staffing vacancies place a strain on internal audit capacity and its ability to deliver an effective service. The use of temporary agency staff provides a short term, but less effective solution. However, this would be effectively addressed in September when the two vacancies have been filled.

Equality Impacts

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Sustainability Checklist

Not Applicable.

Conclusions

This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2015/16 and provides a summary of final reports issued since the meeting of the Audit Committee in June 2015. The team is also making steady

progress in implementing the improvement action plan agreed by the Audit Committee in June 2015.

Appendices

Appendix A – Progress Against 2014/15 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions

Background Papers:

[Internal Audit Annual Plan for 2015/16](#)

New Public Sector Internal Audit Standards 2013

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

[Audit Committee Report 23 June 2015](#)

Accounts and Audit Regulations 2011

<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

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PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN					Status at 31/7/15		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel
1	New Cash Till Arrangements						
2	Payroll						
3	Implementing CIL						
4	Key Financial Systems						
5	Council Tax/NDR						
6	Council Tax Housing Benefit						
7	Procurement & Contracting						
8	Agency Staff, Contracting & Consultants						
9	Environmental Health						
10	Dunbrik			x			
11	Organisational Effectiveness and HR Strategy			x			
12	Projects Regarding Additional Income		x				
13	Peer Service Review Process						
14	Members Allowance						
15	Corporate Fraud Post DWP Proposals				x		
16	IT Systems						
17	Community Grants	x					
18	Economic Development						
19	Section 106 & Affordable Housing						
20	Planning Pre-Applications						
21	Corporate & Service IT Applications		x				
22	Car Parks						
23	Electoral Service						
	Total	1	2	2	1	0	0

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FINAL AUDIT REPORTS ISSUED SINCE LAST MEETING

	Audit Title	Date Issued	Opinion Framework/Control
1	Agency Staff, Contracting & Consulting 2014/15	24.6.15	Good/Satisfactory
2	Community Grants 2015/16	24.6.15	Good/Good
3			
4			
5			
6			

Review of Agency Staff, Contracting & Consulting 2014/15

Issued 24 June 2015

Opinion: Control Framework – Good (Previous review – N/A)
Compliance with Framework – Satisfactory (Previous review – N/A)

The purpose of this audit was to provide an assurance regarding the arrangements in place for the employment of temporary agency staff and consultants and specifically in regard to the recognised advantages that can accrue from using them, their suitability and fitness of purpose in delivering value-for-money for the Council.

During financial year 2013-14 overall Council expenditure on agency staff amounted to £457,476 and for consultancy staff totalled £102,811.

As at February 2015, the corresponding figures for the 2014/15 financial year are £454,567 for agency staff and £135,143 for consultants.

For the purposes of the audit, a judgemental sample of seven sections and services biased towards the materiality of spend and span of services across the Council on agency and consultancy was extracted. These sections and services were:-

- Planning & Development Services
- Facilities Management & Property Services
- Direct Services
- Benefits
- Revenues
- Building Control
- Housing Standards & Advice

The following key risks and controls were then examined:

- 1) Risk that there is non-compliance with the Council's Contract Procedure Rules (CPRs)
- 2) Risk that opportunities to achieve and to evidence demonstrable efficiencies and value-for-money may not be maximised

Audit testing results indicated that controls were substantially met in regard to both risks above.

The opinion of the auditor is that the framework in place is overall "good" and compliance with it is "satisfactory".

One recommendation was agreed with management to address the areas where controls would benefit from further enhancement. This related to risk one and two above and was:-

- That a formal tender exercise be undertaken, for anticipated agency staff spend over £75K in 2015/16, for the Benefits Service, in accordance with

Appendix B

CPR Rule 7.4. Alternatively, that an appropriate and properly authorised tender waiver is put in place as required by CPR13.1.

Members will be advised of the progress in implementing these recommendations in due course.

Review of Community Grants 2015/16

Issued 24 June 2015

Opinion: Control Framework – Good (Previous review – N/A)
Compliance with Framework – Good (Previous review – N/A)

The purpose of this audit was to provide an assurance regarding the effectiveness of the arrangements in place for the administration of the community grants scheme and its ability to deliver service objectives and the Council's responsibilities in line with requirements. The work of the voluntary sector and charities in contributing to community plan priorities across the District is highly-valued by the Council. The community grants scheme supports the dedication and commitment of the many volunteers who via the scheme are offered the opportunity to serve their community and who are often involved in identifying and helping the most vulnerable and distressed people in the District.

Investing in volunteering therefore, and particularly investing in volunteer-trainers, has been a designated priority for funding allocations from the community grants scheme in 2015/16. This is because of the economies of scale and financial efficiencies that investing in trainers and training can offer the Council by generating, and then replicating via training, the maximum numbers of volunteers that can be deployed on the ground in front-line terms in District communities to support wider council and grant objectives.

In 2013/14 voluntary organisations in the District supported some 294,122 volunteer hours representing a return on investment to the Council of some £3.67M. [Source: Economic & Community Development Advisory Committee Report 05.03.15].

To this effect, the following key risks and controls were examined:

- 1) Risk that the Council, in regards community grants may not comply with relevant legislation, policies, procedures or good practice
- 2) Risk that there may not be up-to-date written procedures in place for the receipt and assessment of grant applications and the authorisation and payment of grants
- 3) Risk that literature and guidance may not be clear (Plain English) or accessible or adequately publicised to the public in relation to opportunities and availability
- 4) Risk that grant recipients may not be selected in line with grant regulations and Council protocols
- 5) Risk that grant monies may not be spent as intended or as specified by the conditions of the grant

- 6) Risk that robust and effective financial and budget management may not be in place
- 7) Risk that robust processes to deal with appeals on application decisions may not be in place
- 8) Risk that customer expectations and feedback may not be recorded
- 9) Risk that fraud and corruption may be undetected
- 10) Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised (the appraisal checks disproportionate to amount of grant)
- 11) Risk assessments may not be undertaken and risks not properly managed
- 12) Risk that public feedback may not be sought to enable improvements in service delivery

Audit testing results indicated that controls were fully met regarding 10 of the above 12 areas covered, partially met on one and not met in one.

The opinion of the auditor is that the framework in place is “good” and compliance with it overall is also “good”.

Five recommendations were agreed with management to address the areas where controls would benefit from further enhancement. These relate to risks 1, 2, 5 and 8.

These recommendations set out below:

- Consideration should be given to producing a brief summary report to showcase grant “stories”, including the achievements and challenges which the funding has addressed.
- The Council Code of Practice for Grant Funding should be reviewed and refreshed, to cover contemporary and emergent issues in grant funding such as equalities and safeguarding.
- A prominent instruction should be added to the grant monitoring form, to indicate the deadline date for return of the completed form and that all questions on the monitoring form should be answered. In addition, a section “For Official Use Only” should be added to the form, to enable and evidence review and scrutiny of the monitoring form.
- A risk-based programme of visits/spot checks (to cover at least 20% of organisations receiving funding) should be undertaken, for grant organisations seen as a higher risk of funding breaches organisational failure, eg organisations working closely with children and vulnerable adults, or new organisations. However in equal and opposite terms, organisations performing well and managing their risks effectively could likewise also be identified for the purposes of sharing good practice.

Appendix B

- Appropriate arrangements which are consistent from a corporate perspective are put in place to regularly monitor and measure organization/customer feedback for community grants.

Members will be advised of the progress in implementing these recommendations in due course.

