

27 September 2016 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 19.09.16



Audit Committee

Membership:

Chairman, Cllr. Grint

Cllrs. Clack, Dyball, Edwards-Winsler, Layland, McArthur, Purves and Reay

Agenda

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 30 June 2016, as a correct record	(Pages 1 - 8)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting (if any)		
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Members' Allowance Scheme Monitoring	(Pages 9 - 22)	Martin Goodman Tel: 01732227245
6. Statement of Accounts 2015/16	(Pages 23 - 178)	Helen Martin Tel: 01732 227483, Adrian Rowbotham Tel: 01732 227153
7. Internal Audit 2016/17 - 1st Progress Report	(Pages 179 - 202)	Bami Cole Tel: 01732 227236, Lisa Nyon Tel: 01322 343434
8. Report on Internal Audit Recommendations Outstanding	(Pages 203 - 218)	Bami Cole Tel: 01732 227236, Lisa Nyon Tel: 01322 343434

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|-----|--|-------------------|---------------------------------------|
| 9. | Draft Strategic Risk Register | (Pages 219 - 236) | Adrian Rowbotham
Tel: 01732 227153 |
| 10. | Future Appointment of External Auditors | (Pages 237 - 242) | Adrian Rowbotham
Tel: 01732 227153 |
| 11. | Fraud Update | | Adrian Rowbotham
Tel: 01732 227153 |
| 12. | Work Plan | (Pages 243 - 244) | |

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.

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or democratic.services@sevenoaks.gov.uk.

AUDIT COMMITTEE

Minutes of the meeting held on 30 June 2016 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Dyball, Edwards-Winsor, Layland, McArthur, Purves and Reay

Apologies for absence were received from Cllrs. Brookbank and Clack

Cllrs. Searles was also present.

The Chairman welcomed all Committee Members to the first meeting of the municipal year and noted that the membership was identical to the previous year meaning the Committee would benefit from the continuity of experience and understanding of the issues.

The Chairman welcomed Cllr. Hammock, Chairman of the Dartford Borough Council Audit Board to the meeting.

1. Minutes

Resolved: That the minutes of the Committee held on 15 March 2016 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 actions from the previous meeting were noted.

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

There were none.

5. Anti-Fraud Team Report 2015/16

The Counter Fraud & Compliance Team Manager presented a report which set out the activities of the Anti-Fraud Team during 2015/16, including the successful transfer of all benefit fraud work to the Single Fraud Investigation Service (S-FIS) in January 2016 and the arrangements for the new Counter-Fraud & Compliance Team based in the Revenues & Benefits Department on 1 February 2016. The remit of the Counter Fraud & Compliance Team was to protect the Council's revenues

and to investigate any areas of fraud not covered by the Department for Work & Pensions.

He explained that the new Team had considered CIPFA's Fighting Fraud and Corruption Locally strategy. The Team was aiming to fight fraud and corruption as effectively as before the changes, focussing on the areas of highest risk namely discounts, allowances and reliefs on Council Tax and Business Rates. The Team would ensure that there was a robust compliance strategy. The Major Council Tax Preceptors were funding the acquisition of data analytical tools to help detect fraud and error and authorities were close to agreeing a Kent-wide data matching hub.

Members discussed the Kent data matching hub. In response to questions, Officers confirmed that regular checks were carried out against data the Council held to highlight fraud and error. The data analytical tools scored the risk of each referral and effort was concentrated on those deemed the highest risk, usually the top 10%. Referrals were further filtered by trained investigators to ensure that enquiries were both effective and fair. The Team aimed to cover its costs.

Public Sector Equality Duty

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

Resolved: That the work of the Anti-Fraud Team carried out during the year ended 31 March 2016 and the details of the new Counter Fraud & Compliance Team created on 1 February 2016 following the transfer of benefit fraud work to the Single Fraud Investigation Service (S-FIS) within the Department for Work & Pensions be noted.

6. Statement of Accounts 2015/16 - Establishment of Member Working Group

Members considered setting up a working group to review the 2015/16 Draft Statement of Accounts. The working group would recommend to Officers changes whilst ensuring that the accounts still adhered to the statutory regulations. The working group was expected to meet in August 2016 and could consider the document in detail and report back to the Audit Committee when they considered the matter in September 2016.

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 2015/16 Draft Statement of Accounts;

Audit Committee - 30 June 2016

- b) the Working Group be authorised to recommend to Officers changes to the Statement of Accounts 2015/16, prior to completion of the external audit of the accounts; and
- c) the membership consist of Cllrs. Dyball, Grint, Layland and McArthur with the Portfolio Holder for Finance, Cllr. Searles, invited to attend.

7. External Audit - Annual Audit Plan and Update

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Geoffrey Bannister, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The representatives of Grant Thornton explained to Members the Audit Plan for the year ending 31 March 2016 including an overview of the planned scope and timing of the audit. They highlighted the challenges and opportunities the Council faced that would be considered including financial health, devolution and the earlier closedown of accounts. The significant risks considered would include fraudulent transactions in the revenue cycle and the management override of controls, which were both presumed risks. Other areas of focus would be the pension valuation and the consideration of value for money with regard to the Council's Investment Strategy. Appointment of external auditors was still controlled by Public Sector Audit Appointments but it was expected there would be a fee reduction of 25%.

The Chairman explained that he would sign and send a letter to Grant Thornton in response to questions regarding how the Committee gained assurance from management, which they had asked him as Chairman. A copy of the letter would be circulated to all members of the Committee.

Public Sector Equality Duty

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

Resolved: That the report be noted.

8. Annual Internal Audit Plan 2016/17

The Chief Finance Officer presented the report which incorporated the Annual Internal Audit Plan and Programmed Reviews for 2016/17. The objective of the plan was to ensure that Internal Audit delivered reasonable assurance to the Council regarding the effectiveness of internal control, governance and risk management processes, in fulfilment of the Council's statutory responsibilities. The plan had been prepared in accordance with professional guidance, including the Public Sector Internal Audit Standards and regulatory requirements, in particular the Accounts and Audit Regulations.

Members had approved the plan at the meeting of the Committee on 15 March 2016, but in the absence of the Audit, Risk & Anti-Fraud Manager had requested that the item be presented again for further consideration. The Chief Finance

Officer explained that as the Audit Plan had previously been approved, the recommendation should only be to note the report.

The Principal Auditor advised that, following comments from the Committee at the previous meeting, the audit into Planning Applications and Appeals was to be carried out in the second quarter of the year. Five audits had already been commenced. She highlighted that there could be delays in the signing off of final reports due to the current absence of the Audit, Risk & Anti-Fraud Manager.

In response to questions, the representatives from Grant Thornton advised that the outcomes of Internal Audit reports did help focus their own assessments and that significant reliance was placed on them.

Public Sector Equality Duty

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

Resolved: That the approved Internal Audit Plan for 2016/17 be noted.

9. Internal Audit Strategy 2016/17

The Chief Finance Officer presented a report which explained that the Internal Audit Strategy was a high level document which set out how internal audit resources would be allocated to deliver stakeholder expectations and regulatory assurance and it worked alongside the Internal Audit Charter. The existing strategy was last approved in 2006 and was no longer fit for purpose. The new strategy had been developed to address changing needs of the organisation and would facilitate greater engagement with key stakeholders in delivering added value assurance for the Council.

The Strategy included a simplified audit opinion framework. The Principal Auditor explained that changes to the framework had been introduced from 1 April 2016, providing a detailed description of each opinion definition and that these definitions were more meaningful and more achievable than before.

Public Sector Equality Duty

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

Resolved: That the Internal Audit Strategy 2016/17 be approved.

10. Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16

The Chief Finance Officer presented a report which put forward proposals for assessing the achievements for the Audit Committee for the year 2015/16. The outcome of the review indicated that the Audit Committee substantially met the requirements of the existing CIPFA code and was therefore making a valuable

contribution towards effective governance, good internal controls and the management of business risk within the Council.

Officers clarified that Members had noted the plan at the meeting of the Committee on 15 March 2016 but in the absence of the Audit, Risk & Anti-Fraud Manager had deferred approval to allow for further consideration.

The Chairman thanked Members for their responses to their questionnaire. He felt the continuity in membership would allow for greater personal contributions as Members became more experienced with the Committee.

Public Sector Equality Duty

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

Resolved: That the Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16 be approved.

11. Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2015/16

The Chief Finance Officer presented a report detailing the outcome of the annual self-assessment review of the Council's Internal Audit function. The Audit, Risk & Anti-Fraud Manager had carried out the self-assessment in compliance with the Public Sector Internal Audit Standards 2013. The results from the process would also feed into the Manager's Annual Report and the Council's Annual Governance Statement.

The outcome of the self-assessment indicated that the Council's arrangements in place for Internal Audit in 2015/16 were substantially compliant with the Public Sector Internal Audit Standards but some areas for further development had been identified to meet full compliance.

The Principal Auditor highlighted that the service was compliant in 8 more areas than the previous year. In response to questions she confirmed that staff technical ability was an area for improvement which would be developed through the year.

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 2015/16, 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 noted.

12. Internal Audit Annual Report 2015/16

The Chief Finance Officer presented a report which set out the achievements of the Internal Audit Team in delivering the assurance requirements for the period April 2015 to March 2016. In 2015/16 the Team completed 19 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 2015/16 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 for 2015/16 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.

13. Annual Governance Statement 2015/16

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 process confirmed that the Council had sound systems of internal controls and good governance arrangements in place. No significant governance issues had been raised and no areas identified for further enhancement.

Public Sector Equality Duty

Audit Committee - 30 June 2016

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

Resolved: That the Annual Governance Statement for 2015/16, which accompanied the Council's Accounts be agreed for signature by the Leader of the Council.

14. Audit Committee Member Training

The Chief Finance Officer advised that at the meeting of the Committee on 15 March 2016 Members had asked Officers to consider training opportunities for Members of the Committee. In 2015/16 Members had received a report on the role of Internal Audit in June 2015 and Risk Management training in September 2015. Members were asked what training requirements they had.

Members discussed training requirements. The representatives from Grant Thornton advised on the range of training they could provide. The Chairman added that the Council was exploring training opportunities together with Dartford Borough Council for cost efficiency. Further discussions on training requirements would take place at the next meeting of the Committee, with specific proposals.

15. Work Plan

The work plan was noted. An update on Member training was to be added to 27 September 2016.

THE MEETING WAS CONCLUDED AT 8.15 PM

CHAIRMAN

MEMBERS' ALLOWANCE SCHEME MONITORING

Audit Committee - 27 September 2016

Report of Head of Legal and Democratic Services

Status: For Consideration

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer(s) Martin Goodman Ext. 7245

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 - 2015/16

- 3 Members' allowances for 2015/16 were made public during the summer and can be viewed at:
http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0014/231710/Members-Allowance-2015-16.pdf
- 4 Basic allowances were paid to all Members but one asked not to receive the full amount. It should be noted that as the year 2015/16 was an election year with newly-elected Members, Allowances were paid to 71 people.
- 5 Travel expenses were claimed by 37 out of 71 Members (52%).
- 6 The IT allowance was claimed by 41 out of 71 Members (58%).

Members' Allowance Scheme - 2016/17

- 7 Appendix G from the 'Constitution of Sevenoaks District Council' containing the Members' Allowance Scheme (2016/17) is attached at Appendix A. The scheme was amended in line with the National Joint Council for Local

Agenda Item 5

Government Services pay award for the year but no other amendments were made.

- 8 All Members' expenses claims are checked by Democratic Services. In the event of any question of interpretation, the Chief Executive or 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 (2016/17)

Background Members' allowance payments for the year ending 31 March
Papers: 2016:
[http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0014/
231710/Members-Allowance-2015-16.pdf](http://www.sevenoaks.gov.uk/_data/assets/pdf_file/0014/231710/Members-Allowance-2015-16.pdf)

Martin Goodman
Head of Legal and Democratic Services

APPENDIX G: Members' Allowances Scheme (2016/17)

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

Agenda Item 5

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.

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.

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

Agenda Item 5

- (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;
- (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.

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

Agenda Item 5

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)

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 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.

Agenda Item 5

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 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.

Schedule 1Members' Allowances Scheme (2014/15)

Description of Allowance	2014/15 Allowance per Member (£)	2016/17 Allowance per Member £
Basic Allowance (all Members)	5,253	5,306
<u>Special Responsibility Allowances:</u>		
Opposition Group Leaders:		
Liberal Democrat (2 Members)	1,305	1,318
Cabinet Chairman (Council Leader)	15,761	15,919
Cabinet members	6,567	6,633
Deputy Cabinet Members	657	664
<u>Chairmen</u>		
Advisory Committees (x5)	2,102	2,123
Audit	2,102	2,123
Development Control	3,153	3,185
Governance	2,102	2,123
Health Liaison Board	2,102	2,123
Licensing	2,102	2,123
Scrutiny	2,102	2,123
Sevenoaks Joint Transportation Board	2,102	2,123
Standards	1,052	1,063
<u>Vice-Chairmen</u>		
Advisory Committees (x5)	525	530
Audit	525	530
Development Control	788	796
Governance	525	530
Health Liaison Board	525	530
Licensing	525	530
Scrutiny	525	530
Sevenoaks Joint Transportation Board	525	530
Standards	263	266
Committee Members:		
Development Control members	263	266

Agenda Item 5

Licensing Committee members	132	133
Carer's Allowance (All Members if appropriate)	Up to £6.19 per hour per Member	6.19
Dependent Carers Allowance	£16.00 per hour per Member	16.00
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	123	124
Ancillary Expenses (broadband)	Nil	
Special Responsibility Allowance	Only one allowed	
Pensions	Nil	

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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STATEMENT OF ACCOUNTS 2015/16 - OUTCOME OF EXTERNAL AUDIT

Audit Committee - 27 September 2016

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2015/16 accounts.

Portfolio Holder Cllr. Searles

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Audit Committee: That

- (a) the Statement of Accounts 2015/16 be approved; and
 - (b) the letter of representation at Appendix B be approved and signed by the Chairman.
-

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 8 August 2016.
- 2 The external audit of the accounts began on 1st August 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 2015/16.
- 3 The external auditors, Sarah Ironmonger and Geoffrey Banister from Grant Thornton, will attend the meeting to discuss their report on the 2015/16 audit. The accounts are required to be signed off by the end of September 2016.
- 4 The Audited Statement of Accounts 2015/16 is attached as Appendix C.
- 5 A copy of the letter of representation from the Council to the external auditors is attached as Appendix B.
- 6 The format of the statement is similar to 2014/15 and has been compiled in line with International Financial Reporting Standards (IFRS). Additional information has been included in the accounts relating to the valuation of

Agenda Item 6

our properties following the introduction of IFRS 13. The Narrative Statement is an introduction to the accounts and includes more detail than in previous years.

Review by Working Group

- 7 At the meeting of the working group on 8 August, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.

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 and no changes were required to the major statements. The audit was completed within the proposed fee of £43,156, and Grant Thornton have reported a significant improvement in the quality of the financial statements compared to last year.
- 10 It is pleasing to report that the Audit Findings are significantly better than 2014/15 despite having limited resources and a team re-structure taking place during the annual accounts period. This is a significant achievement by the Finance Team.
- 11 Following a review of the Finance Team during 2015/16 there will be additional resources with greater expertise available to work on the final accounts process in future and to achieve the tighter deadlines required for 2017/18.

Value for Money

- 12 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.
- 13 The 'traffic light' indicators for value for money are all assessed as green.
- 14 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.
- 15 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

- 16 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.
- 17 The Finance Team will be working with Grant Thornton to analyse the 2015/16 Accounts process to identify any improvements that can be made for future years.

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 Report 2015/16

Appendix B - Letter of Representation

Appendix C - Audited Statement of Accounts 2015/16

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

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The Audit Findings for Sevenoaks District Council

Year ended 31 March 2016

September 2016

Page 27

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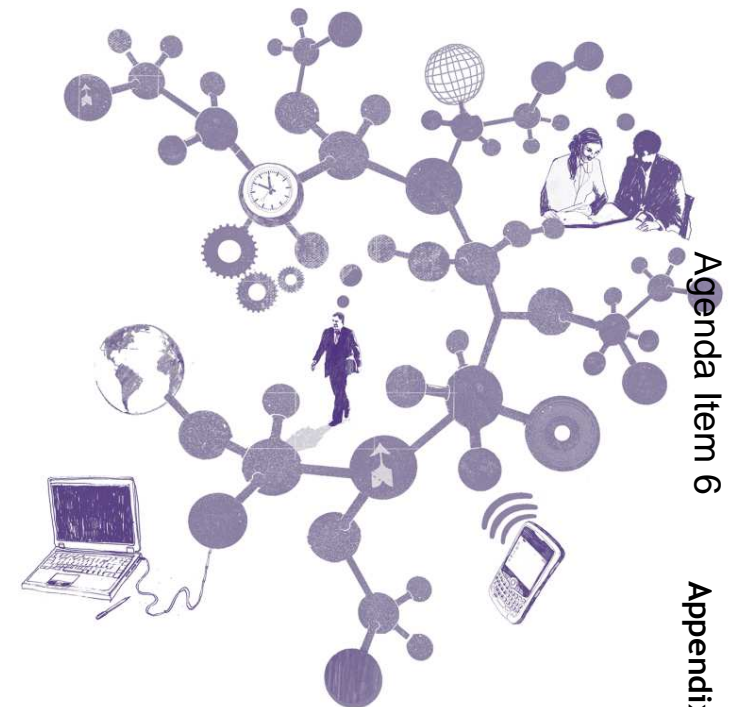
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Agenda Item 6

Appendix A

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27th September 2016

Dear Members,

Audit Findings for Sevenoaks District Council for the year ending 31 March 2016

This Audit Findings report highlights the key 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, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. 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 and giving a value for money conclusion. 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

Sarah Ironmonger

Engagement Lead

Chartered Accountants

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Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	22
4. Fees, non-audit services and independence	26
5. Communication of audit matters	28
Appendices	
A Action plan	31
B Audit opinion	32

Page 29

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

Purpose of this report

This report highlights the key issues affecting the results of Sevenoaks District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 30/06/2016. Our audit is substantially complete although we are finalising our procedures in the following areas:

- Housing Benefit Expenditure testing
- Review of the final version of the financial statements
- Obtaining and reviewing the management letter of representation
- Review of final version of the Annual Governance Statement
- Updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts submission

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net income of £12,709k; the audited financial statements show the same. We have recommended a number of adjustments to improve the presentation of the financial statements..

