

29 March 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 21.03.22

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Audit Committee

Membership:

Chairman, Cllr. McGarvey; Vice-Chairman, Cllr. Morris
Cllrs. Barnes, Brown, Kitchener, London, Osborne-Jackson, Pender and Williamson

Agenda

There are no fire drills planned. If the fire alarm is activated, which is a continuous siren with a flashing red light, please leave the building immediately, following the fire exit signs.

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 25 January 2022, as a correct record	(Pages 1 - 4)	
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. Member Development - Risk Management	(Pages 5 - 8)	Jennifer Warrillow Tel: 01732 227053
6. Statement of Accounts 2020/21	(Pages 9 - 120)	Adrian Rowbotham Tel: 01732 227153
7. Internal Audit Progress Report 2021/22	(Pages 121 - 140)	Jennifer Warrillow Tel: 01732 227053
8. Internal Audit Plan 2022/23	(Pages 141 - 144)	Jennifer Warrillow Tel: 01732 227053

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|-----|---|-------------------|---|
| 9. | Strategic Risk Register Covering Report | (Pages 145 - 182) | Jennifer Warrillow
Tel: 01732 227053 |
| 10. | Chairman's Audit Committee Report to the Council | (Pages 183 - 186) | |
| 11. | Work Plan | (Pages 187 - 188) | |

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 25 January 2022 commencing at 7.00 pm

Present: Cllr. McGarvey (Chairman)

Cllr. Morris (Vice Chairman)

Cllrs. Barnes, London, Morris and Osborne-Jackson

Apologies for absence were received from Cllrs. Kitchener, Pender and Williamson

Cllr Brown and Cllr Dickins were present via a virtual media platform which does not constitute attendance as recognised by the Local Government Act 1972

26. Minutes

Resolved: That the Minutes of the meeting of the Audit Committee held on 23 September 2021 be agreed and signed as a correct record.

27. Declarations of Interest

No additional declarations of interest were made.

28. Actions from Previous Meeting

There were none.

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

There were none.

CHANGE IN ORDER OF AGENDA ITEMS

The Chairman, with the Committee's agreement took agenda item 5 after agenda item 10.

30. Statement of Accounts 2020/2021

The Head of Finance updated Members on the progress of the Statement of Accounts 2020/21 and advised that the Statement of Accounts would be brought to the March 2022 meeting for final sign off. The Chairman advised that the

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Audit Committee - 25 January 2022

Department for Levelling Up, Housing and Communities [guidance extract](#) acknowledged that the pandemic had impacted the sign off of accounts.

Resolved: That the report be noted.

31. Internal Audit Progress Report 2021/2022

The Acting Audit Manager presented the report which updated Members on the progress of the Internal Audit Plan and advised that two amendments to the 2021/22 Audit Plan were requested to be approved as set out in paragraph 7 of Appendix A, which were the deletion of the 'New Service Review - Environmental Health and Building Control' audit due to the recent ending of the partnerships, and the deferral of the 'Ethical Governance' review which was due to be completed in Quarter 3 until Quarter 1 2022/23 when the new Audit Manager has started.

He further advised that five Audits had been completed in the period and the outstanding previous actions which had been deferred had been implemented.

Resolved: That

a) the contents of the report be noted; and

b) the amendments to the 2021/22 Audit Plan, as set out in paragraph 7 of Appendix A, be approved.

32. Risk Management Strategy

The Deputy Chief Executive, and Chief Officer - Finance and Trading presented the report which outlined the new strategy which was based on latest good practice which would assist the Council to effectively manage risks to the achievement of its objectives, both in terms of reducing threats to an acceptable level and maximising available opportunities.

Resolved: That the Risk Management Strategy be approved.

33. Audit Committee Independent Members - Update

The Deputy Chief Executive and Chief Officer - Finance and Trading presented the report which updated Members on the investigatory work carried out by the Chairman of the Audit Committee for the consideration of appointing Independent Member(s) to the Audit Committee.

Members discussed the report, noting that that any suitable candidate(s) would require the necessary technical knowledge and skills to be of value to the business of the Committee. It is noted that Government has said recently that it will set out the case for making independent members a statutory requirement, which may require prompt action in order to acquire suitable candidate(s).

Members also discussed remuneration of the post(s) and making joint appointment(s) with Dartford BC on joint appointments.

Resolved: That it be recommended to Council that up to two additional co-opted non-voting members be appointed, at a rate of remuneration similar to other Kent Districts, which may be reviewed after 1 year. The Committee were also supportive of working with Dartford BC on joint appointments.

34. Future Appointment of External Auditors Report

The Deputy Chief Executive, and Chief Officer - Finance and Trading presented the report which set out the need for Full Council to make a decision to either opt into the national framework for the procurement of external audit as supported by the Local Government Association (LGA) or to run a separate procurement exercise for the future appointment of external auditors.

Resolved: That it be recommended to Full Council that the Council opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

35. Chairman's Audit Committee Report to Council

The Chairman presented the report for Council to update Members on the work of the Audit Committee and advised that the newly appointed Audit Manager would attend the next Audit Committee meeting in March. The report would be updated appropriately in respect of sign-off of the Statement of Accounts and in respect of item 33 above (appointment of up to two independent members on Audit Committee).