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DEFINITIONS OF AUDIT OPINIONS

Opinion	Framework	Effectiveness (Implementation)
Excellent	... innovative frameworks are in place, which demonstrate efficiencies and excellent value for money, whilst ensuring the achievement of service objectives, good corporate governance and high level of protection for the council against foreseeable risks.	... there is full compliance with the framework of controls and the risk management process is considered to be fully effective. There is evidence of notable practice and no areas of concern were identified.
Minimum requirement	All controls are in place	All controls are fully implemented
Good	... a high level of control framework is in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks.	... the framework of controls is substantially being complied with and risk management process is considered to be good. Only minor errors or omissions identified
Minimum requirement	All controls are in place	51% or above of risks examined are low and the remainder are medium. Limited room for further development
Satisfactory	... controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks.	... occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.
Minimum requirement	Control requirements are substantially met	Up to 50% of risks examined are medium or low. Opportunities for further developments exists requiring constructive proposals for management consideration
Un-satisfactory	... limited controls are in place but there are gaps in the process, which leave the service exposed to foreseeable risks. Hence further development in framework is needed to make the system effective.	... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council.
Minimum requirement	Control requirements are patchy and unreliable	Testing results identified one or more high risk

Un-acceptable	... controls are considered to be inadequate or non-existent with the absence of at least one critical control mechanism. An urgent need exists to introduce appropriate level of controls without delay.	... failure to urgently improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives. Note: compliance testing in this circumstance may not add value. However, there would be some value in conducting weakness testing in some circumstances to determine the level of “threat” or “loss” to the Council. Hence an opinion for compliance may not be given where the framework is “unacceptable”
Minimum requirement	No evidence of controls exit	Testing results identified one or more very high risk

REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee – 8 September 2015

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Searles

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members:

- a) review the information in Appendix A and request further information or explanation as appropriate; and
 - b) note the reasons for delayed implementation and endorse the revised dates for implementation provided by management, as set out in Appendix B to the report.
-

Introduction

- 1 This report updates Members on progress of the implementation of Internal Audit Recommendations agreed with management, and to report on outstanding recommendations due for implementation by 31 July 2015.
- 2 The report also informs the Committee where implementation dates have been revised, or where agreed recommendations have not been implemented.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which relevant management had agreed recommendation implementation dates for the period to 31 July 2015. Internal Audit has obtained the current status from the responsible managers, but it should be noted that, where implementation has been confirmed, Internal Audit has not yet undertaken any additional testing to verify this. Implementation checks will be carried out in due course, usually between 3 to 6 months of the agreed implementation date.
- 4 Appendix B provides details of recommendations where management have advised Internal Audit that implementation of agreed actions has initially been delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major concerns arising as a result of the change in implementation dates. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

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- 5 Appendix C will provide details of recommendations where implementation is no longer intended. However, there is none to report at this time.

Key Implications

Financial

- 6 This report has no financial implications.

Legal Implications and Risk Assessment Statement

- 7 The purpose of Internal Audit recommendations is to manage identified risks and improve internal controls and value for money in service provision. Consequently risk profiles may increase in areas where the implementation of recommendations is delayed, if there are no compensating mitigating controls in place. This may have potential financial and legal consequences for the Council. Members' consideration of this report will facilitate the Council's ability to manage such risks.

Value for Money and Asset Management

- 8 Timely implementation of Internal Audit recommendations would facilitate the Council's ability to obtain greater value for money and guard against waste, inefficiency and identified risks.

Equality Impacts

- 9 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users

Conclusions

- 10 The report on recommendations outstanding enables Members to review the timeliness of implementation of Internal Audit recommendations. When recommendations have not been implemented, it enables Members to seek explanations, or agree revised dates. If management propose not to action recommendations and accept the risk, Members can review this action to determine if it meets the objectives of the Committee and the Council's risk appetite. Where appropriate, Members may request responsible management to attend the Committee and provide further explanations as necessary.

Appendices

Appendix A – Summary of recommendations followed up

Appendix B – 'Overdue' recommendations where implementation delayed

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

SUMMARY OF RECOMMENDATIONS FOLLOWED UP

Audit (Number of Recommendations originally accepted)	Date final report issued	Number of recommendations where implementation not yet due	Number of recommendations where implementation now confirmed by management	Number of recommendations where management advise that implementation delayed (Appendix B)	Number of recommendations where management advise that implementation is no longer intended (Appendix C)	Number of recommendations where implementation not confirmed or alternative date not provided
Emergency Planning Arrangements 2011/12 (10)	8/5/12	0	10	0	0	0
Section 106 Agreement 2013/14 (5)	19/12/13	0	4	1	0	0
Contract Management 2013/14 (1)	18/2/14	0	0	1	0	0
Council Tax/NNDR 2013/14 (2)	26/2/14	1	1	0	0	0
IT Security 2013/14 (4)	21/7/14	1	3	0	0	0
Building Control 2014/15 (2)	23/10/14	0	1	1	0	0
Data Protection & Records Management 2014/15 (4)	12/1/15	0	2	2	0	0
Shared Service Recharges 2013/14 (3)	12/1/15	3	0	0	0	0
Disabled Facilities Grants 2014/15 (5)	23/1/15	0	5	0	0	0
Risk Management 2014/15 (11)	9/2/15	11	0	0	0	0

APPENDIX A

Procurement & Contracting 2014/15 (3)	16/2/15	0	2	1	0	0
Housing Benefits & Council Tax Support 2014/15 (1)	25/2/15	0	1	0	0	0
Council Tax/NDR 2014/15 (2)	5/2/15	1	1	0	0	0
Performance Management & Data Quality 2014/15 (5)	9/3/15	0	4	1	0	0
Electoral Process 2014/15 (4)	20/3/15	0	4	0	0	0
Dunbrik 2014/15 (1)	20/3/15	1	0	0	0	0
Insurance Arrangements 2014/15 (2)	21/4/15	0	2	0	0	0
Key Financial Systems 2014/15 (1)	5/5/15	1	0	0	0	0
Repair & Maintenance Arrangements 2014/15 (13)	5/5/15	1	7	5	0	0
Agency Staff, Contracting & Consulting 2014/15 (1)	24/6/15	1	0	0	0	0
Community Grants 2015/16 (5)	24/6/15	5	0	0	0	0

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‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED

Audit: Section 106 Agreement 2013/14

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>5. The Chief Planning Officer should ensure that a review of the effectiveness of the eventual governance arrangements and assessment controls for the Community Infrastructure Levy (CIL) should be undertaken within 6-12 months of the first CIL payment being collected.</p>	<p>(No ranking as not specifically a risk issue)</p>	<p>Agreed Action: As above.</p> <p>Responsible Officer: Richard Morris – Chief Planning Officer</p> <p>Recommendation Review Date: 31st March 2015</p>	<p>Cabinet, at their meeting in March 2015, approved the proposed Governance arrangements and established a CIL Spending Board. The Board is due to sit for the first time once a meaningful amount of money has been received – informally suggested to be c£250k.</p> <p>As of today we have only received two payments totalling a little over £42,000</p> <p>It would be more appropriate to test the effectiveness of the procedures after a sufficient number of transactions have been processed rather than within a set timeframe, and as such a first review is unlikely to take place before April 2016.</p> <p>Chief Planning Officer – 29/6/15</p>	<p>Audit Manager Comment: Due to the lack of activity in disbursements and application of the CIL funds, this recommendation will be followed up during the Implementing CIL Audit 2015/16, scheduled to take place in the third quarter. Progress will be reported to Members at the next meeting following completion of the Audit Review.</p>

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Audit: Contract Management Arrangements 2013/14

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>1. The Principal Legal Executive should request the appropriate officers place the standard clauses on the Procurement internet page.</p> <p>Review of the Contracts Procedure Rules should be a joint project between Legal Services and the Audit & Risk team to provide input from both areas of expertise into the revised Procedure Rules.</p>	<p>Low</p>	<p>Agreed Action: As above. The review of the CPRs is currently in progress.</p> <p>Responsible Officer: Principal Legal Executive</p> <p>Audit, Risk and Anti-Fraud Manager</p> <p>Recommendation Implementation Date: 31st May 2014</p>	<p>Some progress has been made and I have identified some drafts from other authorities that can be utilised. Revised deadline summer 2015.</p> <p>Principal Legal Executive – 2/2/15</p>	<p>Audit Manager Comment The Principal Legal Executive has advised that he is working on producing an Officers Guide which will incorporate the key aspects to facilitate an effective procurement process. The guide will be reviewed by the Audit Manager following completion, to ensure that it complies with audit requirements. Further progress would be reported to the Committee at the next meeting.</p>

Audit: Building Control 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>Ensure that the Street naming policy is approved, and relevant procedures are updated in line with changes/additions, it is version controlled and has a next date review.</p>	<p>Medium</p>	<p>Agreed Action: As Above</p> <p>Responsible Officer: Building Control Manager</p> <p>Recommendation Implementation Date: March/April 2015</p>	<p>The Street Naming Policy has been expanded and updated and is currently being circulated internally for comment. Once comments have been received it will be sent to the Portfolio Holders for approval. The policy is due to go to the Planning Advisory Committee on 13th October 2015 and Cabinet on 15th October.</p> <p>Building Control Manager – 5/8/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016.</p>