The key messages arising from our audit of the Council's financial statements are:

- We have seen a significant improvement in the quality of the financial statements compared to last year which has resulted in far few adjustments to notes within the accounts.
- The audit team have been supported very positively by the Council through out the audit process. The finance and payroll teams have been particularly responsive and co-operative during the audit.
- We have identified control improvements to ensure improvements to Property, Plant and Equipment disclosures for 2016/17.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

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 finance raised journals as noted in the prior year audit, although control recommendations from 2014/15 have been partially implemented appropriately.
- Compliance with the CIPFA code and International Accounting Standard 16 (Property, Plant and Equipment) to ensure adequate disclosure of balances within Property, Plant and Equipment.

Further details are provided within section two of this report.

Early Close

From 2017/18 all councils in England will be required to publish their audited financial statements by 31st July (currently 30th September). In line with achieving this, we have noted clear improvements during the 2015/16 audit with draft accounts and good quality working papers provided to the audit team through out the process. To achieve the 2017/18 deadline, significant progress will need to be made to deliver the same volume of work in closing the accounts in a more intense shorter period. The 2015/16 audit however, has given an indication of the scope for improvement on an annual basis that can be achieved at Sevenoaks.

It is noted that there has been turnover of staff in the finance team this year, which has led to the need for learning of new processes and management responsibilities. We would only expect communication and output within the team to improve as it becomes more experienced and therefore would expect the closedown process to be faster when performing the 2016/17 audit.

Achieving these earlier deadlines, particularly within the more complex environment within which the Council now operates, will require an element of redesign of some of the closedown processes, arrangements and internal business processes. The audit is also an important part of this. We have worked with many clients to successfully implement faster close and will continue to work with the Council during the coming year to provide support in achieving the earlier deadlines before the statutory deadlines are brought forward.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to Audit Committee which is due 10 January 2017.

The way forward

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

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

Acknowledgement

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
September 2016

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

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,117k (being 2% of gross revenue expenditure for 2014/15). We have considered whether this level remained appropriate during the course of the audit and identified upon receipt of draft accounts that 2015/16 gross revenue expenditure had fallen that led us to revise our overall materiality to £1,043k (being 2% of gross revenue expenditure for 2015/16).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £52k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100k for Exit Packages and bandings of senior employee remuneration

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
Page 36	<p>1. The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
	<p>2. Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</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 • assessment of internal controls in place relating to the posting of journal entries 	<p>Our audit work has not identified any material evidence of management over-ride of controls. In particular our testing of journal entries has not identified any material significant issues.</p> <p>Our recommendations from the prior year have been implemented partially with an authorisation process put in place for certain types of journals. Our testing identified that journals under £10,000 posted by the finance team remain self authorised. Where journals are self authorised there is an increased inherent risk of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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>Employee remuneration</p>	<p>Employee remuneration accruals understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Walkthrough of the council's processes and controls over this area to gain an understanding of these. • Testing of a sample of employees for 2015/16 to agree pay back to the relevant supporting records, such as their contracts/pay rise letters, to ensure the full costs have been included within the Accounts for the year. • Trend analysis on the Council's Monthly Payroll Figures to identify any months where there are outliers present which may indicate issues with the completeness of the figures included within the GL from the Payroll System. 	<p>Our audit work has not identified any material issues in relation to the risk identified.</p>
<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"> • Walkthrough of the Council's processes and controls over this area to gain an understanding of these. • Detailed substantive testing has been performed over the operating expenditure incurred by the Council, during the year, including payments made post-period end • Trend analysis of the month-on-month spend on Operating Expenses has been performed to identify any months where amounts have been potentially omitted, and explanations will be obtained for these. • Testing has been performed on the Creditors included within the Accounts at year end to ensure that these amounts are valid 	<p>Our audit work has not identified any material issues in relation to the risk identified.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Pension valuation (IAS 19)</p>	<p>Valuation of the pension fund assets and liabilities have been incorrectly valued</p>	<ul style="list-style-type: none"> • Walkthrough of the Council's processes and controls over this area to gain an understanding of these. • Documented our understanding of the qualifications, experience and expertise of the actuary in reaching the valuation of the pension fund's assets and liabilities. • Tested the completeness and appropriateness of the data sent to the pension fund by the Council. • Reviewed the assumptions used by the actuary in arriving at their valuation for reasonableness. • Tested the input of the valuation data from the actuary to the financial statements, and review disclosures of the IAS 19. 	<p>Our audit work has not identified any material issues in relation to the risk identified.</p>

Accounting policies, estimates and 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
Revenue recognition	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.	Our review of this policy confirms it is materially in line with the CIPFA Code of Practice.	 Green
Judgements and estimates Page 39	Key estimates and judgements included within the accounts include: <ul style="list-style-type: none"> • Going concern • Leases • Arrears • Business rate appeals • Pensions liability • Property, Plant and Equipment (PPE) • Provisions 	Following our consideration of these judgements and estimates, we have identified two areas within estimates that were not in compliance with the CIPFA Code of Practice or the relevant accounting standards. They were however immaterial to the financial statements and represented a minor area of judgements and estimates as a whole. These areas were: <ul style="list-style-type: none"> • Depreciation of PPE – our substantive procedures performed identified that depreciation was calculated at year end on assets revalued at 31st March 2016. This is not in line with IAS16 requirements. For 2015/16, this was not material to the financial statements. • Revaluation of assets held for sale – our substantive procedures performed identified that two assets reclassified from Land and Buildings to Assets Held For Sale at year-end were not revalued before reclassification as required by the CIPFA Code of Practice. For 2015/16, this was not material to the financial statements. No other material issues were identified during work performed on judgements and estimates during the 2015/16 audit.	 Green



Assessment

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

● **Green** Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	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.	We have reviewed the Chief Officers' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any material issues which we wish to bring to your attention	 Green

Agenda Item 6

Page 40

Assessment

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

● **Green** Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 material issues have been identified during the course of our audit procedures.
2.	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.
3.	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.
4.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
5.	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.
6.	Disclosures	<ul style="list-style-type: none"> Our review found non-trivial omissions in the financial statements.
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas. We have not identified any material issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p>

Page 41

Agenda Item 6

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, Operating Expenses and IAS19 Pension Valuation, in addition to walking through the journal control environment as set out on pages 10-12 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
1. Page 42	<ul style="list-style-type: none"> Journals raised within the finance team below £10,000 are self-authorised with a mitigating control implemented of a sample review of self authorised journals on a monthly basis. A lack of segregation of duties remains within the journal process which increases the risk that any potential misstatement could be undetected. 	<ul style="list-style-type: none"> Implement a process to ensure that all journals raised within finance are reviewed and authorised.
2.	<ul style="list-style-type: none"> Depreciation was charged on assets revalued as at 31 March 2016. This is incorrect and not in line with the requirements of IAS16 requirements. The financial impact of issue was not material in 2015/16. 	<ul style="list-style-type: none"> Perform year-end review of asset base to ensure depreciation is appropriately applied in line with IAS16 requirements.
3.	<ul style="list-style-type: none"> Two assets were reclassified from Land and Buildings to Assets Held For Sale at year-end but these assets were not revalued at the point they transferred to assets held for sale. This is incorrect and not in line with the CIPFA Code of Practice requirements. The financial impact was not material in 2015/16. 	<ul style="list-style-type: none"> Perform revaluations at the point any asset changes classification to an asset held for sale as per CIPFA Code of Practice.

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.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	Partially complete	<p>The Council has only a few staff who 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>The recommendation was to ensure all journals are approved electronically by an officer who had not been involved in the preparation process.</p> <p>The council's management response to address the issue identified was that the following controls were in place to mitigate the risk:</p> <ul style="list-style-type: none"> • Journals requested by non-Finance staff are to be agreed by Finance. • End of year accruals are authorised by the relevant Chief Officer before being agreed by Finance. • 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>An additional control recommendation was implemented as a result of the 2014/15 audit which was that:</p> <ul style="list-style-type: none"> • Random checks will now be carried out to reduce the opportunity to misappropriate 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>We are satisfied from work performed that these controls were implemented effectively by the finance team and therefore the risk of management override of controls was inherently a lower risk. The commentary on p16 relates to the potential risk where sample checks are undertaken on finance team journals under £10,000.</p>

Page 43

Agenda Item 6

Adjusted misstatements

At the time of writing, no significant adjustments to the draft financial statements have been identified as a result of the audit procedures.

Impact of uncorrected misstatements in the prior year

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 A debtor was incorrectly included in Creditors as opposed to the bad debt provision.</p>		<p>DR Creditors £72 CR Bad Debt Provision £72</p>	<p>The adjustment was not processed in 2014/15 on the grounds of materiality. There will be no significant impact on 2015/16 financial statements and no similar issues were identified in the 2015/16 audit.</p>

Misclassifications and 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	471	Note 11 - Assets Held for Sale	Disclosure note only - the Fair Value of the land adjacent to 12 Knole Way held for sale was not disclosed within the draft accounts.
2 Disclosure	81	Note 12 - Financial Instruments	Disclosure note only - £81k reduction to debtors to ensure impairment of receivables is netted off balance in line with guidance.
3 Disclosure	N/A	Note 36 - Contingent Liabilities	Disclosure note only - the disclosure on the Property Search fees has been removed as the liability has ceased to exist from August 2016 based on work performed.
4 Disclosure	20 & 257	MIRS	Balances of £20k and £257k to be included in the Earmarked reserves balance column to ensure appropriate disclosure and casting. Amendment only improves disclosure of Movement In Reserves Statement table.
5 Disclosure	N/A	Note 35 - IAS19	Disclosure note only – the Sensitivity Analysis disclosure in the actuary's report was omitted from the disclosure note and has been amended.
6 Disclosure	N/A	Note 27 - Exit Packages	Disclosure note only – the total number of exit packages agreed in year was increased from 11 to 14.
7 Disclosure	N/A	Notes to Cash flow Statement	Changes identified within the supporting cash flow notes including notes not casting and amendments to debtor and creditor movements. These did not affect the core cash flow statement.
8 Disclosure	N/A	Financial Statements	There were a number of minor presentational issues that were identified during the course of our audit. Amendments have been agreed.

Page 46

Section 3: Value for Money

Page 47

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

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment and identified the following significant risks, which we communicated to you in our Audit Plan dated June 2016.

We identified one risk in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council has a very good recent history of managing the challenges in its financial environment and developing a long term vision which is captured in the 10 year budget plan. The Council's Corporate Plan sets out the intention to move towards being financially self-sufficient. In addition to continuing to seek efficiencies and savings within Council services, the Council has also recognised a need to increase revenue income. During the year, the Council successfully invested in three properties providing revenue income and has further plans for more capital projects in Sevenoaks.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Property Investment Strategy The Council is continuing to push forward with its aim of becoming financially self-sufficient from direct Government support, having identified some time ago that with reducing government support and the need to keep council tax rises to a minimum, a new financial model was needed. As part of this the Council has invested £8m of savings to acquire a number of income earning properties, with further acquisitions planned. This is a new strategy for the Council, significant amounts are being invested, with the need to build up experience and expertise.</p>	<p>We have:</p> <ul style="list-style-type: none"> • reviewed the Council's Investment strategy and the reports to members • reviewed the Investment outturn position for 2015/16 and the Investment budget plans for 2016/17 and 2017/18 • met with key officers to discuss key Investment strategic challenges and the Council's proposed response 	<p>The Council's Corporate Plan (agreed in 2013) sets out the intention to move towards being financially self-sufficient. In addition to continuing to seek efficiencies and savings in Council services, the Council recognised the need to increase revenue income. Having experienced low and reducing levels of Government support together with interest rates low delivering low rates of return, the Council developed its Property Investment Strategy (in 2014).</p> <p>As part of this the Council invested in three properties:</p> <ul style="list-style-type: none"> • Swanley Working Men's club for £1.25 million; • Suffolk House for £4 million; and • 73 – 75 High Street, Swanley petrol filling station and convenience store for £2.45 million. <p>The annual income from these three investments is currently £400,000 per annum.</p> <p>The Council has focussed its efforts on its Property Investment Strategy with the development of business plans and undertaking due diligence for major capital projects in Sevenoaks including decking the Bradbourne car park and developing a hotel.</p> <p>The Council has been able to set a budget for 2016/17 which will see the Council become financially self-sufficient amid further reductions in its funding from Government. The Council will no longer rely on the Revenue Support Grant to run its services.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

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

Page 51

We confirm below our final fees charged for the audit:

Fees

	Proposed fee £	Final fee £
Council audit	43,156	43,156
Grant certification	14,250	TBA
Total audit fees (excluding VAT)	57,406	

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board'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.

Page 52

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

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

Page 53

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Agenda Item 6

Appendices

Page 55

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 56	<ul style="list-style-type: none"> Implement a process to ensure that all journals raised within finance are reviewed and authorised. 	Medium	<p>The risk of mis-appropriation of funds within codes is small due to following processes already being in place.</p> <ul style="list-style-type: none"> a. The budget monitoring reports require comments for any variance over £10,000 and are analysed on a line-by-line basis by the Finance Team. b. All journal entries over £10,000 are approved by the Chief Finance Officer. c. In future all journal entries under £10,000 will be approved by the Head of Finance. This will also apply retrospectively to journals completed since 01/04/16. 	01/11/16 Head of Finance
2	<ul style="list-style-type: none"> Perform year-end review of asset base to ensure depreciation is appropriately in line with IAS16 requirements. 	Medium	Agreed	31/03/2017 – Head of Finance
3	<ul style="list-style-type: none"> Perform revaluations at the point any asset changes classification to an asset held for sale as per CIPFA Code of Practice. 	Medium	Agreed	31/03/2017 – Head of Finance

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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Public Sector Audit Appointments Limited. 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 Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer Responsibilities, the Chief Finance Officer 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 2015/16, 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 Finance Officer; 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Sarah Ironmonger

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

Fleming Way | Manor Royal | Crawley | RH10 9GT

Date: XX September 2016

Page 58



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Grant Thornton UK LLP
Fleming Way
Manor Royal
Crawley
RH10 9GT

28th September 2016

Dear Sirs

Sevenoaks District Council
Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of Sevenoaks District Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 2015/16 ("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

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Agenda Item 6

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 assets and 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 misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these 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 (Appendix A). 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. The financial statements are free of material misstatements, including omissions.

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.

Information Provided

xvi 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.

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

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

xix 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.

xx 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.

xxi 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.

xxii 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.

xxiii 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.

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

Agenda Item 6

Annual Governance Statement

xxv 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.

Narrative Report

xxvi The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 27th September 2016.

Yours faithfully

Name...Cllr Grint.....

Position...Audit Committee Chair.....

Date.....28th September 2016.....

Name... Adrian Rowbotham

Position...Chief Finance Officer.....

Date.....28th September 2016.....

Signed on behalf of the Council

Unadjusted misstatements

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 Depreciation was charged on assets revalued as at 31 March 2016. This is incorrect and not in line with the requirements of IAS16 requirements. The financial impact of issue was not material in 2015/16.</p>	<p>CR Cost of Services £10</p>	<p>DR PPE £146 CR Capital Adjustment Account £136</p>	<p>The amendment was considered too small to impact on the reader of the accounts.</p>
<p>2 Two assets were reclassified from Land and Buildings to Assets Held For Sale at year-end but these assets were not revalued at the point they transferred to assets held for sale. This is incorrect and not in line with the CIPFA Code of Practice requirements. Audit work performed gained assurance that the financial impact was not material in 2015/16.</p>			<p>The amendment was considered too small to impact on the reader of the accounts.</p>
<p>Invoice identified for £84k (including VAT) relating to 2015/16 valuation work was not accrued for within creditors. Creditors and PPE (invoice related to capital expenditure) therefore understated at year end.</p>		<p>DR PPE £70 CR Creditors £70</p>	<p>The amendment was considered too small to impact on the reader of the accounts. Additional work on unrecorded liabilities identified no additional issues.</p>

Sevenoaks District Council

Statement of Accounts 2015/16



Agenda Item 6

Front page - Picture of Suffolk House, High Street, Sevenoaks.

CONTENTS

NARRATIVE REPORT	4
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	16
MOVEMENT IN RESERVES STATEMENT	17
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	19
BALANCE SHEET	21
THE CASH FLOW STATEMENT	23
NOTES TO THE CORE FINANCIAL STATEMENTS	25
1 Accounting Policies	25
2 Accounting Standards that have been issued but not yet adopted.	40
3 Critical Judgements in Applying Accounting Policies	41
4 Prior Period Adjustment	41
Assumptions About the Future and Other Major Sources of Estimation	
5 Uncertainty	41
6 Material Items of Income and Expense	42
7 Events After the Balance Sheet Date	42
8 Adjustments Between Accounting Basis and Funding Regulations	42
9 Transfers To/From Usable Reserves	47
10 Property, Plant and Equipment	49
11 Investment Properties	53
12 Financial Instruments	55
13 Inventories	60
14 Debtors	60
15 Cash and Cash Equivalents	61
16 Assets Held for Sale	61
17 Creditors and Receipts in Advance	63
18 Provisions	64
19 Usable Reserves	65
20 Unusable Reserves	65
21 Cash Flow Statement – Operating Activities	70

Agenda Item 6

22	Cash Flow Statement – Investing Activities	71
23	Cash Flow Statement – Financing Activities	71
24	Amounts Reported for Resource Allocation Decisions	72
25	Trading Operations	77
26	Members' Allowances	78
27	Officers' Remuneration	78
28	External Audit Fees	81
29	Grant Income	82
30	Related Party Transactions	83
31	Capital Expenditure and Capital Financing	85
32	Leases	86
33	Impairment Losses	88
34	Termination Benefits	88
35	Defined Benefit Pension Schemes	88
36	Contingent Liabilities	94
37	Contingent Assets	94
38	Heritage Assets	94
39	Highway Assets	94
	THE COLLECTION FUND	95
	GLOSSARY OF TERMS	100
	ANNUAL GOVERNANCE STATEMENT 2015/16	104

Narrative Report

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

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

1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area – this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

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

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

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

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

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

Agenda Item 6

The Supplementary Financial Statements are:

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

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

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

2. Chief Finance Officers' Statement – Adrian Rowbotham

Our vision for Sevenoaks District is to 'sustain and develop a fair, safe and thriving local economy' and throughout the Council we recognise the importance of high quality and innovative financial management to help us achieve our aims.

Our 10 year budget framework, introduced in 2011, continues to give us strong foundations to invest in our District.

During 2015/16 the Council has taken significant strides forward to deliver on its financial strategy to become financially self-sufficient. To achieve this aim it was clear that we would continue to need to make savings but we would make our money work harder by investing in assets that would help us to generate more of our own income. The purchase of Suffolk House office buildings in Sevenoaks and a petrol station in Swanley are already generating strong returns.

With the additional income we are already receiving and that which we forecast to receive in the coming years, along with our savings plan, the Council has set a budget for 2016/17 that no longer relies on grant funding from Government, making us financially self-sufficient.

We are exceptionally proud to have been amongst the very first in the country to achieve this position and we are exceptionally grateful to be recognised for our success at the recent MJ Awards with the Council announced as Winners for Commercialism in the Property Estate and Innovation in Finance.