Audit: Data Protection & Records Management 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>Rec 2. a) Course specific reports should be obtained from Ivy Soft at least on an annual basis.</p> <p>b) Managers should be provided with the appropriate Ivy Soft reports so that ongoing training including DPA can be discussed at appraisals.</p> <p style="text-align: center;">Page 171</p>	<p>Medium</p>	<p>Agreed Action The appraisal process would be the best format to review training progress including the Data Protection Act. Audit would conduct a follow up after roll out in April 2015.</p> <p>Responsible Officer: Chief Officer Corporate Support</p> <p>Recommendation Implementation Date: February 2015</p>	<p>Management is currently looking at reviewing the appraisal process in general, with a view to integrating essential training, including Ivysoft within the Appraisals process.</p> <p>In the meantime, the Chief Officer, Corporate Services has requested HR to generate a separate report on Ivysoft training which could be used by service management for monitoring DPA training; and as a prompt to remind staff that DPA training is a mandatory requirement.</p> <p>Chief Officer Corporate Support - 4/8/15</p> <p>Audit Manager Comment: Some progress is being made to address the relevant issues, however, in view of the importance of ensuring full compliance with DPA requirements, Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016</p>

<p>Rec 3. a) Consideration should be given to data due to be migrated to the new CRMS and cleansed appropriately.</p> <p>b) Consideration should be given to the installation of a robust checking system (business rule) to ensure data is not retained for longer than is necessary in accordance with Data Protection Principles.</p>	<p>Low</p>	<p>Agreed Action: Agreed.</p> <p>Responsible Officer: Chief Officer Corporate Support</p> <p>Recommendation Implementation Date: April 2015</p>	<p>a) The Customer Services Team are currently in the process of transferring relevant, current information on to the new CRM System. Only active corporate complaint information and customer contact details for customers that have made contact within this financial year will be transferred.</p> <p>b) The IT Manager is reviewing whether technology could be used to identify if data is being retained for longer than necessary. Investigations in to whether this is a cost effective method should be complete by the end of September 2015.</p> <p>IT Manager – 12/8/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016.</p>
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Audit: Procurement & Contracting 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1a) A monitoring arrangement should be in place which ensures changes to procurement thresholds are accurately reflected in the Council's procurement guidance.</p> <p>b) Regular checking of the procurement guidance website links to key documents should be in place. This could be monitored by the Procurement Working Group.</p>	<p>Low</p>	<p>Agreed Action: Agreed. To be progressed at the next Procurement Working Group Meeting.</p> <p>Responsible Officer: Chief Officer – Environmental & Operational Services (Chair of Procurement Working Group)</p> <p>Recommendation Implementation Date: March 2015</p>	<p>The Council's Procurement Strategy, guidance for officers and website content is currently being reviewed. It is anticipated that this work will be completed by the end of 2015. In the meanwhile all procurement activity is being reviewed at the Procurement Working Group with appropriate advice provided on thresholds and procurement methods as required.</p> <p>Head of Transformation & Strategy – 21/7/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in March 2016</p>
<p>3 Risk Relating to procurement should be included in the strategic risk register as agreed with management in the last internal audit review.</p>	<p>Low</p>	<p>Agreed Action This matter will be included in the agenda of the next Officer Risk Group meeting regarding how to take the matter forward.</p> <p>Responsible Officer: Audit Risk & Anti-Fraud Manager</p> <p>Recommendation Implementation Date: March 2015</p>	<p>Audit Manager Comment:</p> <p>The Officers risk group determined that risk associated with Procurement is adequately covered within key headings in the strategic risk register. For example, Finance (01), Asset Management (03) and Legal, Governance and Ethics Risks (07). Also officers dealing with specific procurement are required to assess this as part of their operational risks, or project management risks. In addition, Procurement was also part of the Masterclasses delivered to senior officers and managers across the Council. In view of the above, this recommendation is now considered to be closed.</p>

Audit: Performance Management & Data Quality 2014/15

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>Rec 3. Given the fundamental importance of the Service Plans to the performance management and risk register assessment of service areas we would recommend that the PI sections be expanded to fully detail each PI so there is a fully documented point of reference to refer to and review each year. This would also serve as an annual reminder to staff of their roles and responsibilities and should also trigger a critical annual review if there had been any changes which could impact on the PI or source data. We would suggest the following should be included:</p> <p>General</p>	<p>Medium</p>	<p>Agreed Action: As Above. Source of data details to be maintained centrally</p> <p>Responsible Officer: Head of Transformation & Strategy</p> <p>Recommendation Implementation Date: 30/4/2015</p>	<p>A review of the Council’s approach to service planning was carried out in advance of the 2015/16 financial year. It was agreed with Managers that inclusion of PI guidance within the service plans would not be appropriate as it would hamper the clarity of the information which is critical to the importance of communicating priorities and measures to staff within teams.</p> <p>During this financial year it is proposed that the Policy and Performance team co-ordinate an exercise to ensure guidance on performance indicators is collated and this will be held on Covalent as well as a central library being held in a place on the Council’s network that is available to all staff.</p> <p>The end date for this project will be 31/03/16.</p> <p>Head of Transformation & Strategy – 11/8/15</p> <p>Audit Manager Comment: The relevant issues are currently being addressed by management, with a completion date set for end of March 2016. Hence, Internal Audit will continue to monitor the proposed actions and will provide an update to the Committee at the meeting in June 2016</p>

- 1) Introduction and reference to the requirement for all indicators (Local Performance Indicators and Management Performance Indicators) and staff compiling/checking to comply with the DQS highlighting the roles and requirements.

For each indicator (LPI and MPI)
- 2) Summary of the indicator, its purpose and importance if not obvious
- 3) The PI officer, data inputter and data checker personnel
- 4) How the indicator is calculated and where the source data is derived from
- 5) Any reliance on 3rd parties for information including agreed deadlines
- 6) How the data is to be reported and by when (standard 15 days)
- 7) Any agreed variations from the DQS with regard to the reporting method/deadlines

<p>As the indicators will likely remain fairly static each year this should not be too onerous as it would be a one off exercise to document the indicator formally in year 1 followed by a critical annual review as part of the Service Plan and PI/target setting each year thereafter. The annual review would therefore be more informed and should raise questions on the applicability or fine tuning of the indicator(s).</p> <p>The initial documentation process would also be a valuable exercise in challenging the understanding of the current indicators as to its relevance and current/ongoing applicability.</p>			
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Audit: Repair & Maintenance Arrangements 2014/15

Recommendation	Priority/ ranking	Original response	Previous response
<p>1. Key access, holding and numbering arrangements is reviewed to ensure all keys held and related locations are current, accurate, complete, accessible and clearly marked to enable expeditious entry.</p>	<p>Medium</p>	<p>Agreed Action: Action as outlined in the recommendation above.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>The Building Services Engineer is currently working on organising the keys. It has become a larger project than anticipated due to the amount of keys available. As this will take longer, we have agreed a revised implementation date to of September 2015</p> <p>Property & Facilities Manager -13/7/15</p> <p>Audit Manager Comment: Progress is being made by management, but due to operational difficulties, Internal Audit agreed to extend the target date to end of September 2015. Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016</p>
<p>4. Consideration should be given to setting of targets, or similar indicators for the raising of both emergency and non- emergency orders</p>	<p>Low</p>	<p>Agreed Action: Action as outlined in the recommendation above.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>This is still in progress, but due to operation reasons is taking a bit longer than anticipated. Hence a revised implementation date has been agreed for end of September 2015.</p> <p>Property & Facilities Manager -13/7/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016</p>

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Agenda Item 7

<p>5. Full written procedures should be produced for raising emergency and non-emergency (Agresso) purchase orders and for approving invoices for payment. Such procedures should make adequate provision for the operation of segregation of duties and internal check and cover both routine and also absence-cover arrangements for both the preparer and authoriser of the transaction. Invoices should not be paid unless supported by an Agresso purchase order.</p>	<p>Medium</p>	<p>Agreed Action: Action as outlined in the recommendation above.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>This work is still in progress and revised implementation date has been set for end of September 2015.</p> <p>Property & Facilities Manager -13/7/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016</p>
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<p>6. Repairs and maintenance activity should be recorded and manipulated on the Supportworks system already in place for recording facilities management and IT activity levels</p>	<p>Low</p>	<p>Agreed Action: This is agreed but only subject to cost acceptability, IT feasibility study and also to producing an approved business case. It is also agreed subject to this proposed project being both agreed and appropriately prioritised by the IT Steering Group</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>Management has commenced the logging of asset maintenance jobs on the Support works System. Once the work on SLAs from finding four is completed, this would facilitate the asset maintenance work. To this effect, a more reasonable timescale would end of March 2016.</p> <p>Property & Facilities Manager -13/7/15</p> <p>Audit Manager Comment: In view of the explanations obtained from management and progress being made, Internal Audit have agreed to the new proposed target date of end of March 2015. Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in June 2016</p>
<p>10 Repairs and maintenance cost centres, account codes are reviewed to ensure where different cost centres and codes are used the narrative descriptions used are similarly clear and distinct from one another and duplication is avoided. The use of contingency as an appropriate description could be explored.</p>	<p>Low</p>	<p>Agreed Action: Action as outlined in the recommendation above with implementation taking place across the next financial year.</p> <p>Responsible Officer: Property & Facilities Manager</p> <p>Recommendation Implementation Date: 30.06.15</p>	<p>As with 4 above, this is also work in progress. Revised implementation date has been agreed to end of September 2015.</p> <p>Property & Facilities Manager -13/7/15</p> <p>Audit Manager Comment: Internal Audit will continue to monitor this recommendation and will provide an update to the Committee at the meeting in January 2016</p>

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DRAFT STRATEGIC RISK REGISTER

Audit Committee – 8 September 2015

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer(s) Bami Cole Ext. 3023

Recommendation to Audit Committee:

Review the Draft Strategic Risk Register and make recommendations for any further amendments or additions to the register.