During 2015/16 we took the decision to restructure our Finance Team to ensure it continues to provide the skills and experience needed to support the organisation in the years ahead. By improving the skills mix within the team and allocating greater resources to areas of most need we are confident that we will continue to provide the Council with the financial expertise it will require to meet the challenges ahead of us.

I would like to record my thanks to Members, the Finance team and the many others across the Council that have worked hard to make decisions in light of the financial pressures the Council faces and have ensured that services are delivered and money is managed in line with the budgets that were set. Every year since the introduction of the 10 year budget framework the Council has achieved a budget surplus and this would simply not be possible if we did not all support and believe in the vision we have set.

In the coming year we look forward to supporting the Council to make further progress in delivering its Property Investment Strategy. We aim to provide advice on the most effective way to fund our investments and to provide advice and skills to the Council's newly formed trading company, Quercus 7. As always we will continue to take great pride in the level of service we provide to our customers and aim to provide high quality and accurate budget monitoring reports and financial statements that meet the needs of all that use them.

Agenda Item 6

3. Council Performance

Through the Council's Corporate Plan five promises were made to the District. These are set out below, with a summary of performance outcomes against those targets for the last year.

To provide value for money

- Through the Council's satisfaction survey 59% of residents told us that they believe the Council provides value for money. This is an increase of 1% since the last survey in 2013 and higher than the national benchmark of 51%.

To work in partnership to keep the District of Sevenoaks safe

- Incidents of anti-social behaviour the lowest in the County at 2,045 reports, a fall from the 2,066 reports the previous year.
- Exceeded targets for the Troubled Families programme assisting 115 families, with 71% demonstrating improvements in education, reduction in crime/Anti-Social Behaviour and worklessness.

To collect rubbish efficiently and effectively

- Through the Council's satisfaction survey 93% of residents told us that they are satisfied with the rubbish and recycling collection service. This is the same level as the last survey in 2013, but higher than the national benchmark of 77%.
- The Council missed only 7.6 waste collections per 100,000 made during 2015/16 this is below the target level of 10 and less than the 8.5 missed collections per 100,000 the previous year.
- During 2015/16 the Council recycled 32.4% of all household waste collected. This is marginally below the target of 33% and 1% below the performance of the previous year. Plans are in place to encourage residents to recycle more during 2016/17.

To protect the Green Belt

- The 2015 Local Plan Authority Monitoring Report shows that 88% of housing units were built outside the Green Belt, exceeding the target of 80%. Of the 12% of housing units built within the Green Belt, over half of these were replacement units and the remaining units were provided through the change of use, conversion and redevelopment of existing buildings/sites and were granted in accordance with the Green Belt policy and did not impact on the openness of the Green Belt.

To support and develop the local economy

- The number of businesses recorded within the District has increased from a baseline of 3,700 in 2010 to exceed 3,760 in the last year. Through a period of economic recession this is considered to be a positive outcome for the District and its local businesses.

- In 2015/16 the Council purchased Suffolk House office accommodation within Sevenoaks to support its Property Investment Strategy and to preserve office space within the town in support of the aims of its Economic Development Strategy. Planning permission has been granted to extend the upper floor of the building to provide more office units for rent.

During 2015 the Council undertook a survey of its residents to determine how satisfied they are with the service they receive. The headline results are:

	2015 Result	2015 LGA Result	2013 Result
Sevenoaks District Council provides Value for Money	59%	51%	58%
Satisfaction with the way Sevenoaks District Council runs things	79%	67%	88%
Trust in the Council	74%	58%	80%
Respondents who would speak positively of the Council	53%	N/A	42%
The Council keeps residents informed about services	70%	61%	71%

Agenda Item 6

4. Corporate Risk

A risk management strategy is in place to support the Council to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. Below are the main risks from the Council's strategic risk register.

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
Finance Ability to deliver a balanced budget	<ul style="list-style-type: none"> - Poor financial health - Inability to maintain services and deliver Council Vision and Promises 	20 High	<ul style="list-style-type: none"> - Long term 10 year budget framework - Savings Plan - Strategy and projects in place to deliver self sufficiency 	10 Medium
Investments & Borrowing The appetite to invest or prudentially borrow	<ul style="list-style-type: none"> - Lack of diversity in investments - Low investment returns - Cost of interest payments 	16 High	<ul style="list-style-type: none"> - Annual review of Treasury Management Policy - Cabinet approved Investment Strategy - Professional, external advisers engaged to support the development of strategies and fill skills gaps 	6 Low
Property Investment Disposals, purchase, securing tenants	<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 	16 High	<ul style="list-style-type: none"> - Ongoing strategic review of council owned property - Financial procedure rules and disposal policy in place - Property Investment Strategy 	9 Medium
Knowledge, Capacity & Culture Management of the Council's human resources	<ul style="list-style-type: none"> - Unable to retain/ attract high quality staff - Skills gaps that inhibit the ability to deliver Council services/ projects - Reduced morale and staff satisfaction 	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 	8 Medium
Legal, Governance & Ethics Ability to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control	<ul style="list-style-type: none"> - Ineffective political and management leadership - Ineffective scrutiny of decision making and performance - Failure to fulfil statutory duties 	12 Medium	<ul style="list-style-type: none"> - Dedicated Lexcel accredited Legal team - Council's Constitution - Internal Audit function complies with Public Sector Internal Audit Standards - Risk Management processes embedded 	6 Low

5. Financial Performance

Operating Environment

Since 2010 Sevenoaks District Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This challenging environment is ongoing and, as set out by Government, will last until at least 2019/20.

The Council continuously reviews the environment it operates within, seeking to develop a stronger understanding of the financial opportunities and challenges it faces.

In November 2015 the Chancellor's Autumn Statement set out the strategic direction for public expenditure. This outlined a number of changes to the local government funding regime which will have a significant impact on the Council's finances over time. The most significant of these in relation to the District Council is the proposal for local government to retain 100% of business rate revenues to fund local services to take effect from the end of this Parliament in 2020.

In local terms this presents significant challenges. Sevenoaks District is 93% Green Belt. This means there is little space to build or develop new business space. This equally applies to the Council's ability to provide more housing which limits the amount by which the Council can increase its income from New Homes Bonus, which is currently subject to review by Government, or from growth in council tax receipts linked to each new home.

The prospects for Government funding being able to fund the local services the Council wish to provide to meet its residents needs are therefore relatively low. It is for this reason the Council set out its ambition for financial self-sufficiency, which it will achieve from 1 April 2016.

The impact on financial markets following the results of the Referendum in June 2016 will be monitored and addressed as part of the Council's risk management process.

Financial conditions also mean that the Council must work hard to retain and recruit the very best people because salaries are contained within national terms and conditions. In the latter part of 2015 it became evident that attracting high quality staff is increasingly challenging. However our commitment to being a great place to work is underlined by the fact the Council has become the first public sector organisation anywhere in the world to achieve the Investors in People Platinum Award. Our focus on our people has never been greater and continuing to maintain this will be critical to the Council's future success.

Agenda Item 6

Revenue

Sevenoaks District Council set its budget for 2015/16 at a meeting of the Council on 17 February 2015. Overall, the Council's net revenue budget increased from £14.1 million in 2014/15 to £14.3 million in 2015/16.

During 2015/16 the Council approved a supplementary estimate of £130,000 for works to stabilise the condition of the Otford Palace Tower.

The final outturn position is a surplus of £19,000. 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. There were no material events after the reporting period.

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

Table 1: The table below shows a comparison of outturn figures in 2014/15 and 2015/16

	Final Outturn 2014/15 £000	Final Outturn 2015/16 £000
Council Tax	(9,010)	(9,298)
Government Support (Inc Council Tax Support Grant), Retained Business Rates and New Homes Bonus	(5,694)	(5,394)
Interest Receipts	(255)	(259)
Total Income	(14,959)	(15,392)
Planned Contributions to Reserves	613	614
Contribution to Carry Forward Reserve	204	113
Contribution to Provisions	60	32
Contribution to Corporate Project Reserve re Retained Business Rates	-	119
Property Strategy Receipts to Budget Stabilisation Reserve	-	441
Total Expenditure on services	13,582	14,054
Excess of Income over Expenditure	(500)	(19)
Contribution to Budget Stabilisation Reserve	500	19

Capital & Assets

Table 2: The table below shows the net capital budget over the period of 2016 to 2019 by service area.

Service area & schemes	Funding Source	2015/16			2016 /17	2017 /18	2018 /19
		Budget	Fore-cast	Likely c/f			
		£000	£000	£000			
Corporate Support							
Back-up generator	Capital Receipts	140	-	-	-	-	-
Communities & Business							
Parish projects	Capital Receipts	61	-	61	-	-	-
Sennocke & Bradbourne hotel	Fin Plan Reserve & Capital Receipts	-	-	-	1,500	7,700	-
Sennocke & Bradbourne car parks	Internal borrowing	-	-	-	5,300	0	-
Environmental & Operational Services							
Commercial vehicle replacements	Vehicle renewal reserve	489	489	-	514	451	469
Dunbrik vehicle workshop	Capital Receipts	234	234	117	-	-	-
Dunbrik vehicle workshop – roof	Capital Receipts	-	-	-	20	-	-
Car park	External borrowing	4,000	-	-	4,000	-	-
Housing							
Improvement grants (gross)	Govt. grant / cap reserve	534	534	-	534	534	534
Finance							
Property Investment Strategy	Prop. Inv. reserve	8,000	8,000	-	10,000	-	-
TOTAL		13,458	9,257	178	21,868	8,685	1,003

Agenda Item 6

Table 3: The Council's capital programme is fully funded from the funding sources available to it. These are set out in the table below.

Funding sources	2016/17 £000	2018/19 £000	2019/20 £000
Capital Receipts	-	-	-
Financial Plan Reserve & Capital Receipts	1,520	7,700	-
Vehicle Renewal Reserve	514	451	469
Property Investment Strategy Reserve ***	10,000	-	-
Government Disabled Facilities Subsidy	477	477	477
Capital Financing Reserve	57	57	57
Internal Borrowing	5,300	-	-
External Borrowing	4,000	-	-
TOTAL	21,868	8,685	1,003

*** Part will be funded from Capital Receipts

The introduction of the fair value accounting policy has been implemented in the production of the 2015/16 Statement of Accounts. This is a significant change in accounting policy.

Further details are provided in accounting policy 1.u in the Notes to the Core Financial Statements.

Borrowing & Investments

As at 31 March 2016 the Council had no borrowing.

During the 2016/17 year the Council has forecast that it will internally borrow £5.3m to fund the redevelopment of the Bradbourne car park in Sevenoaks. This will provide increased parking capacity adjacent to Sevenoaks train station whilst also releasing the site of the Sennocke car park for a proposed development of a hotel, subject to planning permission.

During 2015/16 the Council completed the acquisition of two properties under the terms of its Property Investment Strategy. These are:

- Suffolk House, Sevenoaks

- Petrol Filling Station, Swanley

Both Suffolk House and the Swanley Filling Station are tenanted and the rents received are assisting to deliver against the Council's strategy to become self sufficient in response to ongoing reductions in government grant.

The purchase of both premises was funded from the Property Investment Strategy Reserve of £8m which was set aside from the Council's existing earmarked reserves and capital receipts to fund the initial purchases.

Cash Flow

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

At the 31 March 2015 the Council held £20.2m in cash and cash equivalents.

At the 31 March 2016 the Council held £12.5m in cash and cash equivalents.

The reduction is attributable to the long term investment in property assets set out above.

Contingencies

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

Business rates – valuation appeals provision	£1.804m at 31 March 2015	£2.536m at 31 March 2016
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Agenda Item 6

Pensions

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

The Council has net pension liabilities of £62.1m at 31 March 2016 compared to £68.4m at 31 March 2015 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in 2013.

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2016 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.

ADRIAN ROWBOTHAM

Chief Finance Officer

28 September 2016

Agenda Item 6

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 2014/15 Notes	General Fund Balance	Earmark'd Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	(3,713)	(19,637)	-	(4,568)	(27,918)	26,226	(1,692)
Movement in reserves during 2014/15					-		-
(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 from General fund to Budget Stabilisation Reserve	500	(500)	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(32)	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

Financial Year 2015/16 Notes	General Fund Balance	Earmark'd Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	(1,500)	(22,318)	-	(3,461)	(27,279)	36,813	9,534
Movement in reserves during 2015/16							
(Surplus) or deficit on the provision of services	(2,482)				(2,482)	-	(2,482)
Other Comprehensive Income and Expenditure	-	-	-	(1)	(1)	(10,226)	(10,227)
Total Comprehensive Income and Expenditure	(2,482)	-	-	(1)	(2,483)	(10,226)	(12,709)
Adjustments between accounting basis & funding basis under regulations (note 8)	2,205	-	(133)	3,081	5,153	(5,153)	-
Net (Increase)/Decrease before Transfers to Earmarked reserves	(277)	-	(133)	3,080	2,670	(15,379)	(12,709)
Year end balance transferred from General Fund to Budget Stabilisation Reserve	20	(20)	-	-	-	-	-
Other transfers to/from Earmarked Reserves	257	(257)	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves(Note 9)	277	(277)	-	-	-	-	-
(Increase)/Decrease in 2015/16	-	(277)	(133)	3,080	2,670	(15,379)	(12,709)
Balance at 31 March 2016	(1,500)	(22,595)	(133)	(381)	(24,609)	21,434	(3,175)

Agenda Item 6

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.

2014/15			Note	2015/16		
Gross Exp.	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
3,815	(2,411)	1,404		3,353	(1,453)	1,900
1,027	(68)	959		675	(54)	621
6,634	(1,065)	5,569		7,133	(1,326)	5,807
5,637	(2,496)	3,141		5,107	(1,889)	3,218
1,298	(3,156)	(1,858)		1,313	(3,255)	(1,942)
34,752	(32,021)	2,731		31,679	(29,766)	1,913
2,615	(39)	2,576		2,869	(26)	2,843
92	-	92			-	-
55,870	(41,256)	14,614	24	52,129	(37,769)	14,360
		(141)				(256)
		(248)	25			(291)
		3,496				3,565
		3				1
		<u>3,110</u>				<u>3,019</u>
		(57)	11			(2,366)
		(23)				-
		2,351	35			2,208
		(344)				(846)
		<u>1,927</u>				<u>(1,004)</u>

Continued overleaf

2014/15				2015/16			
Gross	Gross	Net Exp	Note	Gross Exp	Gross	Net Exp	
£'000	Income	£'000		£'000	Income	£'000	
		-	29	Capital Grants and Contributions		(133)	
	(12,626)			Council Tax		(13,146)	
	(1,289)			Non Domestic Rates		(1,496)	
	(4,285)		29	Non Service Related Government Grants		(4,082)	
	<u>(18,200)</u>			Taxation and Non Specific Grant Income		<u>(18,857)</u>	
	1,451			(Surplus) or Deficit on the Provision of Services		(2,482)	
	(1,930)		10	(Surplus) or deficit on the revaluation of property, plant & equipment assets		(1,761)	
	11,706		35	Actuarial (gains)/losses on pension assets/liabilities		(8,466)	
	<u>11,227</u>			Total Comprehensive Income and Expenditure		<u>(12,709)</u>	

Agenda Item 6

BALANCE SHEET

31/03/15			31/03/16
£'000	Note		£'000
		Long Term Assets	
25,892	10 & 31	Property, Plant and Equipment	26,827
-	38	Heritage Assets	-
4,769	11	Investment Property	12,687
-		Intangible Assets	-
50	12	Long Term Investments	3,079
375	14	Long Term Debtors	328
<u>31,086</u>		Total Long Term Assets	<u>42,921</u>
		Current Assets	
17,058	12	Short Term Investments	18,047
-	16	Assets held for sale	2,021
20,231	15	Cash and Cash Equivalents	12,483
47	13	Inventories	50
2,594	14	Short Term Debtors	2,175
686	14	Payments in Advance	203
<u>40,616</u>		Total Current Assets	<u>34,979</u>
		Current Liabilities	
(2,016)	17	Receipts in Advance	(2,823)
(8,091)	17	Short Term Creditors	(6,269)
(2,050)	18	Short Term Provisions	(2,782)
<u>(12,157)</u>		Total Current Liabilities	<u>(11,874)</u>
28,459		Net Current Assets	23,105
		Long Term Liabilities	
(363)	17	Long Term Creditors	(361)
(257)	18	Long Term Provisions	(288)
(68,434)	35	Net Pensions Liability	(62,149)
(26)	29	Capital Grants Receipts in Adv.	(53)
<u>(69,080)</u>		Total Long Term Liabilities	<u>(62,851)</u>
<u>(9,535)</u>		Total Net Assets/(Liabilities)	<u>3,175</u>
		continued overleaf	

31/03/15		continued from previous page	31/3/16
£'000	Note		£'000
		Usable Reserves	
(3,460)	MIRS	Usable Capital Receipts Reserve	(381)
(22,318)	9	Earmarked Reserves	(22,595)
-		Capital Grants Unapplied	(133)
(1,500)		General Fund	(1,500)
	20	Unusable Reserves	
(14,092)		Capital Adjustment Account	(23,284)
(16,676)		Revaluation Reserve	(18,347)
152		Accumulated Absences Act.	152
(815)		Collection Fund Adj. Account	947
68,434	35	Pensions Reserve	62,149
(190)		Deferred Capital Receipts	(183)
<u>9,535</u>		Total Reserves	<u>(3,175)</u>

These financial statements replace the unaudited financial statements and were authorised at the meeting of the Audit Committee on 27 September 2016.

Adrian Rowbotham
 Chief Finance Officer
 28 September 2016

COUNCIL APPROVAL

The Audit Committee, at its meeting on 27 September 2016, approved the Statement of Accounts for year ended 31 March 2016 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor J Grint
 Chairman of the Audit Committee
 28 September 2016

Agenda Item 6

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.

2014/15		2015/16
£'000	Note	£'000
1,451		(2,482)
	Net (surplus) or deficit on the provision of services	
(6,975)	21 Adjustments to net surplus or deficit on the provision of services for non-cash movements	(988)
	21 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
485		1,101
(5,039)	Net cash flows from operating activities	(2,369)
1,749	22 Investing Activities	10,256
(6)	23 Financing Activities	(139)
	Net (increase) or decrease in cash and cash equivalents	7,748
(16,935)	Cash and cash equivalents at the beginning of the reporting period	(20,231)
(20,231)	15 Cash and Cash Equivalents at the end of the reporting period	(12,483)

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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 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 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.

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.

Agenda Item 6

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.

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 a 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.

Agenda Item 6

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 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 de-recognition 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 arms-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.

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 assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

Agenda Item 6

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 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.

Agenda Item 6

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:

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- surplus assets – fair value.