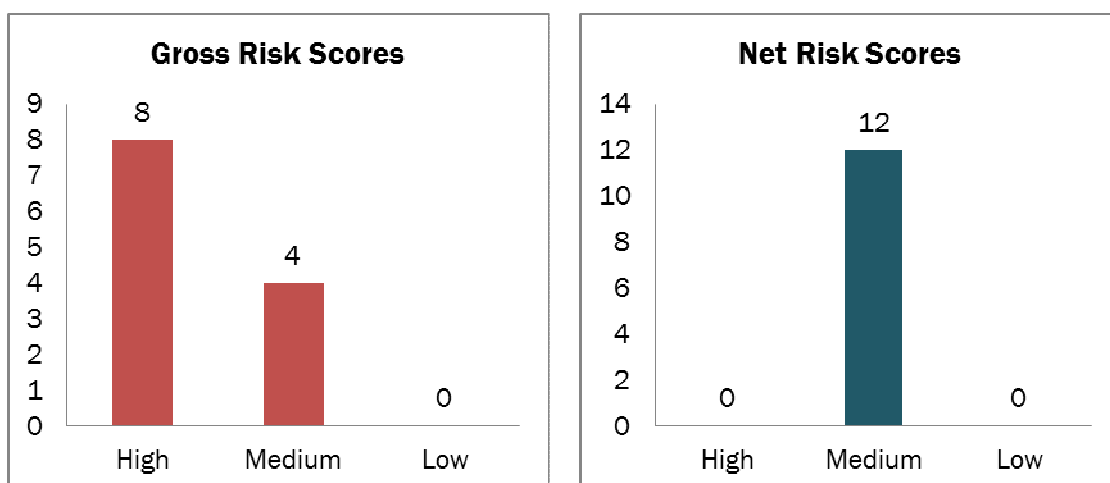
Reason for recommendation: Review of the Council's Draft Strategic Risk Register by the Audit Committee helps to ensure that a wide range of view points are taken into account in assessing the risks the Council faces in delivering the Vision and Promises set out in the Corporate Plan.

Introduction and Background

- 1 It is a requirement of the Audit Committee's Terms of Reference to maintain an overview of the effective development and operation of risk management in the Council.
- 2 At the Committee's meeting in January 2014 it considered and approved the revised Risk Management Policy Statement and in March 2014 recommended that the Risk Management Strategy be adopted by the Cabinet, which it did so in April 2014.
- 3 This report provides Members with the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register has been developed by Officers, taking into account the views of the Officers Risk Management Group, Service Managers and Chief Officers. It sets out the threats that Officers consider could prevent the Council delivering the Vision and Promises set out in the Council's Corporate Plan and the opportunities which could enhance their effective delivery.
- 4 The consideration of the Draft Register by the Audit Committee provides an opportunity for Members to input their views and provides for a more robust assessment of the risks faced by the Council. The views of the Audit Committee will be taken into account before Cabinet is asked to review and adopt the Draft Risk Register at a future meeting.

Draft Strategic Risk Register

- 5 Provided as Appendix A to this report is the Council’s Draft Strategic Risk Register. The Draft Register has been updated to reflect the introduction of the Council’s emerging Corporate Plan Promises and to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises it sets out.
- 6 The Draft Register sets out 12 strategic risks that Officers consider to have the potential to influence the achievement of the Vision and Promises within the Corporate Plan. For each risk Officers have set out those factors that could cause the risk to occur and the potential effect that these events could have. The Gross risk scores reflect Officers opinion of the likelihood and impact of the risk occurring without any internal controls in place. The Net risk scores take in to account the internal controls that are currently in place and it is therefore the net risk score that gives the current status for each risk. The draft risk scores are summarised in the chart below.



- 7 Members are asked to consider the Draft Register and provide any suggestions for improvements or changes that can be incorporated in to it. Officers will review the comments of the Audit Committee and include them within a revised and updated register as appropriate. Any additional actions that are required to be taken to better mitigate or manage each risk faced will also be documented once the feedback from the Audit Committee has been taken into account.
- 8 As set out in the Council’s Risk Management Strategy Cabinet will be asked to adopt the Strategic Risk Register at a future meeting and a review of the Strategic Risk Register will be brought back to the Audit Committee annually, or more immediately if there are new risks arising or there is a significant shift in risk scores.

Other Options Considered and/or Rejected

None.

Key Implications

Financial

Effective risk management reduces the risk of financial loss and better allows the Council to maximise the financial benefit of running efficient services, taking full advantage of opportunities and delivering effective projects.

Legal Implications and Risk Assessment Statement.

A robust risk management framework enhances the Council's ability to minimise waste and improve efficiency and to deliver better services and outcomes for the community.

Equality Impacts

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

The Council's Draft Strategic Risk Register has been updated to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises sets out in its Corporate Plan. Members of the Audit Committee are asked to review the Draft Strategic Risk Register and suggest any amendments before it is considered by Cabinet for adoption.

Appendices

Appendix A – Draft Strategic Risk Register

Background Papers:

Risk Management Policy Statement

<http://cds.sevenoaks.gov.uk/documents/s15122/Risk%20Management%20Update%20-%20Policy%20Statement%20-%20Appendix%20A.pdf>

Risk Management Strategy

<http://cds.sevenoaks.gov.uk/documents/s16844/07%20-%20Risk%20Management%20Strategy%20-%20Appendix%20A.pdf>

Adrian Rowbotham
Chief Finance Officer

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Summary

Summary			Links to the Corporate Plan				
ID	Risk	Net Risk Rating	Value for Money	Keep the District Safe	Provide high quality services	Protect the Green Belt	Support and grow the local economy
01	Finance	Low	✓	✓	✓	✓	✓
02	Investments & Borrowing	Low	✓		✓		✓
03	Asset Management	Medium	✓			✓	✓
04	Knowledge, capacity & culture	Medium	✓	✓	✓	✓	✓
05	Technology	Medium	✓	✓	✓	✓	✓
06	Information & Data Management	Medium	✓	✓	✓	✓	✓
07	Legal Compliance, Governance & Ethics	Medium	✓	✓	✓	✓	✓
08	National Planning Policy Framework	Medium	✓		✓	✓	✓
09	Capacity of Community Partners	Medium	✓	✓	✓		✓
10	Shared service partners	Medium	✓		✓		
11	Health & Safety (incl. Staff Wellbeing)	Medium	✓	✓	✓	✓	✓
12	Severe weather events	Medium	✓	✓	✓	✓	✓

Strategic Risks (July 2015)