Where there is no market-based evidence of existing use value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of 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 current or fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current or 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 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 has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Agenda Item 6

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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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.

Agenda Item 6

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.

u. Fair Value Measurement

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

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

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

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

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

v. Group Accounts

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

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

The 2015/16 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.

Agenda Item 6

For 2016/17 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS19 Employee Benefits
 - Annual Improvements to IFRSs 2010-2012 Cycle
 - Amendments to IFRS11 Joint Arrangements
 - Amendments to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets
 - Annual Improvements to IFRSs 2012-2014 cycle
-
- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
 - Changes to the format of the Pension Fund account and the Net Assets statement.

The Code of Practice does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements. However, in the 2016/17 year the comparator Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will have to reflect the new formats and reporting requirements as a result of the Telling the Story Review of the presentation of local authority 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. The current value of Land and Buildings (Operational) assets is £23.964m.
- Provision for Appeals related to Business Rates was prepared by professionally qualified advisers based on information from the Valuation Office and experience of recent claims. The Provision set aside for funding successful appeals against NNDR liabilities as at 31 March 2016 is £1.830m.

- Pensions Liabilities are calculated by the actuaries employed by the Kent County Council Pension Fund. The actuaries estimate the net liability arising from the Council's obligation to pay defined benefits as at 31 March 2016 was £62.149m.

6. Material Items of Income and Expense

There were no material items of income or expense during 2015/16.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 28 September 2016. 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 2016, 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 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

Agenda Item 6

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Move- ment in Unusable Reserves £'000
Adjustments between Accounting basis and Funding Basis under Regulations 2014/15				
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

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Move- ment in Unusable Reserves £'000
Adjustments between Accounting basis and Funding Basis under Regulations 2014/15 continued				
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)

Agenda Item 6

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Move- ment in Unusable Reserves £'000
Adjustments between Accounting basis and Funding Basis under Regulations 2015/16				
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	(633)	-	-	633
Movements in the market value of Investment Properties	2,366	-	-	(2,366)
Capital grants and contributions applied	712	-	-	(712)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(868)	-	-	868
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	256	(256)	-	-
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	4,191	-	-	(4,191)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	133	-	(133)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(6)	-	-	6

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Move- ment in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments between Accounting basis and Funding Basis under Regulations 2015/16 continued				
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,335	-	(3,335)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,274)	-	-	5,274
Employer's pensions contributions and direct payments to pensioners payable in the year	3,093	-	-	(3,093)
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	283	-	-	(283)
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	(2,046)	-	-	2,046
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	2,206	3,080	(133)	(5,153)

Agenda Item 6

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 2014/15 and 2015/16.

	Balance at 31/03/14 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31/05/15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31/03/16 £'000
General Fund	(3,713)	2,213	-	(1,500)	131	(131)	(1,500)
Budget Stabilisation	(5,348)	150	(1,506)	(6,704)	155	(1,452)	(8,001)
Financial Plan	(4,644)	1,294	(810)	(4,160)	501	-	(3,659)
Property Investment	-	50	(3,781)	(3,731)	3,716	-	(15)
Business Rates Retention	-	-	-	-	-	(2,222)	(2,222)
Pension Fund	(1,319)	1,319	(640)	(640)	-	(676)	(1,316)
Asset Maintenance	(1,000)	-	-	(1,000)	-	-	(1,000)
Local Plan/LDF	(527)	-	(107)	(634)	28	(106)	(712)
Housing Benefit Subsidy	(1,082)	515	(97)	(664)	156	(130)	(638)
Vehicle Renewal	(304)	355	(470)	(419)	329	(515)	(605)
Carry Forward Items	(177)	46	(204)	(335)	41	(114)	(408)
Action and Development	(395)	-	-	(395)	-	-	(395)
Community and Business	(449)	118	(52)	(383)	1	-	(382)
New Homes Bonus	(379)	-	-	(379)	-	-	(379)
First Time Sewerage	(915)	549	-	(366)	-	-	(366)
IT Asset Maintenance	(404)	160	-	(244)	-	(103)	(347)
Re-organisation	(465)	-	-	(465)	128	-	(337)
Vehicle Insurance	(283)	-	(10)	(293)	7	(26)	(312)
Capital Financing	(153)	167	(198)	(184)	66	(148)	(266)
Corporate Project Support	-	-	(200)	(200)	86	(119)	(233)
Flood Support	(173)	29	-	(144)	-	-	(144)
District Elections	(88)	-	(18)	(106)	106	-	-
Other	(1,532)	880	(221)	(872)	184	(170)	(858)
Total	(19,637)	5,632	(8,314)	(22,318)	5,504	(5,781)	(22,595)
Grand Total	(23,350)	7,845	(8,314)	(23,818)	5,635	(5,912)	(24,095)

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

Business Rates Retention - To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.

Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.

Asset Maintenance - To fund emergency asset maintenance works.

Local Plan / LDF - To help support the Local Plan and Local Development Framework.

Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.

Vehicle Renewal - Funding for future commercial vehicle replacements.

Carry Forward Items - For specific items agreed by cabinet.

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.

IT Asset Maintenance - To fund future IT asset maintenance costs.

Re-organisation - To fund actions taken to achieve annual budget savings.

Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.

Capital Financing - Annual contributions from revenue to fund some capital projects - not fully used in 2015/16

Corporate Project - To support use of external expertise in investigating proposed Corporate Projects (agreed Cabinet February 2014)

Flood Support - Set up a flooding reserve (agreed Cabinet 5/6/14).

District Elections - To finance local elections.

Agenda Item 6

10 Property, Plant and Equipment

Movements on Balances

	Land and Buildings	Vehicles, Plant & Equip- ment	Comm- unity Assets	Operat- ional Property for sale	Total Property, Plant & Equip- ment
	£'000	£'000	£'000	£'000	£'000
Movements in 2014/15:					
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	(5,592)	(2,577)	-	(232)	(8,401)
Reclassifications	(438)	-	-	438	-
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	5,592	2,577	-	224	8,393
Reclassifications					
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

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Operational Property Surplus	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Movements in 2015/16:					
Cost or Valuation					
At 1 April 2015	22,111	5,344	211	2,361	30,027
Additions	303	329	-	8	640
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	1,569	-	-	51	1,620
- Surplus or Deficit	47	-	-	(8)	39
Derecognition – Disposals	-	(387)	-	-	(387)
Derecognition – Other	-	(212)	-	-	(212)
Reclassifications	(65)	-	-	(770)	(835)
At 31 March 2016	23,965	5,074	211	1,642	30,892
Accumulated Depreciation and Impairment					
At 1 April 2015	(424)	(3,710)	-	-	(4,134)
Depreciation Charge	(146)	(527)	-	-	(673)
Depreciation written out to the					
- Revaluation Reserve	141	-	-	-	141
- Surplus/ Deficit on the Provision of Services					-
Derecognition – Disposals	-	387	-	-	387
Derecognition Other		212	-	-	212
Reclassifications	2				2
At 31 March 2016	(427)	(3,638)	-	-	(4,065)
Net Book Value					
As at 31 March 2015	21,687	1,634	211	2,361	25,893
As at 31 March 2016	23,538	1,436	211	1,642	26,827

Agenda Item 6

Depreciation

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

- Buildings up to 60 years
- Vehicles up to 7 years, certain vehicles 10 years
- Equipment up to 5 years

Capital Commitments

At 31 March 2016, there were no significant sums outstanding on capital contracts.

Surplus Assets

Details of the authority's Surplus Assets and information about the fair value hierarchy at 31 March 2016 are as follows:

	Quoted Prices in active market for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un- observable inputs (Level 3) £'000	Fair value as at 31st March 2016 £'000
Surplus Operational Properties	-	1,642	-	1,642
Total	-	1,642	-	1,642

2015/16 is the first year where disclosure of levels in fair value hierarchy are required.

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

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

Assets are surplus to operational needs and are being held pending redevelopment of the site at Swanley.

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

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value 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 2016, by external independent valuers, I. Dewar FRICS FIRRV MCI Arb, R. Messenger BSc FRICS FIRRV MCI Arb REV, and A. Williams Dip BSc (Hons) MRICS FIRRV 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 larger commercial vehicles over 7 years or, exceptionally, 10 years.

The regular rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2015/16	Investment Properties; Leisure Centres, Golf Course, Hollybush
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 *

* By exception properties in these groups were also revalued in 2015/16.

Agenda Item 6

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

	Land & Buildings	Vehicles, Plant & Equip-ment	Comm-unity Assets	Surplus Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:		5,072	211	-	5,283
Valued at current value in:					
2015/16	23,341			1,642	24,983
2014/15	58	-	-	-	58
2013/14	565	-	-	-	565
2012/13	-	-	-	-	-
2011/12	-	-	-	-	-
Total	23,964	5,072	211	1,642	30,889

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

	2014/15	2015/16
	£'000	£'000
Rental income from investment property	61	538
Direct operating expenses from investment property	-	-
Net gain/(loss)	61	538

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

	2014/15	2015/16
	£'000	£'000
Balance at start of the year	3,462	4,769
Purchases	1,250	6,739
Disposals	-	-
Net Gains/ (losses) from fair value adj.	57	2,366
Transfers from Property, Plant & Equipment	-	90
Transfers to Property, Plant & Equipment (inc Surplus)	-	(1,277)
	<u>4,769</u>	<u>12,687</u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2016 are as follows:

	Quoted Prices in active market for identical assets (Level 1)	Other sig-nificant observable inputs (Level 2)	Sig-nificant un-observable inputs (Level 3)	Fair value as at 31st March 2016
	£'000	£'000	£'000	£'000
Existing properties generating rental income		4,171		4,171
Property Investment Strategy		8,516		8,516
Total		<u>12,687</u>	-	<u>12,687</u>

2015/16 is the first year where disclosure of levels in fair value hierarchy are required.

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

Properties are subject to leases with varying review dates.

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

Agenda Item 6

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	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Loans & Receivables				
Investments	50	3,079	17,058	18,047
Net trade receivables (within debtors)	375	328	878	675
Cash & cash equivalents	-	-	20,231	12,483
Total Financial Assets	425	3,407	38,167	31,205
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(363)	(361)	(1,608)	(635)
Total Financial Liabilities	(363)	(361)	(1,608)	(635)

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 2016.

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 2016 for comparable instruments with the same duration.

	31/03/2015		31/03/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	35,150	35,232	33,164	33,194

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.

The table, below, shows how the fair value of the financial assets held at amortised cost is determined.

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Investment in Municipal Bonds Agency	-	-	50	50
Deposits with Banks & B'lding Societies	-	28,144	-	28,144
Deposits in Money Market Funds	5,000	-	-	5,000
Other	-	-	-	-
	5,000	28,144	50	33,194

Agenda Item 6

The fair value for financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit. There is no clear market price, or reasonable proxy, for the investment with the Municipal Bonds Agency as it is not tradeable. It has, therefore, been included at cost.

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

- 1) No early repayment or impairment is recognised.
- 2) Estimated range of interest rates at 31 March 2016 of 0.25% to 0.55%, obtained from the market, using bid prices where applicable.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

There were no transfers between levels of the fair value hierarchy during the year.

There has been no change in the valuation techniques used for financial assets.

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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 £29.4m at 31 March 2016 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 2016 that this was likely to crystallise.

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

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.

Agenda Item 6

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:

	31/03/15	31/03/16
	£'000	£'000
Less than 1 year	37,801	31,420
Between 1 and 2 years	-	3,000

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 two years, this risk is not considered significant.

Market Risk

Interest Rate Risk

Upwards or downwards movements in interest rates may have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

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

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

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

By way of example, if interest rates on fixed deposits had been 1% higher during 2015/16 (with all other variables held constant), the financial effect would have been to increase investment income by £601,000.

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. It, therefore, has no exposure to loss arising from movements in exchange rates.

13 Inventories

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

	2014/15	2015/16
	£'000	£'000
Balance outstanding at start of the year	54	47
Purchases	422	391
Recognised as an expense in the year	(429)	(388)
Balance outstanding at end of the year	47	50

14 Debtors

	As at 31 March 2015			As at 31 March 2016		
	Gross	Impair-	Net	Gross	Impair-	Net
	Value	ment	Value	Value	ment	Value
	£'000	Allowance	£'000	£'000	Allowance	£'000
Long Term Debtors						
Employee Car Loans	66	-	66	52	-	52
Loan to Sencio	81	-	81	56	-	56
Finance lease	186	-	186	180	-	180
Other	41	-	41	40	-	40
Total Long Term Debtors	374	-	374	328	-	328
Short Term Debtors						
Collection Fund (CF)						
NDR Payers	805	(362)	443	755	(325)	430
Council Tax Payers	637	(486)	151	618	(331)	287
General Fund						
DWP – Housing Benefit Grant	563	-	563	-	-	-
Housing Benefit Overpayments	1,913	(1,448)	465	2,326	(1,733)	593
Partnership working	271	-	271	343	-	343
VAT	174	-	174	190	-	190
Other	607	(81)	526	413	(81)	332
	4,970	(2,377)	2,593	4,645	(2,470)	2,175
Prepayments*	686	-	686	203	-	203

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

Prepayments as at 31/3/15 include deposit paid for Suffolk House.

Agenda Item 6

15 Cash and Cash Equivalents

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

	31/03/15	31/03/16
	£'000	£'000
Cash held by the Authority	9	9
Bank current accounts	2,181	435
Short-term deposits with:		
Banks	6,033	4,033
Building Societies	4,003	3,003
Other Local Authorities	2,002	-
Money Market Funds	6,003	5,003
Total Cash and Cash Equivalents	20,231	12,483

16 Assets Held for Sale

	2014/15	2015/16
	£'000	£'000
Balance at start of the year	-	-
Purchases	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adj.	-	-
Assets newly classified as held for sale	-	2,021
Asset de-classified as held for sale	-	-
	-	2,021

Assets held for Sale are carried at the lower of their carrying value or their fair value less costs to sell. Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2016 are as follows:

	Carrying Value	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	£'000	£'000	£'000	£'000	£'000
Assets held for Sale	2,021	2,951		2,951	
Total	2,021	2,951	-	2,951	-

2015/16 is the first year where disclosure of levels in fair value hierarchy are required.

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

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

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

17 Creditors and Receipts in Advance

	31/03/15	31/03/16
	£'000	£'000
Receipts in Advance		
Tax Payers	(273)	(280)
NDR	(211)	(220)
Section 106 receipts	(1,361)	(1,899)
Kent Resource Partnership	-	(183)
Other Receipts in Advance	(172)	(241)
Total Receipts in Advance	(2,017)	(2,823)
Short Term Creditors		
NDR	(4,356)	(2,730)
NDR - Deferrals	11	-
DWP Housing Benefit Grant	-	(4)
Council Tax (Preceptors)	(1,304)	(2,039)
Insurance	(156)	(108)
HMRC	(529)	(541)
Kent County Council	(305)	(321)
Other General Fund	(1,452)	(526)
Total Short Term Creditors	(8,091)	(6,269)
Long Term Creditors		
Long Term Creditor (Quakers Hall Allotments)	(363)	(361)

18 Provisions

The following provisions have been made by the Council:

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

	Long Term		Short Term		
	MMI	Accum- ulated Absences	NDR Appeals	Other Prov- isions	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	257	152	1,804	94	2,307
Additional Provisions made during year	32	-	4,536	65	4,633
					-
Amounts Used during the year	-	-	(3,804)	(66)	(3,870)
Balance at 31 March 2016	<u>289</u>	<u>152</u>	<u>2,536</u>	<u>93</u>	<u>3,070</u>

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

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 2016.

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.

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

Agenda Item 6

19 Usable Reserves

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

20 Unusable Reserves

	31/03/15	Move- ment in Year	31/03/16
	£'000	£'000	£'000
Capital Adjustment Account	(14,092)	(9,192)	(23,284)
Revaluation Reserve	(16,676)	(1,671)	(18,347)
Accumulated Absences Account	152	-	152
Collection Fund Adjustment Account	(815)	1,763	948
Pensions Reserve	68,434	(6,285)	62,149
Deferred Capital Receipts Reserve	(190)	7	(183)
Total Unusable Reserves	36,813	(15,378)	21,435

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.

2014/15 £'000		2015/16 £'000
(14,592)	Balance at 1 April	(14,092)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,081	Charges for depreciation and impairment of non current assets	633
-	Revaluation Losses on Property, Plant and Equipment	-
2,658	Revenue expenditure funded from capital under statute	868
-	Deferred Capital Receipts movement	-
	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		-
4,842		1,501
(22)	Adjusting Amounts written out of the Revaluation Reserve	(89)
	Net Written out amount of the cost of non current assets consumed in the year	
4,820		1,412
	Capital Financing applied in the year:	
(1,250)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,335)
	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	
(2,462)		(712)
-	Non-specific capital grant	-
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-
(551)	Capital Expenditure charged against the General Fund	(4,191)
(4,263)		(8,238)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	
(57)		(2,366)
(14,092)	Balance at 31 March	(23,284)

Agenda Item 6

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.

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
Balance at 1 April		(14,665)		(16,676)
Upward Revaluation of Assets	(3,307)		(1,988)	
Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	1,274		228	
Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(2,033)	(2,033)	(1,760)	(1,760)
Difference between fair value depreciation and historical cost depreciation		22		89
Accumulated gains on assets sold or scrapped		-		-
Balance at 31 March		(16,676)		(18,347)

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.

	2014/15	2015/16
	£'000	£'000
Balance at 1 April	152	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	-	-
Balance at 31 March	152	152

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.

	2014/15	2015/16
	£'000	£'000
Balance at 1 April	664	(815)
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)	(283)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(1,359)	2,046
Balance at 31 March	(815)	948

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.

	2014/15	2015/16
	£'000	£'000
Balance at 1 April	54,867	68,434
Actuarial Gains/(Losses) on pensions assets and liabilities	11,706	(8,466)
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	5,274
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,988)	(3,093)
Balance at 31 March	68,434	62,149

Agenda Item 6

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.

	2014/15	2015/16
	£'000	£'000
Balance at 1 April	(200)	(190)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	6	6
Transfer to the Capital receipts reserve upon receipt of cash	4	1
Balance at 31 March	(190)	(183)

21 Cash Flow Statement – Operating Activities

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

	2014/15	2015/16
	£'000	£'000
Depreciation	(726)	(672)
Impairment and downward valuations	(1,355)	39
Amortisation	-	-
Increase in impairment provision for bad debts	(337)	(93)
(Increase)/Decrease in creditors	(4,092)	210
Increase/(Decrease) in debtors / payments in advance	2,324	(6)
Increase/(Decrease) in stock	(7)	3
Pension liability	(1,861)	(2,181)
Carrying amount of non-current assets sold	-	-
Other non-cash items charged to the net surplus or deficit on the provision of services	(921)	1,712
	(6,975)	(988)

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

2014/15		2015/16
£'000		£'000
-	Purchase of short-term and long-term investments	-
344	Proceeds from short-term and long-term investments	845
142	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	256
<u>486</u>		<u>1,101</u>

The cash flows for operating activities include the following items:

2014/15		2015/16
£'000		£'000
(344)	Interest received	(308)
-	Dividends received	-

Agenda Item 6

22 Cash Flow Statement – Investing Activities

2014/15		2015/16
£'000		£'000
1,605	Purchase of property, plant & equipment, investment property and intangible assets	7,380
684	Purchase of short term and long term investments	4,018
-	Other payments for investing activities	
(147)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(257)
(344)	Proceeds from sale of short-term and long-term investments	(846)
(49)	Other receipts from investing activities	(39)
<u>1,749</u>	Net Cash Flow from investing activities	<u>10,256</u>

23 Cash Flow Statement – Financing Activities

2014/15		2015/16
£'000		£'000
-	Net increase / (decrease) in short- and long term deposits	
-	Other receipts from financing activities	(133)
(6)	Cash payments for finance leases	(6)
-	Other payments for financing activities	
<u>(6)</u>	Net Cash Flow from Financing activities	<u>(139)</u>

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:

Agenda Item 6

	Communities & Business	Planning	Environ- mental and Op'ns	Housing	Finance	Corporate Support	Legal and Gov.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Officer Income and Expenditure 2014/15								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(454)	(937)	(6,033)	(133)	(1,538)	(737)	(229)	(10,061)
Government Grants	(113)	-	(89)	(130)	(30,362)	-	(61)	(30,755)
Total Income	(567)	(937)	(6,122)	(263)	(31,900)	(737)	(290)	(40,816)
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	1,996	8,659	988	36,747	3,983	831	54,610
Net Expenditure	839	1,059	2,537	725	4,847	3,246	541	13,794
Chief Officer Income and Expenditure 2015/16								
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(358)	(793)	(6,367)	(188)	(1,506)	(720)	(182)	(10,114)
Government Grants	(24)	-	(71)	(108)	(28,637)	-	(48)	(28,888)
Total Income	(382)	(793)	(6,438)	(296)	(30,143)	(720)	(230)	(39,002)
Employee Expenses	676	1,716	2,407	764	2,800	1,620	489	10,472
Other Service Expenses	713	285	6,750	275	32,400	2,209	362	42,994
Total Expenditure	1,389	2,001	9,157	1,039	35,200	3,829	851	53,466
Net Expenditure	1,007	1,208	2,719	743	5,057	3,109	621	14,464

**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.

	2014/15	2015/16
	£'000	£'000
Net Expenditure in Chief Officer Analysis	13,795	14,464
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	819	(104)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	<u>14,614</u>	<u>14,360</u>

Agenda Item 6

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.

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

Reconciliation to Subjective Analysis 2015/16	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corp- orate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(10,114)	(712)	-	(10,826)	-	(10,826)
Interest and Investment Income	-	-	-	-	(846)	(846)
Income from Council Tax and NDR	-	-	-	-	(14,643)	(14,643)
Government Grants and Contributions	(28,888)	-	-	(28,888)	(4,082)	(32,970)
Total Income	(39,002)	(712)	-	(39,714)	(19,571)	(59,285)
Employee Expenses	10,472	-	-	10,472	2,208	12,680
Other Service Expenses	42,994	608	-	43,602	(291)	43,311
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(2,366)	(2,366)
Interest Payments & similar payments	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	3,565	3,565
Payments to Housing Capital Receipts Pool	-	-	-	-	1	1
Gain or loss on disposal of non current assets	-	-	-	-	(255)	(255)
Capital Grants and Contributions	-	-	-	-	(133)	(133)
Total Expenditure	53,466	608	-	54,074	2,729	56,803
(Surplus) or deficit on the provision of services	14,464	(104)	-	14,360	(16,842)	(2,482)

Agenda Item 6

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 2015/16

(Surplus)/Deficit		Income	Expend.	(Surplus)/ Deficit
2014/15			2015/16	
£'000		£'000	£'000	£'000
	Direct Services			
(159)	Refuse Collection	(2,350)	2,172	(178)
39	Street Cleansing	(1,213)	1,213	-
(114)	Other Operational Accounts	(2,056)	1,967	(89)
(14)	Overhead Accounts	(1,228)	1,202	(26)
<u>(248)</u>		<u>(6,847)</u>	<u>6,554</u>	<u>(293)</u>

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:

(Surplus)/Deficit		Income	Expend.	(Surplus)/ Deficit
2014/15			2015/16	
£'000		£'000	£'000	£'000
	Direct Services			
(125)	Refuse Collection	(2,350)	2,207	(143)
52	Street Cleansing	(1,213)	1,224	11
(106)	Other Operational Accounts	(2,056)	1,978	(78)
(12)	Overhead Accounts	(1,228)	1,205	(23)
<u>(191)</u>		<u>(6,847)</u>	<u>6,614</u>	<u>(233)</u>

26 Members' Allowances

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

	2014/15	2015/16
	£'000	£'000
Allowances	349	367
Expenses	13	11
Total	<u>362</u>	<u>378</u>

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:

2014/2015	Salary	Bonuses	Expenses	Com- pen- sation Loss of employ- ment	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	-	81,036
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

Agenda Item 6

2015/2016	Salary	Bonuses	Expenses	Com- pen- sation Loss of employ- ment	Pension	Other Emol- uments	Total
	£	£	£	£	£	£	£
Chief Executive (P Ramewal)	148,504	3,563	215	-	21,593	9,845	183,720
Chief Officer Legal	80,441	1,911	73	43,980	11,694	-	138,099
Chief Housing Officer	73,307	1,733	20	39,875	10,656	-	125,591
Chief Finance Officer	73,307	1,733	166	-	10,656	-	85,862
Chief Officer Corporate Support	75,025	500	-	-	10,725	-	86,250
Chief Officer Communities and Business	73,307	1,733	50	-	10,656	-	85,746
Chief Planning Officer	78,591	500	-	-	11,231	-	90,322
Chief Officer Environmental and Operations	80,441	1,911	110	-	11,694	-	94,156
Head of Strategy and Transformation	52,419	500	-	-	7,515	-	60,434

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

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

Remuneration Band	Number of Employees	
	2014/15	2015/16
£50,000 - £54,999	8	9
£55,000 - £59,999	3	1
£60,000 - £64,999	2	4
£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	
	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16
							£'000	£'000
£0 - £20,000	3	8	6	3	9	11	43	114
£20,001 - £40,000	-	3	-	-	-	3	-	113
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,000	-	-	-	-	-	-	-	-
Total	3	11	6	3	9	14	43	227

Liabilities for exit packages are recognised here for four staff from Finance and two Chief Officers in connection with internal re-structuring taking place in 2016/17. As the decisions were taken before 31 March 2016, costs were accrued in 2015/16.

Agenda Item 6

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.

	2014/15	2015/16
	£'000	£'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	58	50
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	21	18
Fees payable in respect of other services provided by external auditors during the year	2	-
Refund from Audit Commission	(6)	-
Total	75	68

29 Grant income

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

	2014/15	2015/16
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus (DCLG)	(1,396)	(1,828)
Revenue Support Grant (DCLG)	(2,241)	(1,516)
S31 Small Business Rate Reduction	(648)	(734)
Community Infrastructure Levy	-	(133)
S31 Council Tax Flood	-	(4)
Total	(4,285)	(4,215)
Credited to Services		
Benefit Subsidy (DWP)	(29,607)	(27,991)
Disabled Facilities (KCC)	(411)	(487)
Housing Benefit Administration (DWP)	(496)	(454)
Community Facility Improvements	(2,052)	(216)
Choosing Health PCT (KCC)	(131)	(121)
Homelessness (DCLG)	(91)	(91)
New Burdens (DCLG)	(62)	(76)
Local Land Charges (DCLG)	-	(65)
Individual Electoral Registration (CO)	-	(48)
Communities against Drugs (KCC)	(35)	(31)
Community Sports (Sports England)	(42)	(29)
Other	(73)	(74)
Total	(33,000)	(29,683)

Agenda Item 6

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:

	2014/15	2015/16
	£'000	£'000
Capital Grants Receipts in Advance		
Regional Housing Pot (DCLG/KCC)	(16)	(34)
Community Infrastructure Levy	(9)	(19)
Total	<u>(25)</u>	<u>(53)</u>

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 2016 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 2015/16 is shown in note 26. During 2015/16 the Council awarded a grant of £1,500 to a Village Hall Association in which a Member 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 Council appointed a Member as a representative on the Arts Council which received a grant of £4,250 from the Council.

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. Three officers are Directors of Quercus 7 Limited.

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.

Quercus 7 Limited

Council on 31 March 2015 authorised the incorporation of a company and this was incorporated on 31 December 2015 (Quercus 7 Limited Number 09933195). Three Chief Officers were appointed as Directors and there will be two Non-Executive Directors. The trading activities of the company will be overseen by the Cabinet. The Articles of Association state that there can only be one shareholder and is defined as all the Members of SDC. The liability of the Council is limited to the nominal of its share of £1.

The Company is a controlled company entirely owned by Sevenoaks District Council. The Company shareholder (Members of SDC) has ultimate control over the activities of the Company and the Company's operational matters. The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council to invest in residential property to be leased.

The company has not traded and therefore there is no requirement to produce group accounts. Officers did not undertake any work for the company during 2015/16. Any work undertaken by officers on company business will be charged to the company.

Agenda Item 6

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.

	2014/15	2015/16
	£'000	£'000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	355	640
Intangible Assets	-	-
Investment Properties	1,250	6,740
Revenue Expenditure Funded from Capital under Statute	2,658	868
	<u>4,263</u>	<u>8,248</u>
Sources of Finance:		
Capital Receipts	(1,250)	(3,335)
Government Grants and other contributions	(2,462)	(722)
Sums set aside from revenue	(551)	(4,191)
	<u>(4,263)</u>	<u>(8,248)</u>
Closing Capital Financing Requirement	-	-

32 Leases

Operating Leases

Authority as Lessee

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

In 2015/16 the Council entered into an operating lease for vending machines for Argyle Road. The lease is for 3 years.

Payments under operating leases for the car park and vending equipment during the year amounted to £42,422 (£33,145 in 2014/15).

	2014/15	2015/16
Minimum Lease Payments	£'000	£'000
Not later than one year	33	46
Later than one year and not later than five years	216	189
Later than five years	473	374
Total	722	609

Authority as Lessor

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 2015/16.

The council purchased Swanley Petrol Station and Suffolk House Sevenoaks in 2015/16. The future income receivable under non-cancellable leases is detailed below:-

	31/03/16
	£'000
Not later than one year	377
Later than one year and not later than five years	1,177
Later than five years	997
	2,551

Agenda Item 6

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

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

Finance Leases

Authority as Lessee

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.

	2014/15	2015/16
	£'000	£'000
Gross Investment in the Lease	302	277
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	177	170
Unearned Finance Income	125	106

	2014/15	2015/16
	£'000	£'000
The gross investment in the lease will be received over the following periods.		
Not later than one year	24	24
Later than one year and not later than 5 years	118	117
Later than 5 years	160	135
Total	<u>302</u>	<u>276</u>

33 Impairment Losses

During 2015/16 there were no impairment losses on the Council's property assets.

34 Termination Benefits

The Authority terminated the contracts of a number of employees in 2015/16, incurring liabilities of £179,000 (£43,000 in 2014/15) – see note 27 for the number of exit packages and total cost per band.

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.

- 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.

Agenda Item 6

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

	2014/15	2015/16
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current Service cost	2,355	3,015
Past Service costs	92	-
Net Interest Expense (includes administration expense)	2,402	2,259
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,849	5,274
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)	(4,560)	1,646
Actuarial gains and losses arising on change in demographic assumptions	-	
Actuarial gains and losses arising on changes in financial assumptions	16,328	(10,066)
Other	(62)	(46)
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	11,706	(8,466)
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	4,849	5,274
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	2,988	3,093

Pensions Assets and Liabilities recognised in the Balance Sheet

	2014/15	2015/16
	£'000	£'000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(140,663)	(134,901)
Present Value of Unfunded Liabilities	(2,337)	(2,102)
Total Pensions Liability	(143,000)	(137,003)
Fair Value of plan assets (at bid value)	74,566	74,854
Net liability arising from the defined benefit obligation	(68,434)	(62,149)

Reconciliation of movements in the fair value of scheme assets

	2014/15	2015/16
	£'000	£'000
Opening fair value of scheme assets	67,769	74,566
Interest on assets	2,967	2,453
Return on assets less interest	4,560	(1,646)
Other actuarial gains/losses	-	
Administration expense	(51)	(51)
Contributions from employer	2,988	3,093
Contributions from scheme participants	635	667
Estimated benefits paid plus unfunded net of transfers in	(4,302)	(4,228)
Closing Value of scheme assets	74,566	74,854

Agenda Item 6

Reconciliation of the movements in defined benefit obligation

	2014/15	2015/16
	£'000	£'000
Opening Defined Benefit Obligation	122,636	143,000
Current Service Cost	2,355	3,015
Interest Cost	5,318	4,661
Change in Financial Assumptions	16,328	(10,066)
Change in Demographic assumptions	-	-
Experience loss/gain on defined benefit obligation	(62)	(46)
Estimated benefits paid net of transfers in	(4,102)	(4,038)
Past service costs including curtailments	92	-
Contributions by scheme participants	635	667
Unfunded pension payments	(200)	(190)
Closing Defined Benefit Obligation	<u>143,000</u>	<u>137,003</u>

Scheme Assets

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

	31/03/15	31/03/16
	%	%
Equity investments	68	66
Gilts	1	1
Bonds	11	11
Property	13	15
Cash	3	3
Target return portfolio	4	4
Total	<u>100</u>	<u>100</u>

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 2016 is estimated to be 1% (2014/15 was 11%). 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:

	2014/15	2015/16
Expected return for year (see note below)	0	0
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	23	23
Women	25	25
Longevity at 65 for future pensioners		
Men	25	25
Women	28	28
Rate of Inflation (CPI)	2.4%	2.3%
Rate of increase in salaries	4.2%	4.1%
Rate of increase in pensions	2.4%	2.3%
Rate for discounting scheme liabilities	3.3%	3.6%
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.

Agenda Item 6

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.

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 £137.0m.

	£'000	£'000
Adjustment to discount rate	+0.1%	-0.1%
Present value of total obligation	134,633	139,418
Projected Service Cost	2,639	2,760
Adjustment to long term salary increase	+0.1%	-0.1%
Present value of total obligation	137,276	136,733
Projected Service Cost	2700	2,698
Adjustment to pensions increases and deferred revaluation	+0.1%	-0.1%
Present value of total obligation	139,174	134,872
Projected Service Cost	2,760	2,639
Adjustment to life expectancy assumptions	+0.1%	-0.1%
Present value of total obligation	141,220	132,917
Projected Service Cost	2,768	2,632

Projected Pension Expense for the year to 31 March 2017

	2016/17 Projection £'000
Service Cost	2,699
Net interest on the defined liability	2,181
Administration expense	52
Total	<u>4,932</u>
Employer Contributions	2,972

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 Liabilities

There were no contingent liabilities at the end of 2015/16.

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.

39 Highway Infrastructure Assets (Transport Infrastructure Assets Code)

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

Agenda Item 6

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT 2015/16

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.

2014/15				2015/16		
Council Tax	NDR		Note	Council Tax	NDR	Total
£000	£000			£000	£000	£000
<u>Income</u>						
74,681	-	Billed to Council Tax Payers	1	76,920	-	76,920
-	35,429	Income from Business Ratepayers	2	-	36,298	36,298
341	712	Reduction in Bad Debts Provision		1,442	92	1,534
-	151	Repayment of Deferred Charges		-	-	-
-	3,083	Reimbursement of previous year's estimated Collection Fund deficit	3	-	-	-
75,022	39,375			78,362	36,390	114,752
<u>Expenditure</u>						
Precepts & Demands:						
50,899	2,913	Kent County Council		52,547	3,182	55,729
6,872	-	Police & Crime Commissioner for Kent		7,094	-	7,094
3,301	324	Kent & Medway Fire & Rescue Authority		3,406	354	3,760
9,010	12,948	Sevenoaks District Council		9,298	14,143	23,441
3,496	-	Town & Parish Councils		3,565	-	3,565
Business Rates:						
-	16,185	Payments to Government		-	17,678	17,678
-	170	Cost of Collection Allowance		-	167	167
-	21	Transitional Protection		-	138	138
Bad and Doubtful Debts:						
521	27	Provision for Non Payment		537	-	537
-	2,954	Provision for Appeals		-	1,830	1,830
216	436	Write Offs		242	155	397
-	-	Contribution towards previous year's estimate	3	-	3,858	3,858
74,315	35,978			76,689	41,505	118,194
707	3,397	(DEFICIT)/SURPLUS FOR YEAR	3	1,673	(5,115)	(3,442)
COLLECTION FUND BALANCE						
(408)	(1,486)	Balance at beginning of year		299	1,911	2,210
707	3,397	(Deficit)/Surplus for year		1,673	(5,115)	(3,442)
299	1,911	BALANCE AT END OF YEAR	4	1,972	(3,204)	(1,232)

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 2015/16 was approved by Cabinet in January 2015 as follows:

	2014/15			2015/16		
Band	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	1.25	5/9ths	0.70	2.25	5/9ths	1.30
A	928.80	6/9ths	619.20	968.38	6/9ths	645.60
B	1,766.74	7/9ths	1,374.10	1,816.24	7/9ths	1,412.60
C	7,711.27	8/9ths	6,854.50	7,868.01	8/9ths	6,993.80
D	9,562.91	9/9ths	9,562.90	9,633.37	9/9ths	9,633.40
E	6,408.31	11/9ths	7,832.40	6,492.26	11/9ths	7,935.00
F	5,292.93	13/9ths	7,645.30	5,300.97	13/9ths	7,657.00
G	6,963.36	15/9ths	11,605.60	7,053.54	15/9ths	11,755.90
H	1,227.51	18/9ths	2,455.00	1,250.31	18/9ths	2,500.60
	<u>39,863.08</u>		<u>47,949.70</u>	<u>40,385.33</u>		<u>48,535.20</u>
Contributions in lieu for Crown property			14.50			13.10
			<u>47,964.20</u>			<u>48,548.30</u>
Collection rate adjustment			99.30%			99.30%
Council Tax Base			<u>47,629.02</u>			<u>48,209.05</u>

The tax rate for a band D property in 2015/16 was £1,500.66, excluding Town and Parish Council taxes (2014/15 = £1,471.42).