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 01	<p>Finance</p> <p>The ability to deliver a balanced budget</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Uncertainty of Comprehensive Spending Review - Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus - Pressure of funding the local council tax support scheme from revenue support grant - Effect of council tax capping and referendum costs - Low and decreasing level of government support grant - Loss of external funding - Accuracy of budget assumptions - Failure to meet savings targets - Poor financial plans and strategies - Ineffective financial governance - Lack of capacity and skilled professionals within the finance team - Failure to maintain proper financial and budgetary controls 	<ul style="list-style-type: none"> - Poor financial health - Inability to maintain services and deliver Council Vision and Promises - Reputational damage - Negative impact on staff morale and potential recruitment and retention difficulties - Poor outcome for the Audit of Accounts or Value for Money assessment - Potential for increased intervention 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to provide high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	5 Failure to deliver on Promises	20 High	<ul style="list-style-type: none"> - Long term 10 year budget framework - Savings Plan - Strategy and projects in place to aim for self sufficiency through improved use of reserves and income generation - Strong financial and scenario planning over the short, medium and long term - Effective budget setting and financial monitoring processes embedded - Financial and budget risk management process in place - Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee - Qualified and experienced officers in post with continued professional development - Annual Internal and External Audit reviews 	2 Unlikely	5 Failure to deliver on Promises	10 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 02	<p>Investments & Borrowing</p> <p>The appetite to invest or prudentially borrow to support a balanced budget and enable the achievement of Council projects</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Treasury Management Policy not in accordance with best practice guidance - Appetite for risk within investment strategy to enable the Council to generate target returns - Low rates of bank interest - Lack of credit worthy bodies in which to invest - Appetite to prudentially borrow over the medium to long term - The cost of interest payments - Lack of capacity or skilled professionals to advise on investment and borrowing strategies 	<ul style="list-style-type: none"> - Lack of diversity in investments - Low investment returns - Cost of interest payments - Negative impact on budgets, reserves and the ability to deliver Council projects - Poor financial health - Unable to maintain low increases in council tax levels - Reputational damage - Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to provide high quality services - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Annual review of Treasury Management Policy - Treasury Management Policy in accordance with professional guidance - Cabinet approved Investment Strategy - Effective budget setting and financial monitoring processes embedded - Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee - Qualified and experienced officer in post with continued professional development - Increased monitoring of Treasury Management Strategy and activity by Members - Professional, external advisers engaged to support the development of strategies and fill skills gaps 	2 Unlikely	3 Significant	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 03	<p>Property Investment</p> <p>Asset Management</p> <p>The ability to:</p> <p>a) Dispose of surplus land;</p> <p>b) Maintain, purchase or develop new assets;</p> <p>c) Secure tenants for vacant or part-vacant assets</p> <p>Lead Officer: Lesley Bowles</p>	<ul style="list-style-type: none"> - Lack of finance to deliver asset management plans and maintenance programmes - Lack of capacity to appropriately manage, maintain and invest in the council's assets - Failure to maximise the benefit from asset disposals - Project management skills to ensure cost effective and robust developments - Lack of tenants to occupy vacant or part-vacant assets - Lack of buyers for surplus Council land - Failure to identify partners to take forward projects and initiatives - Failure to adopt effective governance procedures 	<ul style="list-style-type: none"> - Decrease in asset values placing increased pressure on council budgets - Failure to maximise the opportunity to raise income from investment in assets - Increased insurance premiums - Adverse impact on service delivery - Loss of investment or income opportunities - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Up to date Property / Asset Register (full record of land in Council ownership) - Annual review of Asset Management Plan - Asset maintenance budgets reviewed annually - On going strategic review of council owned property - Inventory registers in place - Financial procedure rules and disposal policy in place - Property Investment Strategy - Economic Development & Property team in place - Professional, external advisers engaged to support the development of strategies and fill skills and capacity gaps 	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 04	<p>Knowledge, capacity & culture</p> <p>The management of the Council's human resources to protect the Council's culture, whilst seeking to address gaps in capacity and knowledge</p> <p>Lead Officer: Jim Carrington-West</p>	<ul style="list-style-type: none"> - Continuing reductions to Council budgets - National and local pay constraint - Employment and retention of high quality staff - Amendments to the Local Government Pension Scheme - Increased demand for services and high levels of work with reduced capacity and resources - Requirement for new skills to deliver the Council's Corporate Plan promises - Lack of capacity and skilled professionals within the Human Resources team to develop policy and support the workforce - Ineffective succession planning - High staff turnover 	<ul style="list-style-type: none"> - Lack of resources to employ, develop and support the wellbeing of staff - Reduced morale and staff satisfaction - Reduced productivity - Reduced quality of staff and work / services - Unable to retain high quality staff - Increased absence levels - Unable to continue to deliver the range and quality of services currently experienced - Skills gaps that inhibit the ability to deliver Council projects - Reputational damage as an employer and a service provider 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - 10 year budget minimises the need for short notice changes to the workforce - Human Resources Strategy including workforce development plan, recruitment and retention policies - Managing Attendance Policy supported by return to work and staff wellbeing initiatives - Staff Appraisal Scheme and Personal Development Plans - Training and development programmes supported by an adequate budget - Regular Staff Surveys and Investors in People Assessments to benchmark effectiveness as an employer - Management and Staff Development programmes to support staff and protect the organisational culture - Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps 	2 Unlikely	4 Serious	8 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 05	<p>Technology</p> <p>The ability to continually develop the Council's information technology to meet the needs of the Council, Members, Officers and the local community</p> <p>Lead Officer: Jim Carrington-West</p>	<ul style="list-style-type: none"> - Lack of finance to effectively procure and develop IT solutions across the Council - Lack of capacity and skilled professionals to procure, implement and develop IT solutions across the Council - Failure to identify areas where IT solutions could improve service delivery - Failure to implement robust IT security arrangements in existing and new infrastructure and software - Failure to meet the demands of partnership working in the delivery of solutions and on-going IT support - Poor data management preventing the implementation of new services 	<ul style="list-style-type: none"> - Failure to deliver Council objectives - Failure to benefit from the service efficiencies good use of IT would deliver e.g. channel shift, demand management, digital services - Failure to maximise the cost savings and value for money efficient use of IT would deliver - Security lapse could compromise the Council IT network and render systems inoperable - Data loss - Reputational damage - Failure to deliver projects within required timescales - Failure to provide adequate day to day support to customers 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - IT Strategy and Action Plan - IT Security Policy - Business Continuity Plan - Disaster recovery plans in place - IT Steering Group - Network security measures in place including firewall and access level controls - Risk management and procurement best practice embedded across the Council - Internal Audit review of IT Security - Experienced staff in post - Effective budget setting and financial monitoring processes embedded - Officer groups in place to support progress of digital services 	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 06	<p>Information & Data Management</p> <p>The ability to properly protect, preserve and make best use of the data and information resources that the Council holds</p> <p>Lead Officer: Jim Carrington-West</p>	<ul style="list-style-type: none"> - Lack of capacity or skills within the workforce to implement a knowledge management system - Lack of IT capacity to support a knowledge and information management system - Increased complexity and cost of the requirements to adhere to the Code of Connection 	<ul style="list-style-type: none"> - Failure to meet the Council's objectives - Failure to continue to deliver high quality services across the Council - Increased costs from recruitment and staff training - Negative impact on the organisations culture and on staff morale - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Data Protection policies in place and available to all staff - Training for all staff on Data Protection - IT Strategy, Plan and Steering Group in place - Annual assessment against the Code of Compliance - Disaster recovery plans in place - Business Continuity Plan in place - Information Governance Policy endorsed by SMT <p>Actions</p> <p>Provide training for all staff on Information Governance</p>	3 Possible	4 Serious	12 Medium

Draft Strategic Risk Register (August 2015)

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 07	<p>Legal compliance, governance & ethics</p> <p>The ability to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement</p> <p>Lead Officer: Christine Nuttall</p>	<ul style="list-style-type: none"> - Lack of capacity in the workforce to identify and adhere to legislative changes - Lack of finance to adjust to changes in legislation - Lack of Member or Senior Management support to deliver service changes in response to new legislation - Breakdown in relationships between Members and Officers - Lack of capacity and skilled professionals within the Legal, Democratic and Internal Audit teams - Lack of financial resources to deliver high quality governance arrangements - Governance arrangements which may not provide effective oversight of shared service arrangements - Lack of skills and resources to provide Anti Fraud and Corruption service - Ineffective support for Councillors in relation to governance, legal compliance and ethics 	<ul style="list-style-type: none"> - Failure to fulfil statutory duties resulting in government intervention and an increase in legal liabilities - Failure to continue to deliver high quality services - Increase in customer complaints and falling satisfaction levels - Increase in incidences of fraud and error - Failure to maximise the opportunities changes to legislation may bring - Ineffective political and management leadership - Ineffective scrutiny of decision making and performance - Failure to deliver statutory requirements including an up to date constitution, an effective Internal Audit function and an Annual Governance Statement - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	3 Possible	4 Serious	12 Medium	<ul style="list-style-type: none"> - Dedicated Lexcel accredited in house Legal team with qualified and experienced officers in place - Professional managers within service areas - Council's Constitution including Codes of Conduct, Officer / Member Protocol and Standards regime - Cabinet and Committee Structure including Advisory, Governance, Audit, Scrutiny & Standards Committee's - Experienced Monitoring Officer and Section 151 officers in post - Internal Audit function complies with Public Sector Internal Audit Standards - Risk Management processes embedded - Effective budget setting and financial monitoring processes embedded - Annual review of Committee Terms of Reference - Members Handbook and Training 	2 Unlikely	3 Serious	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 08	<p>National Planning Policy</p> <p>The impact adherence to national planning policy has for local planning policy formulation and development management and our ability to deliver the Council's Corporate Plan ambitions</p> <p>Lead Officer: Richard Morris</p>	<ul style="list-style-type: none"> - The National Planning Policy Framework and the resulting need to review existing local plans - Impact of the review of planning policies on the local community - Further legislative change that may effect the Council's ability to meet its targets and amend current decision making processes - Budget pressures resulting from the need to review and submit new local plans for examination 	<ul style="list-style-type: none"> - Robustness of existing local plans may be challenged - Increased potential for the Council's planning decisions to be based on national rather than local policies - Increased costs from the revision and submission of new local plans - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to deliver high quality services - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Skilled, professional officers in place - Close working with other local planning authorities - Close working with support organisations including the Planning Inspectorate, Planning Advisory Service and the Planning Officers Society - Ongoing review of legal challenges to the adoption of development plans - Ongoing review of appeal decisions - Member and Officer training - Programmed review of the Local Development Scheme - Local Planning Advisory Committee 	2 Unlikely	4 Serious	8 Medium