Agenda Item 6

	2014/15	2015/16
	£	£
Kent County Council	1,068.66	1,089.99
Police & Crime Commissioner for Kent	144.28	147.15
Kent & Medway Fire & Rescue Authority	69.30	70.65
Sevenoaks District Council	189.18	192.87
	<hr/>	<hr/>
	1,471.42	1,500.66
Town & Parish Councils (Average)	73.41	73.95
	<hr/>	<hr/>
TOTAL (including an average town & parish rate)	1,544.83	1,574.61

Note 2 Non-Domestic Rates (NDR)

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. 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 2016 was £88,946,014 (31 March 2015 = £90,160,884).

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 2015, the estimated balance at 31 March 2015 in respect of council tax transactions was zero. Had

Agenda Item 6

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 2014/15 and taken into account by the respective authorities in the calculation of their council taxes for 2015/16. The actual position at 31 March 2015 was a surplus of approximately £299,000.

The actual surplus of £1,972,000 at 31 March 2016 in respect of council tax and the actual deficit of £3,204,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2016/17.

Agenda Item 6

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
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	-	-	-	-	-	-	
2015/16	Council Tax:						
	Arrears	2,624	352	167	-	638	3,781
	Provision for Bad Debts	(1,360)	(183)	(86)	-	(331)	(1,960)
	Prepayments & Refunds	(1,522)	(204)	(97)	-	(371)	(2,194)
	Cash	1,624	219	105	-	397	2,345
	(Surplus)/Deficit	(1,365)	(184)	(89)	-	(334)	(1,972)
	NDR:						-
	Arrears	170	-	19	944	755	1,888
	Provision for Bad Debts	(73)	-	(8)	(406)	(325)	(812)
	Provision for Appeals	(571)	-	(63)	(3,170)	(2,535)	(6,339)
	Prepayments & Refunds	(123)	-	(14)	(683)	(547)	(1,367)
	Cash	308	-	34	1,713	1,371	3,426
(Surplus)/Deficit	288	-	32	1,602	1,282	3,204	
Total	-	-	-	-	-	-	

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

Agenda Item 6

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 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.

Agenda Item 6

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 2015/16

1. Background

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

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

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories;
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services;
- the Chief 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 Policy 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,

Agenda Item 6

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 Internal Audit Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement.

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, 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 2016 and up to the date of approval of the Statement of Accounts.

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 2016 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 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 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.
- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 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. 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

Agenda Item 6

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 2015-16, 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.

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 2015/16 and it was concluded 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.

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.

Unqualified opinions were issued in relation to both financial statements and value for money for 2014-15.

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. The Finance Team conduct monthly client liaison meetings with responsible budget holders.

d) Performance Management

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from senior managers where performance is behind target. Strategic information is regularly reported to the Strategic 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 including 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 Platinum status in the Investors in People (IiP) scheme, conferred by an external inspection regime in January 2016. The Council was the first local authority nationally to achieve this standard. 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

Agenda Item 6

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.

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 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 function was transferred over to the Department for Works and Pensions (DWP) in February 2016 under the new arrangements introduced by central government. An in-house Counter Fraud Team has been set up which has retained experienced 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 during 2015/16.

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 2015/16, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal 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 2015/16 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.

6.5 There was one significant governance issue raised in last year's AGS which was that the Health and Safety Executive (HSE) had initiated two charges under the Health and safety at Work Act 1974 following an accident on 13 September 2010 where a motorbike rider collided with a Sevenoaks District Council road sweeper lorry. This case has now been concluded and the road where the accident occurred is now the responsibility of Highways England.

6.6 It should be noted that no significant governance issues have been raised through the AGS process and no areas were identified for further enhancement.

Certification

Signed

Signed

Dr. Pav Ramewal

Cllr Peter Fleming

Chief Executive

Leader of the Council

INTERNAL AUDIT 2016/17 - FIRST PROGRESS REPORT

Audit Committee - 29 September 2016

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

Lisa Nyon Ext. 3004

Recommendation to Audit Committee: That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2016/17 Annual Internal Audit Plan.

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan and approve amendments to the Annual 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 2016/17 and outcomes of final Internal Audit reports issued since the meeting of the committee in June 2016.
- 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, Risk and Anti-Fraud Manager, is required to report the progress made in delivering the assurance requirements to the Audit Committee, 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 2016/17 is attached as Appendix A to this report, which sets out details

Agenda Item 7

of the reviews agreed by the Audit Committee in March 2016. Members may note that six reviews had commenced, three had been finalised and three were in progress.

- 3 Appendix B sets out details of the final reports which have been issued since the last meeting of this committee. It also provides a brief summary of the findings and 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.
- 4 The standard definition of opinions used by the Internal Audit Section for 2015/16 audit reviews, is detailed in Appendix C. It provided two opinions, Framework and Compliance: Framework referred to the framework of controls in place to manage the risks of non-delivery of objectives, whilst Compliance referred to the degree of compliance with established controls. However, there is a new process in place for audit reviews, commencing with those reviews undertaken in 2016/17 and going forward. A single opinion will be given, which will either be Full Assurance, Substantial Assurance, Limited Assurance or No Assurance. Full details of which are provided in Appendix D.

Internal Audit Resources

- 5 Members will be pleased to note that the two new members of staff continue to settle in well. Appropriate training has been identified to enable them to become fully functional over the next few months. Hence the need to facilitate their development has impacted on the speed of delivery of the audit plan.
- 6 The Audit, Risk and Anti-Fraud Manager has been absent for a significant part of the last few months and this reduction in resources is likely to have an impact on the teams ability to complete the full Internal Audit Plan within the year. A review of available resources going forward will be carried out to determine the likely impact on the Plan and details will be presented at the next Committee.
- 7 Members may also be pleased to note that the TeamMate electronic audit management software has been purchased and the implementation process has begun. This forms part of the agreed actions in the internal audit improvement plan and will facilitate the implementation of more modern ways of working, which is expected to lead to greater efficiency and improved quality of the internal audit service.

Progress of Internal Audit Improvement Plan

- 8 Significant progress has been made on the Internal Audit improvement plan but the absence of the Audit, Risk and Anti-Fraud Manager has resulted in less progress being made recently. The Chair and Vice-Chair receive regular updates at meetings with the Chief Finance Officer and the Audit, Risk and Anti-Fraud Manager.

Key Implications

Financial

9 Not Applicable.

Legal Implications and Risk Assessment Statement.

- 10 No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.
- 11 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its arrangements for Internal Audit, in order to ensure fitness for purpose and taking into account the Public Sector Internal Audit Standards and professional guidance. The recruitment of two new staff in 2015 has brought the team up to full establishment. Hence the team is now better placed to deliver on the Council's assurance requirements and mandatory guidance. Training and development needs have been identified, to enable all staff to be equipped with the relevant skills required to perform their roles effectively.

Equality Assessment

- 12 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

- 13 This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2016/17 and provides a summary of final reports issued since the meeting of the Audit Committee in June 2017. 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 2016/17 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions (2015/16 Audits)

Appendix D - Audit Opinions - Definitions (2016/17 Audits)

Background Papers:

Internal Audit Annual Plan for 2016/17

<http://cds.sevenoaks.gov.uk/documents/s28487/08%20Annual%20Internal%20Audit%20Plan%202016-17.pdf>

New Public Sector Internal Audit Standards 2015

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

Audit Committee Report 30 June 2016

Agenda Item 7

<http://cds.sevenoaks.gov.uk/documents/s28498/12%20Internal%20Audit%20Annual%20Report%202015-16.pdf>

Accounts and Audit Regulations 2011

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

Adrian Rowbotham
Chief Finance Officer

PROGRESS AGAINST 2016/17 INTERNAL AUDIT PLAN					Status at 2/9/16		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Defer to next year
1	Community Infrastructure Levy						
2	Procurement & Contracting						
3	Environmental Health Services						
4	Agency Staff, Contracting & Consulting						
5	Economic Development						
6	Key Financial System						
7	Income Generation Activities						
8	Council Tax and Benefits						
9	Payroll						
10	Treasury Management						
11	Business Rates (Revs)						
12	Anti-Fraud Arrangements					x	
13	Grant Income						
14	Repair & Maintenance			x			
15	Parking						
16	Direct Services						
17	Licensing						
18	Business Continuity	x					
19	Emergency Planning	x					
20	Asset Management						
21	IT Strategy/Acquisitions						
22	Planning Applications & Appeals				x		
23	Due Diligence						
24	Corporate Governance						
25	Risk Management						
26	Transparency Code	x					
27	Audit Universe						
28	Data Protection & Freedom of Information						
29	Cash Income						
	Total	3	0	1	1	1	0
	COMPARATIVE POSITION Sept 2015	1	2	2	1	0	0

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**Review of Non Domestic Rates 2015/16
Issued 6 June 2016**

Opinion: Control Framework - Good (Previous review - Good)
Compliance with Framework - Good (Previous review -Good)

The purpose of this review was to provide an assurance on Business Rates retention and the financial modelling associated with it in order to ascertain fitness for purpose in maximising available income opportunities. It also examined the system to facilitate the prompt identification assessment and accurate billing of new dwelling and businesses and that business rate relief is applied in accordance with Guidelines /Council Policies.

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

1. Risk that The Council may not comply with relevant legislation such as the NDR Collection & Enforcement (Local Lists) Regulations 1989 and Council processes and procedures.
2. Risk that accounting for the Business Rate retention scheme may not be operating effectively.
3. Risk that new businesses are not promptly identified and billed.
4. Risk that business rate relief and reductions are not effectively allocated.
5. Risk that refunds of NDR may not be effectively controlled.
6. Risk that fraud and corruption may be undetected.
7. Risk that Opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
8. Risk that risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were met in all the risk areas examined.

The opinion of the auditor was that the framework of controls for the NDR system was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good. Only minor errors or omissions were identified.

There are no recommendations arising from this review.

Review of Dunbrik Task 2015/16

Issued 7 June 2016

Opinion: Control Framework - Good (Previous review - Good)
Compliance with Framework - Good (Previous review -Good)

The purpose of this review was to provide an assurance on the authenticity, accuracy, transparency and authorisation of transactions with regards to TASK.

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

1. Risk that the income and expenditure account and balance sheet (produced in liaison with Finance) cannot detect irregularities or weaknesses in TASK.
2. Risk that there is no authentication for users of the TASK system; for example the use of valid user names and unique passwords before access is granted to assess confidentiality of the TASK records.
3. Risk that income due may not be accurately received or correctly accounted for.
4. Risk that service budgets may not be achievable and degrade service performance. For example, are inflation and unforeseen circumstances included.
5. Risk that expenditure may be unauthorised and incorrectly paid.
6. Risk that lack of transparency and the potential for fraud and corruption to be undetected.
7. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised. For example, the inclusion of TASK in a new Council wide finance system.
8. Risk assessments may not be undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst two aspects were partially met in relation to compliance (Risks 2 and 3).

The opinion of the auditor was that the framework of controls for Dunbrik (TASK) were “good”. This meant that 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. There was evidence that the framework of controls were substantially being complied with and the risk

management process was considered to be good. Only minor errors or omissions were identified.

The following four recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 2 and 3.

- Direct Services management should liaise with the Finance Team to ensure that only those colleagues required to interface with TASK have appropriate access.
- Staff should be reminded that they should use passwords that are compatible with Council policy.
- Debtors should be aware of the payment terms for an invoice as this could impact on cash income receipt forecasting for the Council. Also it will enable the non - payment of invoices to be followed up and enforced should the invoice not be paid during the given time.
- Direct Services management should consider coding expenditure relating to medical expenses to the 'miscellaneous' expenditure code in order to separate such expenditure, which is considered to be of a general nature, from expenditure properly coded to 'materials'. However it is noted that a 'drill down' facility is available within TASK if a breakdown of health related expenses is required.

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

Review of Council Tax Support 2015/16

Issued 14 June 2016

Opinion: Control Framework - Good (Previous review - Good)
Compliance with Framework - Good (Previous review -Good)

The purpose of this review was to provide assurance on the Council Tax Support (CTS) scheme regarding the effectiveness of the system in place to ensure that discounts are correctly applied in accordance with the scheme and to ascertain fitness for purpose in delivering service objectives.

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

1. Risk that the Council may not have complied with relevant legislation, policies or procedures in respect of Council Tax Support.
2. Risk that inaccurate, unauthorised or fraudulent Council Tax Support discounts may be transacted.
3. Risk that Council Tax Support discounts may not correctly reconcile to the main accounting system.

4. Risk that the assessment of Council Tax Support may not be accurate, timely or subject to quality checks.
5. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
6. Risk that fraud and corruption may be undetected, for example in regard to bogus claims for Council Tax Support.
7. Risk that operational and strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were met in six of the aspects examined, whilst one aspect was partially met in relation to compliance (Risk 6).

The opinion of the auditor was that the framework of controls for the Council Tax Support system was “good”. Additionally, compliance with the framework was also found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls were substantially being complied with and the risk management process was considered to be good.

The following recommendation was agreed with management to address the area where the control was partially met. This relates to risk 6.

- Management need to ensure that a member of staff is made responsible for ensuring that relevant staff are notified when updates/changes take place in the Council’s Anti - Fraud and Corruption Strategy. This may require liaison with the Audit Risk and Anti - Fraud manager.

Members will be advised in due course of the progress in implementing this recommendation.

Review of Arrangements for Corporate Fraud 2015/16 Issued 16 June 2016

Opinion: Control Framework - Good
Compliance with Framework - Good

The purpose of this review was to examine the Council’s fraud investigation service in light of the creation of the Single Fraud Investigation Service (SFIS) by the Department for Work and Pensions (DWP), ensuring that DWP proposals are effectively implemented, and the transfer of staff over to DWP is carried out in accordance with Council policy. It also looked at what resources would be required

to fulfil the Council's Anti-Fraud and Corruption Strategy, post SFIS and the options available to the Council to take this forward. Where necessary, appropriate proposals were made to ensure that the Council's Anti-Fraud arrangements remain fit for purpose post SFIS.

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

Risk that the Council may not comply with CIPFA's Code of Practice on Managing Risk and Corruption, Social Security Fraud Act 2001, the Council's Anti-Fraud Strategy or good practice

1. Risk that good governance arrangements could be compromised.
2. Risk of inappropriate resources to support the Counter Fraud Strategy.
3. Risk of insufficient resources to deal with Council Tax fraud (Single person discount, other discounts and exemption, council tax support fraud).
4. Risk that communication/liaison could be compromised as no single point of contact (SPOC).
5. Risk that lack of support in a number of other key counter fraud areas including Benefit Matching, National Fraud Initiative, referrals etc.
6. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
7. Risk that operational and strategic risk assessments may not be undertaken and risks not adequately managed.

This audit was undertaken to provide assurance regarding the effectiveness of the arrangements for implementation of the Single Fraud Investigation Service (SFIS) in order to ensure that the DWP proposals are effectively implemented, and the transfer of staff over to DWP is carried out in accordance with Council policy. This was achieved by a method of evaluation using audit testing and research. It was identified that all eight controls tested were fully compliant. The review confirmed that both authorities together with the Fraud Team have expended a great deal of time, research and effort in identifying the best way to ensure that effective arrangements remain in place at both authorities. The report therefore concludes that overall the evaluation of framework and compliance is good.

The following recommendations have been agreed to enhance resilience and functionality going forward, particularly in the light of the new Counter Fraud Team being agreed (by the Partnership Board and the respective Management Teams) during the course of the review.

Appendix B

- All relevant policies should be reviewed to establish that they are current and up to date. The policies should be dated with a revision plan in place.
- Consideration needs to be given as to how the Governance Framework will be affected post SFIS and how the new Counter Fraud team could assist with supporting the Governance Framework.
- All policies and strategies will need to be reviewed and amended where necessary particularly where references are made to benefit fraud.
- The Fraud and Compliance Manager should inform internal audit of any fraud discovered which impacts on internal controls and that where appropriate internal audit should undertake a review of controls.
- After a reasonable timescale (agreed by management) the decision to implement the counter fraud team should be reviewed to consider the impact of the service and that the agreed service objectives are being achieved. This should be at least on an annual basis with regular monitoring in between - *It was agreed that a review of the effectiveness of the team will be undertaken by senior management at both authorities. This should be at least on an annual basis with particular focus on performance (VFM) and how the structure is working (split management arrangements).*

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

Review of Planning Pre-Applications 2015/16

Issued 6 July 2016

Opinion: Control Framework - Good (Previous review - Good)
Compliance with Framework - Good (Previous review -Good)

The purpose of this review was to provide an assurance regarding the effectiveness of the pre-planning application process regarding the Councils “fitness for purpose in delivering service objectives “and the Council’s responsibilities.

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

1. Risk that the Council may not comply with relevant legislation e.g. Planning Act 2008, policies, procedures or good practice e.g. DCLG - Guidance on the Pre - Planning Application Process.
2. Risk that decision/advice output quality may lack consistency against the Council’s standards e.g. this may have an impact on level of complaints received.
3. Risk that the Pre-Planning activity may not be sufficiently resourced in terms of numbers, skills and experience.

4. Risk that Performance Monitoring against agreed targets may not be in place.
5. Risk that Pre- Planning Applications charges are not reviewed regularly and/or not made available to the public e.g. Transparency code 2014.
6. Risk that complaints against the Pre - Planning activity is not handled in accordance with Council policy e.g. lengthy protracted cases and/or Council reputation at risk.
7. Risk that Customer feedback is not sought about service quality and delivery e.g. May not be able to inform Pre - Planning application service deliver.
8. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example Officers time spent in process a decision/advice is achieving better planning application outcomes.
9. Risk that fraud and corruption may be undetected, for example Officers providing advice/decisions to friends and family and not charging for their time.
10. Risk that operational risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

It was identified that out of ten controls, six were found to be fully compliant and the four remaining partially compliant.

The opinion of the auditor was that the framework of controls for the Planning Pre Applications system was “good”. Additionally, compliance with the framework was also found to be “good”. This means 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 and that controls are substantially being complied with and risk management process is considered to be good. Only minor errors or omissions have been identified.

The following four recommendations were agreed with Management to enhance controls. These relate to risk’s 2, 4, 5 and 8.

- An action plan/table should be completed using the information already identified by the working group and audit findings regarding administration processes, such as, *decision notice templates* and workload monitoring. This should be used to identify any impacting inconsistencies with each team and actions agreed. Alignment of the above processes would provide consistency as well as a more effective, efficient system. There is currently a potential low risk of reputational damage due to missed (self-imposed) deadlines.

Appendix B

NB It is noted that each application is dealt with on its own merits and officers are encouraged to develop a personal style. However a standard template would ensure consistency of response and minimise reputational risk.