Draft Strategic Risk Register (August 2015)

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 09	<p>Capacity of Community Partners</p> <p>The impact of the recession and reduced public spending on the workloads and budgets of community partners and the voluntary sector</p> <p>Lead Officers: Lesley Bowles / Pat Smith</p>	<ul style="list-style-type: none"> - Reductions in Government funding of statutory partners such as Health, Police and Fire & Rescue services - Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. Health funding - Reductions in Council grant constraining the funding available for community grants - Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers 	<ul style="list-style-type: none"> - Unable to deliver the priorities and actions set out in the Community Plan, Community Safety Action Plan and Health Action Plan - Increased hardship in the District 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to provide high quality services - Ability to support and grow the local economy 	3 Possible	3 Significant	9 Medium	<ul style="list-style-type: none"> - Policies and action plans developed with community partners to ensure most effective use of resources - Robust budget setting processes in place which considers the benefits of the Council's community grant scheme - Ability to attract external funding to sustain community projects and minimise hardship on local community groups - Strong relationships with local community and voluntary groups - Robust monitoring - Partnership agreements in place where appropriate (e.g. West Kent Housing Association) 	2 Unlikely	3 Significant	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 10	<p>Shared services</p> <p>The ability to attract new partners to develop shared services and to sustain existing partnerships</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Lack of Member and Management leadership and support to partnership and shared service activity - Lack of capacity, skills and expertise in the workforce to effectively manage and optimise partnership working opportunities - Lack of financial resources for the investigation and set-up costs that partnership working may require - Lack of Partnership governance arrangements - Lack of potential partner organisations - Breakdown of existing shared service arrangements 	<ul style="list-style-type: none"> - Failure to meet the Council's objectives - Unable to sustain the Council's budget - Failure to continue to deliver high quality services - Failure to maximise financial savings and value for money - Reputational damage - Partnership failure - Failure to maintain existing shared service arrangements - Cost of re-establishing an internal service or seeking new partners 	<ul style="list-style-type: none"> - Ability to provide high quality services - Ability to deliver Value for Money 	4 Likely	3 Significant	12 Medium	<ul style="list-style-type: none"> - Joint Project Board meetings in place for existing partnerships - Reports to Members on partnership working to ensure their support - Strategic Management Team lead in partnership and shared service activity - Effective relationships across Chief Executives and neighbouring Councils - Senior Officers have skills and expertise to deliver effective partnership working - Effective risk management embedded across the organisation - Partnership Agreements in place for existing shared services - Exit Strategies considered for existing partnership arrangements <p>Action</p> <p>To clarify BCP arrangements within shared services / partnerships</p>	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 11	<p>Health and Safety</p> <p>The need to ensure that the Council adopts appropriate policies and practices in place to ensure the wellbeing of its staff.</p> <p>Lead Officer: Richard Wilson</p>	<ul style="list-style-type: none"> - Lack of Health and Safety Policy, guidance and training for staff - Lack of controls in place for the effective management of Health and Safety - Lack of effective health and safety risk assessments - Lack of awareness of health and safety controls and practices at work 	<ul style="list-style-type: none"> - Poor working practices - Increased absence from work - Work place accidents - Health and Safety Executive inspections and fines - Reputational damage as a service provider and as an employer 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Health and Safety Policy regularly updated - Health and Safety Guidance - Health and Safety Risk assessments - Health & Safety risks included within Operational Risk Registers - Regular review and monitoring of risk assessments and safe working practices - Health and Safety training - Health monitoring - Accident recording, monitoring and action planning - CIEH qualified Officers to undertake risk assessments - Occupational health service - Officers Health & Safety Group 	2 Unlikely	3 Significant	6 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 12	<p>Severe weather events</p> <p>The lack of capacity to limit the impact on residents and services of increasingly frequent severe weather events</p> <p>Lead Officer: Richard Wilson</p>	<ul style="list-style-type: none"> - Inadequate or untested emergency plan in places - Failure to implement emergency plans in response to any given event - Lack of capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency - Inadequate controls on major emergency hazards 	<ul style="list-style-type: none"> - Disruption to the community and to community services - Inability to maintain Council services - Excessive non-recoverable expenditure on response - Loss of Council information - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	3 Possible	4 Serious	12 Medium	<ul style="list-style-type: none"> - Emergency Planning Officer Group - Expertise to formulate and co-ordinate the Council's response - District Major Emergency Plan (including the Business Continuity Plan) in place, regularly updated, enhanced and tested - Community Risk Register - IT Disaster Recovery Plan - Collaborative arrangements and plans agreed with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others are in place - Access to support resources from across the Council, including from Direct Services - Applied learning from experience of prolonged flooding incident 	3 Possible	3 Significant	9 Medium

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MEMBERS' ALLOWANCE SCHEME MONITORING

Audit Committee – 8 September 2015

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: that Members note the contents of this report.

Introduction and Background

- 1 Within the terms of reference of the Audit Committee, the committee is required *'to monitor the implementation of the Members' Allowance Scheme'*.
- 2 The Governance Committee is required *'to receive the recommendation of the Joint Independent Remuneration Panel and make recommendations for changing the Members' Allowance Scheme to the Council and, if required, to the Joint Independent Remuneration Panel'*.

Members' Allowance Scheme – 2014/15

- 3 Members' allowances for 2014/15 were made public during the summer and can be viewed at:
http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0011/179129/Members_Allowance_2014-15.pdf
- 4 Basic allowances were paid to all 54 Members but three asked not to receive the full amount.
- 5 Travel expenses were claimed by 25 Members (46%).
- 6 The IT allowance was claimed by 34 Members (63%).

Members' Allowance Scheme – 2014/15

- 7 At the Governance Committee on 5 November 2013 and 29 January 2014, the Members' Allowance Scheme was discussed and recommendations were made to Council. The scheme was agreed by Council on 18 February 2014.
- 8 The relevant appendix from the 'Constitution of Sevenoaks District Council' containing the Members' Allowance Scheme (2014/15) is attached at Appendix A.

Agenda Item 10

- 9 All Members' expenses claims are checked by Democratic Services. In the event of any question of interpretation, the Chief Executive, or, in his absence, the Monitoring Officer, will decide. No issues were found during the year.

Key Implications

Financial

The cost of the Members' Allowance Scheme is contained within the approved budget.

Legal Implications and Risk Assessment Statement.

There are no legal implications for this report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices Appendix A – Constitution of Sevenoaks District Council –
Members' Allowances Scheme (2014/15)

**Background
Papers:** Members' allowance payments for the year ending 31 March
2015:
http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0011/179129/Members_Allowance_2014-15.pdf

**Adrian Rowbotham
Chief Finance Officer**

APPENDIX G: Members' Allowances Scheme (2014/15)

1. INTRODUCTION

The Members' Allowances Scheme is made under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 (the 2003 Regulations) and other Regulations which may come into force from time to time.

In making this Scheme, the Council must have regard to the recommendations made by the Joint Independent Remuneration Panel.

This Scheme has effect for the financial year appertaining to the year it is introduced and continues until amended or revised.

This Scheme may be amended at any time having regard to the recommendations of the Joint Independent Remuneration Panel.

For the avoidance of doubt, where the only change to this Scheme is effected by annual updating of allowances, this Scheme shall be deemed not to have been amended.

2. STATUTORY MEMBERS' ALLOWANCES SCHEME

2.1 Basic Allowance

Every District Council Member shall be paid an annual basic allowance as set out in Schedule 1 below. It will be paid in instalments of one-twelfth on the 15th of each month, with minor adjustments where necessary to ensure that the total annual sum is correct. The allowance is subject to annual updating - see paragraph 2.8 below.

The basic allowance covers time incurred by a District Council Member in carrying out his/her ordinary duties for the Council. However, it excludes travel and subsistence allowances for approved duties which are referred to separately below. Furthermore, the Council makes available to Members a certain amount of equipment over and above the basic allowance. Again, this is referred to separately below.

2.2 Special Responsibility Allowances

An annual special responsibility allowance (SRA) will be paid to certain Members. SRAs will be paid in monthly instalments. They are not payable when a Member temporarily steps into another's role (say, when the Vice-Chairman chairs a meeting). The special responsibility allowances are set out in Schedule 1 below.

2.3 Child and Dependant Carer's Allowance

Members may claim an allowance in respect of expenses necessarily incurred in relation to the provision of care for their children and other dependants while carrying out approved duties. Approved duties are listed in a separate section below. Claims should be made monthly in arrears, by attaching the receipt(s) to the submitted Member's claim form and entering the amount claimed on the form. Claims will not be paid without documented receipts.

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The allowance to be paid per dependent child per hour during normal daytime working hours (8am to 6pm on Mondays to Fridays) and a single maximum payment per hour as set in Schedule 1 for child care arranged outside normal working hours, accompanied by an official receipt.

The dependent adults carer's allowance will be paid up to the figure in Schedule 1 per hour for the employment of a replacement carer for whom the Member is normally a full time carer. This will also apply where the Member has to arrange care for a disabled dependent child. In either case, the definition of dependant being as set out in the Employment Rights Act 1996 (s.57A), such claims to be supported by a doctor's letter confirming that the dependant is in need of constant or specialist care/supervision; (NB Carer's allowance and the allowance payable in respect of a disabled dependent child, is not payable in respect of the same child for the same period.).

2.4 Pensionable Allowances

Statutory regulations allow local authorities to make certain allowances pensionable, but only if so recommended by their independent remuneration panel. At Sevenoaks it has been agreed that the option to allow Members to participate in the Local Government Pension Scheme should not be introduced at this time (February 2005).

2.5 Renunciation of Allowances

A Member may choose to forego all or part of his/her entitlement to basic or special responsibility allowances under this scheme. If this is the case, he/she should give notice of this in writing to the Chief Executive or Monitoring Officer, stating what element of his/her allowance entitlement he/she does not wish to claim. The notice should also state whether this is for the current municipal year or the remainder of the Member's term of office – if the notice does not specify a time period then it will be assumed to mean the remainder of the term of office.

A Member not wishing to claim the expenses described in section 3 below need not give notice in writing – he/she simply does not submit any expenses claim forms.

2.6 Publicising Allowances and Expenses Paid

As soon as reasonably practicable after determining a Scheme of Allowances, a copy of the Scheme will be made available for inspection and publication will take place in accordance with the 2003 Regulations.

As soon as practicable after 1st April each year arrangements will be made for the publication of the total paid to each Member in each category of allowance specified in this Scheme, in the preceding year.

2.7 Suspension of Allowances

Any Member/Co-optee who is suspended or partially suspended from his/her responsibilities or duties as a Member of the Council in accordance with legislation or regulations that may come into force from time to time may have his/her allowances withdrawn for the period of any suspension.

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Where any payment allowance under this Scheme has already been made in respect of any period during which a Member/Co-optee is suspended or partially suspended or ceases to be a Member or Co-optee of the Council or is in any other way not entitled to receive the allowance in respect of that period the Council may require that such allowance or part of as relates to any such period be repaid to the Council.

2.8 Annual Updating

Members' allowances except for travelling expenses are updated annually in line with the National Joint Council for Local Government Services pay award.

3. PAYMENT OF EXPENSES

3.1 Approved Duties

Members/Co-optee members may claim reimbursement of travel, subsistence, Child and Dependent Carer's Allowance and conference expenses incurred whilst undertaking an approved duty.

Attendance at any of the following is an approved duty:

- (a) The attendance at a meeting of the District Council or of any committee or sub-committee or Working Group of the District Council, or of any body to which the Council make appointments or nominations, or any committee or sub-committee of such a body (If the outside organisation will pay travel and/or subsistence costs, then the Member should claim against that organisation and cannot claim from the District Council.);
- (b) The attendance at any meeting, the holding of which is authorised by the District Council, or a committee or sub-committee of the District Council, or a joint committee of the District Council and one or more local authority within the meaning of section 279(1) of the 1972 Act, or a sub-committee of such a joint committee provided that:-
 - (i) where the authority is divided into two or more political groups, it is a meeting to which members of at least two groups have been invited, or
 - (ii) if the authority is not so divided, it is a meeting to which at least two members of the authority have been invited;
- (c) the attendance at a meeting of any association of authorities of which the District Council is a member
- (d) the attendance at a meeting of the executive (Cabinet) or a meeting of any of its committees;
- (e) the attendance at pre-meeting briefings by Chairmen and Vice-Chairmen of Committees;
- (f) the performance of any duty in pursuance of any standing order made under section 135 of the 1972 Act requiring a Member or Members to be present while tender documents are being opened;

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- (g) the performance of any duty in connection with the discharge of any function of the District Council by or under any enactment and empowering or requiring the District Council to inspect or authorise the inspection of premises (including site visits for planning matters); and
- (h) the attendance of any pre-arranged meetings with Officers relating to issues within the Members' responsibilities. This would encompass Portfolio Holder briefings etc. In the event of any question of interpretation, the Chief Executive, or, in his absence, the Monitoring Officer, will decide.

Further Clarification of Approved Duties:

In-house training and development seminars including Members' Induction, Staff Induction and service-specific seminars

Conferences or seminars arranged by a Chief Officer.

Expenses will not be paid for attendance at national and regional bodies if the Member was not appointed to the organisation or event by the District Council.

Travel and subsistence allowances for co-opted and lay/expert members of committees and panels will be paid, at the same level as for elected Members.

Schedule 2 sets out tables of examples of what are approved duties. In specific cases not covered by this schedule Members should contact the Democratic Services Team. A decision will be made by the Chief Executive or the Monitoring Officer and the table updated accordingly

3.2 Travelling, Subsistence and other Expenses

Travelling Allowances

Travelling allowances are payable in accordance with the HMRC maximum tax free allowance from time to time:

Per mile up to and including 10,000 miles	45 pence
Over 10,000 miles	25 pence

Bicycles:

20 pence per mile tax free as per Inland Revenue's maximum tax free allowance for claims.

Motorcycles:

24 pence per mile tax free as per Inland Revenue's tax free allowance for claims.

Public Transport:

Authorised journeys taken using public transport should be reimbursed at the cost of standard travel.

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Travelling allowances may be claimed by Members for attendance at meetings of the bodies or for the purposes listed in 3.1 above.

Car sharing is encouraged by the Council for duties involving more than one Member. Any claim should be made by the vehicle driver only.

Travel by taxi should only be used in exceptional circumstances and, if it is necessary, should involve more than one Member if possible.

3.3 Subsistence Expenses and Council Refreshments

- A Member may claim reimbursement of subsistence costs incurred personally while on approved duties. The latter are described at a separate section below. In order to qualify for reimbursement:
- the Member must be away from his/her usual residence for a minimum of four hours (this time period applying only to the time spent in travel to and from, and attendance at, the approved duty outside the District)
- there must be no meal provided at the approved duty, either by the Council or any other organiser for the event
- claims will only be reimbursed for subsistence purchased in the close vicinity of a local event, or in the vicinity of, or whilst travelling to or from, an event more distant.
- the Member should attach a receipt to his/her expenses claim form to show that a meal was purchased (and the amount paid will be the amount incurred and shown on the receipt up to the maximum limit shown below).

The rates payable are set annually when the annual pay award is agreed. They are currently as set out in the table below.

Subsistence type	Details	Payment amount
Lunch allowance	Covers the period from 12 noon to 2 p.m.	£9.86
Evening meal allowance	For a period of absence ending after 7 p.m.	£12.21
Absence overnight	To cover hotel and associated expenses – but note that, in these cases, the Council will book and pay for hotel accommodation directly (see ‘conferences’ at separate section below)	£79.82 (increased to a maximum of £91.04 in certain circumstances, e.g. for meetings in London and for LGA meetings)

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If a meal is taken on a train, this is taken to relate to the subsistence allowance which it most closely equates to (i.e. lunch or evening). The above conditions still apply.

The Council may provide refreshments for 'approved duty' meetings which last over the lunchtime period or which start between 4.30 p.m. and 6 p.m.