- Current reports produced could be adapted to provide the performance data required. This will then give a clear picture of the number of PPA (trends etc.) together with workload and target monitoring. This will reduce the risk of reputational damage caused by missed deadlines (self-imposed).
- Consideration should be given to the revision of charges. Particularly as they haven't been revised for 4 years but also that neighbouring authorities existing charges would suggest there is a potential income gap (recoup of costs).
However consideration needs to be given to the cost of the Council vs Commercial acceptability
- A mechanism should be put into place to ensure that any efficiency and value for money ideas identified or voiced are recorded. These records should be regularly reviewed possibly at team meetings.

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

Review of Section 106 Affordable Housing 2015/16

Issued 8 July 2016

Opinion: Control Framework - Good (Previous review - Satisfactory)
Compliance with Framework - Good (Previous review - Satisfactory)

The purpose of this review was to provide assurance on the arrangements in place for the administration of the residual element of Section 106 payments in respect of Affordable Housing requirements and to ensure fitness for purpose in delivering service objectives and the Council's statutory responsibilities. This included the consistency of applying the right procedures and approach to ensure that best value is obtained via the planning process and the funding allocation process by the Housing Policy Team.

To this effect the following key risks and controls were examined;

1. Risk that the Council may not comply with relevant legislation, such as the provisions of the Town and Country Planning Act 1990 and National Planning Guidance.
2. Risk that the Council may not have an appropriate or adequate framework in place for the legal aspects of the relevant Section 106 agreements.

3. Risk that agreements may not be in place for all relevant Section 106 developments and supporting documentation may not be on file.
4. Risk that contributions relating to Section 106 agreements may not be being used appropriately or within the agreed timeframe.
5. Risk that contributions relating to Section 106 agreements may not be appropriately documented in order to provide information on the amounts raised and targets met.
6. Risk that fraud and corruption may be undetected.
7. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
8. Risk that operational and strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were fully met in seven of the eight aspects examined whilst one aspect was partially met in relation to compliance (Risk 7).

The opinion of the auditor was that the framework of controls for the Section 106 Affordable Housing system was “good”. Additionally compliance with the framework was found to be “good”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that the framework of controls was being substantially complied with and the risk management process was considered to be good.

The following recommendation was agreed with Management to address the area where controls were partially met. This relates to risk 7.

- The Anti - Fraud and Corruption Strategy should be relaunched to focus staff attention on the strategy. For example, managers should be made fully aware of their duty to prevent fraud.

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

Review of Emergency Planning 2016/17

Issued 22 July 2016

Opinion: Substantial Assurance

The purpose of this audit review was to provide an assurance regarding the effectiveness of the Council’s arrangements to act quickly and efficiently in

Appendix B

meeting the needs of residents including public support during an emergency, such as flooding.

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

1. Risk that the Council may not comply with relevant legislation, for example the Civil Contingencies Act 2004, and Council policies and procedures.
2. Risk that an appropriately skilled and resourced emergency planning function is not maintained and managed.
3. Risk that the emergency plan has not been tested.
4. Risk that an adequate (interlinked with other functional and incidents) and current emergency response plan has not been prepared.
5. Risk that operational and strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

It was identified that out of five controls, four were found to be fully compliant and the one remaining control is partially compliant with minor enhancements required.

The opinion of the auditor is that there is **Substantial Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means there is generally a sound framework of control in place designed to meet the Council's service objectives. However, there are isolated weaknesses in design of controls or inconsistent application of controls which put the achievement of a limited number of objectives at risk.

The following recommendation was agreed with Management to enhance controls. This relates to risk 4.

- a) The Head of Parking and Surveying should review the website links referred to in the Major Emergency Plan to ensure that they are correct. Checks should be programmed to ensure that the links are still working on a regular (quarterly) basis.
- b) Consideration should be given as to how emergency contacts and their details can remain current and up to date in between reviews. These could form part of a different document or as an appendix. Although the immediate emergency team is aware of current officers and contact changes, due to the significant importance of the document and the urgent access that might be required outside of the emergency team all contact data should be current at all times.

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

Review of Business Continuity 2016/17

Issued 26 July 2016

Opinion: Substantial Assurance

The purpose of this audit review was to provide an assurance regarding the effectiveness of the Council's arrangements for facilitating continuation of Council business, in the event of a significant event impacting on the Council's ability to deliver its responsibilities.

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

1. Risk that the Council may not comply with relevant legislation, for example the Civil Contingencies Act 2004, and Council policies and procedures.
2. Risk that an appropriately skilled and resourced continuity function is not maintained.
3. Risk that a business impact analysis has not been undertaken.
4. Risk that an adequate business continuity plan has not been prepared.
5. Risk assessments may not be undertaken and risks not adequately managed.

It was identified that out of five controls, one was found to be fully compliant and the four remaining partially compliant with minor enhancements required.

The opinion of the auditor is that there is **Substantial Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means there is generally a sound framework of control in place designed to meet the Council's service objectives. However, there are isolated weaknesses in design of controls or inconsistent application of controls which put the achievement of a limited number of objectives at risk.

The following four recommendations were agreed with Management to enhance controls. These relate to risk's 1,3,4 and 5.

- Consideration should be given to carrying out an exercise regarding home working and whether all key officers can use this facility if required.
- A system should be put into place whereby certain checks are carried out to ensure that all Business Impact Assessments have been signed and dated. There is a risk that without this detail the latest version may not be used which could lead to incorrect actions being taken especially if functions or priorities have changed.

- Consideration should be given as to the distribution of the Business Continuity Plan and clarification that it has been delivered. There is a risk that officers (not key) that cannot access this document may not be in a position to put the plan in operation for their service or assist with others.
- Consideration should be given to including a specific risk within the strategic risk register for 2016/17 regarding business continuity. An example could be as follows:

Unable to respond to a business continuity incident. The mitigating controls will therefore include the continued update of plans, officers and training.

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

Review of Transparency Code 2016/17

Issued 12 August 2016

Opinion: Limited Assurance

The purpose of this audit was to provide an assurance regarding the effectiveness of the Council's transparency reporting arrangements and to ensure that current legislative requirements are being adhered to.

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

1. Risk that the Council may not comply with the relevant section of the Local Government Planning and Land Act 1980 and guidance in respect of the Transparency Code.
2. Risk that the Council may not make full disclosure of the required data. For example, procurement information.
3. Risk that the opportunities presented by the Transparency Code are not maximised. For example, we should ascertain that local people are aware of and can access data covered by the Transparency Code.
4. Risk that Operational and Strategic risk assessments in respect of the Transparency Code may not be undertaken in accordance with Council policy and risks are not adequately managed.

Audit testing results indicated that controls were fully met in one of the aspects examined whilst three controls were not met. (Risks 1, 2 and 4).

The opinion of the auditor was that the controls in place provided limited assurance. This means that weaknesses were identified within the framework and

there exists evidence of non - compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.

The following three recommendations were agreed with Management to address the areas where controls were not met. These relate to risks 1, 2 and 4.

- Information required to be published online by the Transparency Code should be made available to the public.
- 1) Senior salaries information published on the website should be consistent with the requirements of the Transparency Code; 2) benefits in kind should be fully disclosed; Information gathered should be obtained from the relevant department and not acquired from individual officers.
- Strategic and Operational risks relating to the Transparency Code should be prepared. Examples of this would be as follows; 1) Strategic - failure to follow government regulations leading to reputational damage; 2) Operational - Failure to show all the information required by the Transparency Code could lead to an increase in Freedom of Information requests in respect of that information leading to increased use of resources.

All recommendations have since been actioned.

DEFINITIONS OF AUDIT OPINIONS (For 2015/16 Audits)

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	... there is an urgent need to introduce additional controls and improve compliance with existing controls, to reduce the risk exposure to the Council.

	development in framework is needed to make the system effective.	
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

DEFINITIONS OF AUDIT OPINIONS (For 2016/17 Audits Going Forward)

OPINION	DEFINITIONS
Full Assurance (no High or Medium Risk Recommendations)	<p>A sound framework of control is in place that meets the Council’s or service objectives. All expected controls tested are in place and are operating effectively.</p> <p>No specific follow-up review will be undertaken; follow-up will be undertaken as part of the next planned review of the system.</p>
Substantial Assurance (no High Risk Recommendations)	<p>There is generally a sound framework of control in place designed to meet the Council’s or service objectives. However, there are isolated weaknesses in design of controls, or inconsistent application of controls, which puts the achievement of a limited number of objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken within 3 to 6 months; follow up of low priority recommendation will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses identified within the framework and there exist evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council’s or service objectives in many of the areas reviewed at risk.</p> <p>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>Absent or non-existent evidence of framework; fundamental weaknesses identified within design; operation of key controls has resulted in failure, or could result in failure to achieve the Council’s or service objectives in the areas reviewed.</p> <p>Follow-up of high and medium priority recommendations only will take place within 3 to 6 months; follow-up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee - 29 September 2016

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 Bami Cole Ext. 7236

Lisa Nyon Ext. 3004

Recommendation to Audit Committee: That Members:

- a) review the information in Appendix A and request further information or explanation as appropriate;
- b) note the reasons for delayed implementation, where the ranking is medium or high, and endorse the revised dates for implementation provided by management, as set out in Appendix B to the report; and
- c) note the reasons provided by Management for those recommendations where implementation is no longer intended, as detailed in Appendix C 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 2016.
- 2 The report also informs the Committee where implementation dates have been revised, where agreed recommendations have not been implemented or are no longer intended.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which management had agreed recommendation implementation dates, for the period to 31 July 2016. 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

Agenda Item 8

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 agreed recommendations (where the Priority/Ranking is medium or high) where management have advised Internal Audit that implementation of the actions agreed 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.
- 5 Appendix C provides details of where Management consider that implementation of recommendations is no longer intended.

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 Assessment

- 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 (ranking medium or high)

Appendix C - 'Overdue' recommendations where management advise that implementation is no longer intended

Background Papers:

None

**Adrian Rowbotham
Chief Finance Officer**

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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
Contract Management 2013/14 (1)	18/2/14	0	0	1	0	0
Shared Service Recharges 2013/14 (3)	12/1/15	0	3	0	0	0
Procurement & Contracting 2014/15 (3)	16/2/15	0	3	0	0	0
Council Tax/NDR 2014/15 (2)	5/2/15	0	1	1	0	0
Performance Management & Data Quality 2014/15 (5)	9/3/15	0	4	0	1	0
Dunbrik (Green Waste) 2014/15 (1)	20/3/15	0	0	1	0	0
Key Financial Systems 2014/15 (1)	5/5/15	0	0	1	0	0
Repair & Maintenance Arrangements 2014/15 (13)	5/5/15	0	9	4	0	0
Community Grants 2015/16 (5)	24/6/15	0	3	2	0	0

Appendix A

Peer Service Review 2015/16 (9)	20/11/5	0	0	9	0	0
Senior Management & Organisational Changes 2014/15 (1)	27/11/15	0	1	0	0	0
Corporate & Service IT Applications 2015/16 (9)	4/12/15	1	5	0	3	0
Payroll 2015/16 (1)	15/1/16	1	0	0	0	0
Organisational Effectiveness & HR Strategy 2015/16 (6)	15/1/16	0	0	6	0	0
Car Parking 2015/16 (5)	15/4/16	0	4	0	1	0
IT Systems 2015/16 (1)	28/4/16	0	1	0	0	0
Key Financial Systems 2015/16 (1)	10/5/16	0	0	1	0	0
Electoral Services (Post-Election) 2015/16 (1)	10/5/16	1	0	0	0	0
Payments Kiosk 2015/16 (5)	25/5/16	0	5	0	0	0
Dunbrik (TASK) 2015/16 (4)	7/6/16	0	3	1	0	0
Council Tax Support 2015/16 (1)	14/6/16	1	0	0	0	0
Corporate Fraud Post DWP Proposals 2015/16 (4)	16/6/16	1	1	2	0	0
Planning Pre-Applications 2015/16 (4)	6/7/16	0	3	1	0	0

Agenda Item 8

Appendix A

Section 106 Affordable Housing 2015/16 (1)	8/7/16	1	0	0	0	0
Emergency Planning 2016/17 (1)	22/7/16	1	0	0	0	0
Business Continuity 2016/17 (4)	26/7/16	4	0	0	0	0
Transparency Code 2016/17 (3)	12/8/16	3	0	0	0	0

All recommendations for the shaded audits are not yet due.

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED (ranking medium or high)

Audit: Key Financial Systems 2014/15

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>1. Processes and procedures should be formulated and circulated to all relevant staff in respect of the TMBC Building Control Partnership and the kiosk.</p>	<p>Medium</p>	<p>Agreed Action: As Above Responsible Officer: Head of Finance</p>	<p>Both of the items are substantially completed. The kiosk procedures are being reviewed to see if an alternative cash-up arrangements will be less resource hungry. Work on the procedures for</p>	<p>This recommendation is still incomplete due to the restructuring of Financial Services. Implementation has now been rescheduled for the end of September 2016. Head of Finance - 1/9/16</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 210</p>		<p>Recommendation Implementation Date: End of October 2015</p>	<p>Building Control, are awaiting further information from our partners on VAT requirements. Head of Finance - 21/12/15</p> <p>Procedures for the kiosk have been completed. Procedures for Building Control are partly completed; additional work needs to be done to reflect a change in VAT treatment for VAT on T&M income. Head of Finance - 11/2/16</p> <p>This recommendation will be concluded once the restructure is finished and final accounts have been completed. Revised implementation date, mid-July 2016. Head of Finance - 25/4/16</p>	<p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in January 2017.</p>

Audit: Repair & Maintenance Arrangements 2014/15

Recommendation	Priority/ ranking	Original response	Previous position + (source)	Latest position + (source)
<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>This project is 75% complete, but has been put on hold until the new year due to staff shortages. A revised implementation date has been set for the end of February 2016.</p> <p>Property & Facilities Manager</p>	<p>Unfortunately, there has been no significant progress with this recommendation, due to staff shortages and restructuring.</p> <p>The Property and Facilities Manager will be discussing this recommendation, and the others identified in the audit report, with the new Head of Service.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 211</p>		<p>Recommendation Implementation Date: 30.06.15</p>		<p>Revised implementation date: September 2016.</p> <p>Property & Facilities Manager - 19/5/16</p> <p>Internal Audit Comment The Repair and Maintenance Arrangements 2016/17 Audit is currently taking place and will include a review of outstanding actions.</p>

Audit: Corporate & Service IT Applications 2015/16

Recommendation	Priority/ ranking	Original response	Previous position + (source)	Latest position + (source)
4. Business continuity assessment forms are completed annually by all services at the Council alongside completion of annual service plans and related planning processes.	Medium	<p>Agreed Action: As above</p> <p>Responsible Officer: Head of Parking & Surveying</p> <p>Recommendation Implementation Date: 01.04.16</p>	<p>Business Impact Assessments (BIAs) to be reviewed during May 2016 possibly in line with Operational Risk Registers.</p> <p>Head of Parking & Surveying - 25/4/16</p>	<p>BIAs are currently being updated. There are a small number outstanding that require 1:1 meetings with the Managers as they are new to the organisation or there have been significant changes in the service areas. It is hoped they will all be updated and complete by the 07.09.16.</p> <p>Head of Parking & Surveying - 25/4/16</p> <p>Internal Audit Comment Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in January 2017.</p>

Page 212

Agenda Item 8

Audit: Organisational Effectiveness & HR Strategy 2015/16

Recommendation	Priority/ ranking	Original response	Latest position + (source)
1. The Council's Human resources strategy is documented, fully revisited and updated to reflect current requirements.	Medium	<p>Agreed Action: As Above</p> <p>Responsible Officer: Chief Officer - Corporate Support</p>	<p>This is currently being reviewed and as part of the wider, ongoing review of HR policies and procedures.</p> <p>Chief Officer - Corporate Support - 6/9/16</p>
		<p>Recommendation Implementation Date: July 2016</p>	<p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in January 2017.</p>

<p>2. The Council’s Workforce Development Plan and other key HR policy documents are fully revisited and updated in a risk basis for their fitness for current council requirements and an HR policy review plan or schedule, signed off by the Chief Officer - Corporate Support, covering all HR policies to be updated and incorporating expected times scales for this, is also produced.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 213</p>	<p>Medium</p>	<p>Agreed Action: As Above - Other key HR policy documents have already been listed as part of an update plan. The list has been prioritised addressing the most important policies first including the Employment Stability Policy.</p> <p>Responsible Officer: Chief Officer - Corporate Support</p> <p>Recommendation Implementation Date: July 2016</p>	<p>These are in progress and will be taken to the staff consultative group for comment over the coming months.</p> <p>Chief Officer - Corporate Support - 6/9/16</p> <p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in January 2017.</p>
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Audit: Key Financial Systems 2015/16

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. Before creditors are set up due diligence checks should be undertaken on the creditor. A check list should be maintained to record checks that have been carried out on suppliers by the Finance Team, such as company house checks, registration for VAT checks, telephoning the company in question to verify details. However, we do know that verification checks made by finance are more difficult when paying individual creditor refunds such as for Car Parking or Council Tax.</p> <p>2. Weekly or monthly report from Agresso to go to Head of Finance that shows creditor accounts that have been set up and / or amended on Agresso.</p>	<p>Medium</p>	<p>Agreed Action: Yes</p> <p>Responsible Officer: Head of Finance</p> <p>Recommendation Implementation Date:</p> <p>Item 1. Head of Finance willing to trail this recommendation. However, this may impact on staff resource.</p> <p>Item 2. July 2016.</p>	<p>This recommendation is still incomplete due to the restructuring of Financial Services. Implementation has now been rescheduled for the end of September 2016.</p> <p>Head of Finance - 1/9/16</p> <p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the next meeting in January 2017.</p>

Audit: Dunbrik - TASK 2015/16

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. Direct Services Management should liaise with the Finance Team to ensure that only those colleagues required to interface with TASK have appropriate access.</p>	<p>Medium</p>	<p>Agreed Action: Agreed as above. (Head of Direct Services)</p> <p>Responsible Officer: Head of Direct Services</p> <p>Recommendation Implementation Date: Following Finance Staff Restructure.</p>	<p>Liaison has continued and changes to TASK access made in relation to leavers and temporary staff but Finance team structure has yet to be completed with permanent appointments made. When a Principal Accountant has been appointed, and assigned to support Direct Services, TASK access permissions can be reviewed again.</p> <p>Head of Direct Services - 17/08/16</p> <p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with management and advise the Committee further at the meeting in April 2017.</p>

'OVERDUE' RECOMMENDATIONS WHERE MANAGEMENT ADVISE THAT IMPLEMENTATION IS NO LONGER INTENDED

Audit: Performance Management & Data Protection 2014/15

Recommendation	Priority/ ranking	Original response	Previous position + (source)	Latest position + (source)
<p>1) 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. Internal Audit made a number of suggestions.</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>Resources are being prioritised elsewhere and the team has been unable to complete a project to create a central record of PI guidance. As a result, it has been proposed that services continue to collate their own records as part of their operational arrangements to manage their services and to ensure records are available in the event of changes in staffing.</p> <p>Head of Transformation & Strategy - 23/05/2016</p>

Agenda Item 8

Audit: Corporate & Service IT Applications 2015/16

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>3. The proposed enhanced desk-top test of business continuity arrangements to restore critical services (including critical IT services) after a major incident occurs is undertaken by the Council within the next 12 months and before 01.07.16.</p>	<p>Medium</p>	<p>Agreed Action: As above</p> <p>Responsible Officer: Head of Parking & Surveying/IT Services Manager</p> <p>Recommendation Implementation Date: 01.07.16</p>	<p>The IT Steering Group has decided that this activity shall not take place because the operational impact upon IT and their users will be too great. Effectively the IT Service will need to close for one week in order to adequately test the plans and then roll DR systems back to a consistent state.</p> <p>IT Services Manager - 25/5/16</p>
<p>6. As part of the move towards a completely paperless system in this area a standard form is designed and placed on Insite which will automatically record on the Supportworks system in embedded terms who in IT Services has reviewed and approved the form and also the date of the approval of the form. The same principle is also applied to documenting the deletions of accounts.</p>	<p>Low</p>	<p>Agreed Action: Agreed as above</p> <p>Responsible Officer: IT Services Manager</p> <p>Recommendation Implementation Date: 01.11.15</p>	<p>There has been insufficient resource within the IT to implement this change. Given current resources within the team and other corporate priorities it is unlikely that this change will be implemented in the foreseeable future.</p> <p>IT Services Manager - 25/5/16</p>

<p>7. Consideration is given to setting an operational target of 3-5 working days for disabling access to leaver user accounts and consideration is given to closer liaison and developing a joint procedure with the Facilities Department in addition to existing arrangements with HR so as to identify leavers at an early point via the return of staff security badges and access swipe cards.</p>	<p>Low</p>	<p>Agreed Action: We will review the process to make it easier for staff to notify us when disabling of accounts is required.</p> <p>Responsible Officer: IT Services Manager</p> <p>Recommendation Implementation Date: 01.11.15</p>	<p>There has been insufficient resource within the IT to implement this change. Given current resources within the team and other corporate priorities it is unlikely that this change will be implemented in the foreseeable future.</p> <p>IT Services Manager - 25/5/16</p>
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Audit: Car Parks 2015/16

Recommendation	Priority/ranking	Original response	Previous position + (source)	Latest position + (source)
<p>4. Management should consider whether the blank resident permits should be destroyed now that virtual permits are being introduced.</p>	<p>Low</p>	<p>Agreed Action: Permits to be “virtual” from 7 March 2016 so paper permits no longer required. Therefore, no more ordering of stock. It should be noted that the permit sheets are blank A4 sheets with a pre-printed permit area on them and do not become permits until they are printed.</p> <p>Responsible Officer: Parking Services Manager</p>	<p>This recommendation is still currently under consideration.</p> <p>Parking Services Manager - 26/4/16</p>	<p>After consideration it has been decided that we will retain these sheets of pre-printed paper. They are now locked away securely in the office.</p> <p>Parking Services Manager - 2/9/16</p>

DRAFT STRATEGIC RISK REGISTER

Audit Committee - 27 September 2016

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Portfolio Holder Cllr. Searles

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to the 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 views are taken into account in assessing the risks the Council faces in delivering the Vision and Promises set out in its Corporate Plan.

Introduction and Background

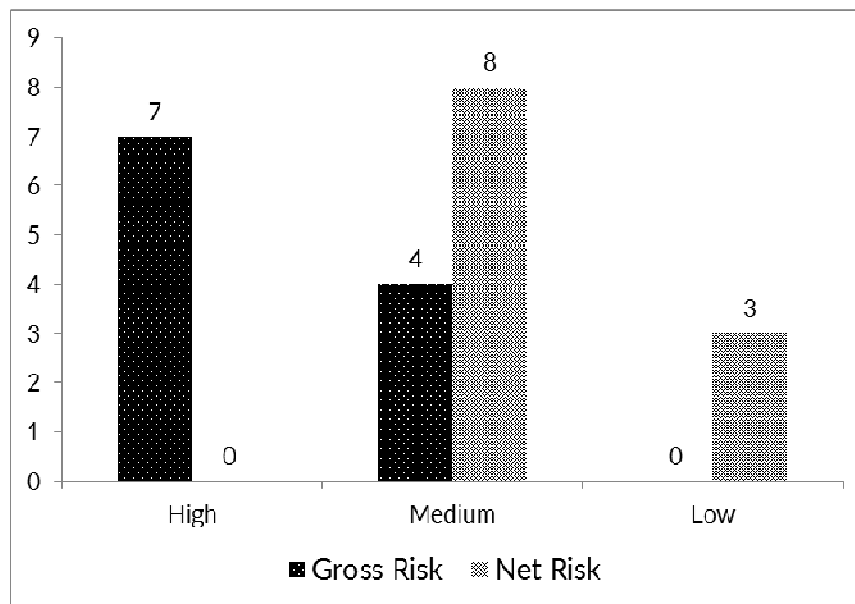
- 1 It is a requirement of the Audit Committee’s Terms of Reference to maintain an overview of the effective development and operation of risk management in the Council.
- 2 This report provides Members with the opportunity to review and comment on the Council’s Draft Strategic Risk Register. The Draft 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.
- 3 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 endorse the Draft Risk Register at a future meeting.

Draft Risk Register

- 4 Provided as Appendix A to this report is the Council's Draft Strategic Risk Register. The Draft 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 it sets out.
- 5 The Draft Register sets out 11 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.

Risk Scores

- 6 As requested by the Audit Committee when they last considered the Strategic Risk Register in September 2015 a key has been added on the second page of Appendix A to illustrate how risk scores are calculated.
- 7 For clarity, the gross risk scores reflect Officers opinion of the likelihood and impact of the risk occurring without any internal controls in place.
- 8 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.
- 9 The draft risk scores are summarised as



Emerging Risks

- 10 As part of the process of evaluating the risks currently facing the Council areas of emerging risk have been considered. These are risks that may, over time, cause some threat to the Council achieving its objectives but at this

current time there is insufficient certainty to include them within this draft register.

11 These emerging risks are considered to be:

- The commitment of the UK Government to leave the European Union. A period of at least two years will elapse before negotiations are complete. As these negotiations develop the Council will keep them under constant review and develop an understanding of any risks to the Council and its services.
- Devolution. The Government continues to agree deals with groups of local authorities to devolve responsibilities and local budgets. Although some discussions have taken place across the County there is no immediate impact expected for this Council.

Recommendation to Members

12 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.

13 As set out in the Council's Risk Management Strategy Cabinet will be asked to endorse 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

14 None.

Key Implications

Financial

15 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

16 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.

Agenda Item 9

Equality Assessment

- 17 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

- 18 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 set 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.

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

Summary

			Links to the Corporate Plan				
ID	Risk	Net Risk Rating	Value for Money	Keep the District Safe	High quality services	Green Belt	Local economy
01	Finance	10 Medium	✓	✓	✓	✓	✓
02	Property Investment Strategy	6 Low	✓		✓		✓
03	Asset management & maintenance	9 Medium	✓		✓		✓
04	Knowledge, capacity & culture	8 Medium	✓	✓	✓	✓	✓
05	Technology	9 Medium	✓	✓	✓	✓	✓
06	Information & data management	8 Medium	✓	✓	✓	✓	✓
07	Legal compliance, governance & ethics	6 Low	✓	✓	✓	✓	✓
08	Capacity of community partners	6 Low	✓	✓	✓		✓
09	Shared service partners	9 Medium	✓		✓		
10	Health & Safety (incl. Staff Wellbeing)	8 Medium	✓	✓	✓	✓	✓
11	Emergency planning & severe weather events	9 Medium	✓	✓	✓	✓	✓

Assessing and quantifying threats and opportunities

How likely is it to happen?

What would the impact be?

Likelihood x Impact = Risk Rating

Low Risk: Risk rating of 1 to 6

Medium Risk: Risk rating of 8 to 12

High Risk: Risk rating of 15 to 25

Likelihood	Very Likely (5)	Low (5)	Medium (10)	High (15)	High (20)	High (25)
	Likely (4)	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
	Possible (3)	Low (4)	Low (6)	Medium (9)	Medium (12)	High (15)
	Unlikely (2)	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	Very Unlikely (1)	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
		No Impact (1)	Minor (2)	Significant (3)	Serious (4)	Breakdown of Services (5)
		Impact				

Appendix A - Draft Strategic Risk Register

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"> - 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"> - Value for Money - Keep the District safe - High quality services - Green Belt - Local economy 	4 Likely	5 Failure to deliver on Promises	20 High	<ul style="list-style-type: none"> - Self sufficient budget position; no reliance on direct government funding - Long term 10 year budget framework - Savings Plan - Property Investment Strategy - 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 - Restructured service with qualified and experienced officers in post development - Annual Internal and External Audit reviews 	2 Unlikely	5 Failure to deliver on Promises	10 Medium

Appendix A - Draft Strategic Risk Register

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>Property Investment Strategy</p> <p>The appetite and ability to invest in appropriate opportunities in accordance with the Council's Property Investment Strategy</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Ability to seek appropriate investment opportunities - Appetite for risk within investment strategy to enable the Council to generate target returns - Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy - 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 - Ineffective governance processes that could result in opportunities being missed or being ineffectively scrutinised 	<ul style="list-style-type: none"> - Lack of diversity in investments - 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"> - Value for Money - High quality services - Local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Council approved Property Investment Strategy - Governance arrangements defined with appropriate delegations agreed - Qualified and experienced officers in post - Professional, external advisers engaged to support the development of strategies and fill skills gaps - Effective budget setting and financial monitoring processes embedded - Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee 	2 Unlikely	3 Significant	6 Low

Appendix A - Draft Strategic Risk Register

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 03	<p>Asset Management & Maintenance</p> <p>The ability to:</p> <p>a) Dispose of surplus land;</p> <p>b) Maintain and develop assets and land holdings;</p> <p>c) Secure tenants for vacant or part-vacant assets</p> <p>Lead Officers: Richard Wilson & 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 - Lack of tenants to occupy vacant or part-vacant assets - Lack of buyers for surplus Council land - Failure to adopt effective governance procedures - Project management skills to ensure cost effective and robust developments - Failure to identify partners to take forward projects and initiatives 	<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"> - Value for Money - High quality services - 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 - 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

Appendix A - Draft Strategic Risk Register

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 recruit or 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"> - Value for Money - Keep the District safe - High quality services - Green Belt - 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 - HR 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 - 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 - Investors in People Platinum status demonstrates the Council is a high quality employer 	2 Unlikely	4 Serious	8 Medium

Appendix A - Draft Strategic Risk Register

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 infrastructure and solutions across the Council - Lack of capacity and skilled professionals to procure, implement and develop IT infrastructure and solutions across the Council - Failure to identify areas where IT solutions could improve service delivery and reduce costs - 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 effectively deliver Council services and 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"> - Value for Money - Keep the District safe - High quality services - Green Belt - 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

Appendix A - Draft Strategic Risk Register

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 - Ensuring compliance with the requirements of the Code of Connection - Ensuring security levels are appropriate to protect data and information without preventing effective and efficient service delivery 	<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"> - Value for Money - Keep the District safe - High quality services - Green Belt - 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 	2 Unlikely	4 Serious	8 Medium

Appendix A - Draft Strategic Risk Register

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 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: Jim Carrington-West</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"> - Value for Money - Keep the District safe - High quality services - Green Belt - 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 - 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 Low

Appendix A - Draft Strategic Risk Register

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>Capacity of Community Partners</p> <p>The impact of austerity and reduced public spending on the workloads and budgets of community partners and the voluntary sector</p> <p>Lead Officer: Lesley Bowles</p>	<ul style="list-style-type: none"> - Reductions in Government funding of partners such as housing, health, leisure, 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 - Unable to deliver on the priorities and actions set out in the Council's health and housing strategies - Unable to fulfil the Council's duties to keep people safe - Increased hardship in the District 	<ul style="list-style-type: none"> - Value for Money - Keep the District safe - High quality services - Local economy 	3 Possible	3 Significant	9 Medium	<ul style="list-style-type: none"> - 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 - Strong relationships with local community and voluntary groups - Training delivered to Members, officers and partners including Prevent and Safeguarding - Community Awards Scheme to celebrate the success of local residents and community projects and promote the benefits of volunteering - Robust monitoring 	2 Unlikely	3 Significant	6 Low

Appendix A - Draft Strategic Risk Register

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>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"> - High quality services - 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 - Portfolio Holder and 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 	3 Possible	3 Significant	9 Medium

Appendix A - Draft Strategic Risk Register

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>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"> - Health and Safety Policy, guidance and training for staff - Controls for the effective management of Health and Safety - Effectiveness of health and safety risk assessments - 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 and near misses - Health and Safety Executive inspections and fines - Reputational damage as a service provider and as an employer 	<ul style="list-style-type: none"> - Value for Money - High quality services 	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	4 Serious	8 Medium

Appendix A - Draft Strategic Risk Register

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 11	<p>Emergency planning & severe weather events</p> <p>The lack of capacity to limit the impact on residents and services of emergency planning events and increasingly frequent severe weather</p> <p>Lead Officer: Richard Wilson</p>	<ul style="list-style-type: none"> - Adequacy of emergency plan - Ability to appropriately implement emergency plans in response to any given event - Capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency - Controls for 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"> - Value for Money - Keep the District safe - High quality services - 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 emergency and flooding incidents 	3 Possible	3 Significant	9 Medium

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FUTURE APPOINTMENT OF EXTERNAL AUDITORS

Audit Committee - 27 September 2016

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report provides an update on the arrangements for appointing external auditors following the abolition of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. It recommends that opting into a Sector Led Body to negotiate and make the external auditor appointment be agreed as the preferred procurement route. The appointment of the external auditor is a decision of the Full Council

Portfolio Holder Cllr. Searles

Contact Officer Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee:

Recommend to Full Council that the sector led approach to the negotiation and appointment of the external auditor be approved as the preferred procurement route.

Introduction and Background

- 1 A report was presented to the Audit Committee on 15 March 2016 detailing the changes to the arrangements for appointing external auditors following the abolition of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 2 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 3 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following the closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State. Over

Agenda Item 10

recent years there has been a significant reduction in audit fees compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally and savings from the closure of the Audit Commission. The Council's proposed external audit fees for 2015/16 are £43,156 (excluding grant certification work).

- 4 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 5 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

Options for local appointment of External Auditors

- 6 There are three broad options open to the Council under the Local Audit and Accountability Act 2014:

Option 1 - Make a stand-alone appointment

- 7 Procuring a stand-alone appointment overseen by a specially set up independent Audit Panel. The members of the Panel would need to be wholly or a majority of independent members. This option would therefore incur costs associated with the recruitment of independent members and of maintaining the panel. Under this option, the Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

Option 2 - Set up a Joint Auditor Panel

- 8 Joining with other councils to set up a joint independent Auditor Panel. This option would spread the cost across a number of local authorities (for example, this could be a joint procurement across Kent). There would be a greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value, however, the decision making body would be further removed from local input.

Option 3 - Opt-in to a Sector Led Body

- 9 A Sector Led Body who would negotiate contracts and make the appointment on behalf of councils, thus removing the need to set up an independent Auditor Panel. Public Sector Audit Appointments Ltd (PSAA) has been appointed by the Secretary of State to be the sector led body. PSAA is an independent, not-for-profit company limited by guarantee and established by the Local Government Association (LGA). PSAA already administers the current audit contracts nationally. Under the Sector Led Body option, elected members would have less opportunity for direct involvement in the appointment process, other than through the LGA and/or stakeholder groups. However, PSAA would have the ability to negotiate contracts with audit firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. PSAA would pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which would have regard to size, complexity and audit risk. This is in line with how the current scale of audit fees are set. As a not-for-profit company, any surplus funds would be returned to scheme members.
- 10 The LGA are keen for local authorities to support the Sector Led Body approach. The LGA therefore asked councils to express an interest in this procurement option. It was agreed by the Audit Committee on 15 March 2016 that officers would express an interest in working with the LGA as a sector led body for the future appointment of external auditors. Therefore, an expression of interest was made by the deadline of 30 April 2016. This was a non-binding commitment. In excess of 200 authorities signalled positive interest - the greater the level of participation, the better the value that would be represented by the scale of fees under the Sector Led Body option. PSAA intend to write to authorities in the Autumn seeking their firm commitment to opt in to this

The way forward

- 11 It is recommended that the Audit Committee recommend that Full Council approves the sector led procurement route. This will ensure the following benefits:
- Avoiding the necessity for the Council to establish an auditor panel and to undertake an auditor procurement;
 - Savings from one major procurement as opposed to running an individual or Kent-wide procurement exercise;
 - Securing highly competitive prices from audit firms through economies of scale;
 - A scale of fees which reflects size, complexity and audit risk;
 - Distribution of surpluses to participating bodies;

Agenda Item 10

- Appointment of the same auditors to bodies involved in significant collaboration/joint working initiatives or across regions (for example, across Kent) where the parties believe that it will enhance efficiency and value for money.

Key Implications

Financial

The external audit fees for 2016/17 are £43,156 (excluding grant certification work). The level of external audit fees levels may increase when the current contract end in 2018. Options 2 and 3 would allow the Council to take advantage of economies of scale through a larger joint procurement exercise.

The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above are not known at this stage but are likely to include recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members' fees and allowances.

Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. So far in excess of 200 authorities have expressed an interest in the sector led approach.

Legal Implications and Risk Assessment Statement.

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 2015/192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

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.

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Audit Committee 2016/17 - Work Plan (as at 13/9/16)

	27 September 2016	10 January 2017	18 April 2017	Summer 2017
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2016/17 - 1 st Progress Report Report on Internal Audit recommendations outstanding	Internal Audit 2016/17 - 2 nd Progress Report Report on Internal Audit recommendations outstanding	Internal Audit 2016/17 - 3 rd Progress Report Report on Internal Audit recommendations outstanding Internal Audit Plan 2017/18	Internal Review of Effectiveness of Internal Audit Internal Audit Annual Report
Risk Management	Risk Management Report Draft Strategic Risk Register			
Accounts and External Audit	Statement of Accounts 2015/16 Future appointment of External Auditors	External Audit - Annual Audit Letter		External Audit - Annual Audit Plan and Update Statement of Accounts 2016/17 - Establishment of Member Working Group

	27 September 2016	10 January 2017	18 April 2017	Summer 2017
Other	Members' Allowance Scheme Monitoring Fraud Update		Review of the Effectiveness of the Audit Committee Annual Report to Council	Counter-Fraud & Compliance Report 2016/17