The District Council requires that Members ensure that any overnight stay bookings for approved duties and conferences are made by Council Officers. The Council will then pay for the cost of the accommodation and breakfast. Lunch and evening meal costs up to the subsistence amounts shown above and travel will be claimable.

3.6 Child and dependant carer's allowance

Members may claim an allowance (set out in Schedule 1 below) for the use of childminders, babysitters or other sitters for dependants while carrying out approved duties. See section 2.3 above for details. Claims must be supported by receipts for payments made.

3.7 ICT and other equipment

Members are securely able to access all Council information and communications from any internet access point, including a home computer, through the Members' Electronic Portal. In order to recognise that part of the cost of provision of such equipment is for the performance of Members' duties, Members may make claim for the following financial support:

- (a) an allowance of up to £120 per annum is available to councillors paid on a yearly basis and separately from the Basic and other allowances. This allowance is available to Members who use their own IT resources to undertake their council duties;
- (b) In exceptional circumstances where a Member is unable to afford the purchase cost of a suitable computer the Council would consider assisting the Member by advancing a lump sum which would then be recovered via repayments from this allowance;
- (c) where a Member has been provided with a Council funded computer, no allowance will be paid; and
- (d) all such allowances are subject to tax along with Basic and Special Responsibility Allowances in the normal way.

3.8 Claims procedure

Claims for travel, subsistence and dependant carer's allowances must be made each month using the Members' claim form. Members can either submit a claim in writing or on-line. If any Member wishes to submit claims on-line, he/she is required to sign a 'request to submit forms via e-mail' and return it to the Democratic Services and Elections Manager so that a members' claim form can be sent electronically for completion. All claims must be received by the Democratic Services Team by the twentieth day of the month. This is essential as they must be verified and approved by the twenty third day of the month in time for the monthly payroll run on the fifteenth of the

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following month. Any claims received after these dates will be paid on the subsequent pay run.

Members should ensure that they submit claims each month as claims stretching back over several months may be delayed owing to the increased difficulty of verifying them. Claims over 3 months old will not be paid. All claims to be finalised within one month of the start of the financial year.

The claim form must include receipts for all expenses claimed other than car mileage, and must be signed by the Member to declare that he/she is entitled to all amounts claimed and has not already been reimbursed for these amounts by the Council or any other organisation. For those claims submitted electronically, all relevant receipts must also be submitted to support the claim.

If a Member wishes to reclaim tax paid on subsistence allowances, he/she must provide relevant receipts to HM Inspector of Taxes. If a Member applies for benefit, he/she must declare any allowances and expenses received from the Council on his/her application form.

Should it ever arise that the Council incurs expenditure on behalf of a Member's spouse or partner, then a debtor's account will be sent to the Member to recover all additional costs and a copy of the accounts will be placed with the file of payments to Members.

4. GUIDANCE FOR OFFICERS IN RESPECT OF PAYMENT TO MEMBERS

All Officers must adhere to the above scheme when verifying and making payments to Members. The Democratic Services and Elections Manager must verify all Member claims prior to passing them for payment taking particular note of Schedule 2. The Finance Team will maintain a file of payments to Members. For all payments under the Members' Allowances Scheme, this must show the name of the recipient, together with the amount and nature of each payment. It is open for inspection free of charge by electors in the area, who may copy any part of it.

The scheme also applies to Officers incurring expenditure on a Member's behalf – if an Officer spends more than the prescribed limits shown above for a Member's travel and/or subsistence then *the Officer cannot claim the excess, but must bear the cost personally*. If an Officer wishes to make a claim for Member travel and/or subsistence, he/she must complete an employee travel and subsistence expenses claim form in the usual way, but stating clearly which Member(s) were paid for, and the details of the payment (cost, time of day incurred) which will allow it to be checked against the prescribed subsistence scheme. A copy must be sent immediately to the Finance Team for recording in the file of payments to Members.

If any other issue of payment to a Member arises, other than one covered by the above Members' allowance scheme or a normal service issue, then prior written approval should be obtained from the Chief Executive or Monitoring Officer.

When a department arranges any seminar, conference, course or visit which will incur costs on behalf of a Member, the lead officer must liaise with the Chief Finance Officer to ensure that only permitted expenditure is incurred. The lead Officer of the event should keep a list of Members attending an approved event, and forward it immediately afterwards to the Democratic Services and Elections Manager and the Finance Team to

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ensure that any subsequent Member claims for travelling and/or subsistence can be verified.

Tours outside the Sevenoaks District may be arranged by the relevant department. They will still require formal committee/cabinet approval and adequate budgetary provision. Any overnight stop, unless paid for directly by the Council, and any lunch or evening meals purchased for the Members involved must adhere to the subsistence rates shown above. If air tickets are reserved, the cheapest rate of public air travel must always be used.

Any proposed payment or commitment of civic funds must be referred to the Chief Executive or Monitoring Officer for prior approval. These Officers must ensure all payments so made remain within budgeted levels of expenditure, and that any payments to or on behalf of Members are recorded in the file of payments to Members.

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Schedule 1

Members' Allowances Scheme (2014/15)

Description of Allowance	2014/15 Allowance per Member (£)
Basic Allowance (all Members)	5,140
 <u>Special Responsibility Allowances:</u>	
Opposition Group Leaders:	
Liberal Democrat (2 Members)	1,277
Labour (4 Members)	1,277
 Cabinet Chairman (Council Leader)	 15,422
Cabinet members	6,426
Deputy Cabinet Members	643
 <u>Chairmen</u>	
Advisory Committees (x5)	2,057
Audit	2,057
Development Control	3,085
Governance	2,057
Health Liaison Board	2,057
Licensing	2,057
Scrutiny	2,057
Sevenoaks Joint Transportation Board	2,057
Standards	1,029
 <u>Vice-Chairmen</u>	
Advisory Committees (x5)	514
Audit	514
Development Control	771
Governance	514
Health Liaison Board	514
Licensing	514
Scrutiny	514
Sevenoaks Joint Transportation Board	514
Standards	257
Committee Members:	
Development Control members	257

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Licensing Committee members	129
Carer's Allowance (All Members if appropriate)	Up to £6.19 per hour per Member
Dependent Carers Allowance	£16.00 per hour per Member
Travel and Subsistence Expenses	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award
I.T Allowance	120
Ancillary Expenses (broadband)	Nil
Special Responsibility Allowance	Only one allowed
Pensions	Nil

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Schedule 2

Members' Allowance Scheme – Approved Duties Specific Examples

- Attendance at a meeting of Council
- Attendance at a meeting of Cabinet (all Members)
- Attendance at a meeting of any Committee/Sub-Committee/Working Group/Board/Hearing of which you are a Member (attendance at Committee meetings as an observer is not considered an approved duty, the only exception to this being meetings of the Cabinet).
- Attendance at a meeting of any outside organisation that you are appointed to by the Executive or the Council
- Attendance at any Development Control Meeting and Development Control Site Meeting as agreed by the Chairman or Vice-Chairman of Development Control, if you are a member of Development Control or a local member for the ward concerned
- Attendance of any other site visit approved by Council, the Executive or any Committee/Sub-Committee/Working Group/Board/Hearing, if you are a member of the relevant body
- Attendance by a member of the Executive at any Committee/Sub-Committee/Working Group/Board/Hearing that is discussing matters within that members' Portfolio
- Attendance at any meeting organised by Officers of the Council to which at least two political groups have been invited
- Attendance at any training session organised by Officers of the Council to which the Member has been invited
- Attendance at any service-specific seminar organised by Officers of the Council to which the Member has been invited
- Attendance at any Conference or Seminar where prior agreement has been made by a Chief Officer of the Council
- Attendance at pre-meeting briefings by Chairman/Vice-Chairman of Committees/Sub-Committees/Working Groups/Boards/Hearings
- Attendance of members of the Executive at Briefing meetings
- Attendance of a member of the Executive that is required to attend a tender opening
- Attendance at any meeting pre-arranged by Officers of the Council relating to issues within the Member's responsibilities

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Audit Committee 2015/16 –Work Plan

	8 September 2015	12 January 2016	15 March 2016	Summer 2016
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 201/16 – 1 st Progress Report Report on Internal Audit recommendations outstanding	Internal Audit 2014/15 – 2 nd Progress Report	Internal Audit 2013/14 – 3 rd Progress Report Internal Audit Plan	
Risk Management	Risk Management Training Risk Management Plan and Update including Strategic Risk Register		Risk Management Strategy	
Accounts and External Audit	Statement of Accounts 2014/15	External Audit – Annual Audit Letter		
Other	Members’ Allowance Scheme Monitoring	Anti-Fraud Team Update	Review of the Effectiveness of the Audit Committee Annual Report to Council	

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