36. Work Plan

The work plan was noted with the following additions to the March 2022 meeting: Statement of Accounts 2020/21 and 6 monthly review of the Strategic Risk Register

THE MEETING WAS CONCLUDED AT 7.30 PM

CHAIRMAN

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MEMBER DEVELOPMENT - RISK MANAGEMENT

Audit Committee - 29 March 2022

<p>Report of: Deputy Chief Executive and Chief Officer - Finance and Trading</p> <p>Status: For Consideration</p> <p>Key Decision: No</p> <p>Portfolio Holder: Cllr. Matthew Dickins</p> <p>Contact Officer: Jennifer Warrillow, Ext. 7053</p> <p>Recommendation to Audit Committee:</p> <p>The member development be noted.</p>
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Introduction and Background

- 1 The Committee regularly reviews the development needs of its Members and the following training has been provided since the current Audit Committee was formed in May 2019:

Committee Date	Training Provided
17 September 2019	Public Sector Internal Audit Standards (PSIAS)
28 January 2020	Risk Management
16 July 2020	Understanding Local Government Accounts
30 March 2021	<ul style="list-style-type: none"> • Organisational Knowledge • Audit Committee Role and Function • Governance (all three subjects were provided in one session by Martin Goodman, Head of Legal and Democratic Services)
15 July 2021	Counter Fraud and Whistle Blowing
23 September 2021	Internal Audit and the Role of the Audit Committee

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Audit Committee Member Development Programme

- 2 In November 2020 Members were asked for their views as to their current knowledge levels by completing a questionnaire based on 'Audit Committee - knowledge and skills framework' included in the CIPFA (Chartered Institute of Public Finance and Accountancy) document 'Audit Committees - Practical Guidance for Local Authorities and Police'.
- 3 Based on the questionnaire responses and the work plan of reports due to be presented at each committee, a programme was devised with the remaining parts listed below:

Committee Date	Training Scheduled
March 2022	<ul style="list-style-type: none">• Risk Management
July 2022	<ul style="list-style-type: none">• External Audit
September 2022	<ul style="list-style-type: none">• Understanding Local Government Accounts

- 4 Each member development session will last for up to 20 minutes and be presented at the start of an Audit Committee.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Appendices

None

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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STATEMENT OF ACCOUNTS 2020/21 - OUTCOME OF EXTERNAL AUDIT

Audit Committee - 29 March 2022

Report of: Deputy Chief Executive and Chief Officer - Finance and Trading

Status: For Decision

Key Decision: No

Executive Summary: The report set out the external audit findings of the 2020/21 financial statements

This report supports the Key Aim of: effective management of the Council's resources.

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell Ext. 7483

Adrian Rowbotham Ext. 7153

Recommendation to Audit Committee: That

- (a) the Statement of Accounts 2020/21 be approved and signed (Appendix D).
- (b) the letter of representation (Appendix B) be approved and signed.

Reason for recommendation:

It is a legal requirement under regulation 10 of the Accounts and Audit Regulations 2003 for the audit committee to review and approve the Statement of Accounts.

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 25 August 2021.
- 2 The statutory deadline for the Financial statements to be audited was 30 September but for a number of reasons this deadline was not met. This has been a national issue with 91% of audits not being completed by 30 September 2021. The external audit of the accounts began on 6 July. At the time of writing this report the Council has not received the final Audit Findings Report, listed as Appendix A. This report sets out the findings and the changes to the accounts agreed as part of the process. The report

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would also normally set out the auditor's Value for Money (VfM) conclusion for 2020/21 but at the time of writing this report this work has not been completed.

- 3 The external auditor Lead Partner, Paul Cuttle from Grant Thornton, will attend the meeting to discuss their report on the 2020/21 audit.
- 4 The Audited Statement of Accounts 2020/21 is attached at Appendix D.
- 5 A draft copy of the letter of representation from the Council to the external auditors is attached at Appendix B.
- 6 The format of the statement has been compiled in line with International Financial Reporting Standards (IFRS). Due to the size of operations, group accounts are now required to incorporate the subsidiary companies.

Review by Working Group

- 7 At the meeting of the working group on 25 August 2021, the Head of Finance explained the financial statements in detail and the most important items in the financial statements highlighted and also provided detailed answers to questions raised by Members.
- 8 Members examined the Statement of Accounts and the Narrative Statement and the report of the working group is appended to this report at Appendix D

Commentary on the Auditor's Report

Audit Findings

- 9 The audit findings have not been received at the time this report was written but will be set out in the Audit Findings Report (Appendix A) and will be issued before the meeting itself. A verbal summary will be provided at the committee meeting.

Value for Money

- 10 Grant Thornton have issued have not completed this work and the findings and report will be reported to a future audit committee.

Summary

- 11 This has been a difficult and challenging year but we would like to express our thanks to Grant Thornton for their efforts in completing the required audit work.

Key Implications

Financial

All financial implications are covered within this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972 the section 151 officer (Deputy Chief Executive and Chief Officer - Finance and Trading has statutory duties in relation to the financial administration and stewardship of the authority.

The Audit Committee should review the financial statements and approved under regulation 10 of the Accounts and Audit Regulations 2003, and again, in conjunction with the external auditor's SAS 610 (ISA 260) report to those charged with governance, following completion of the audit. The committee's review of the financial statements should focus on:

- the suitability of accounting policies and treatments
- any changes in accounting policies and treatments
- major judgemental areas
- significant adjustments and material weaknesses in internal control reported by the external auditor.

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.

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Appendices

Appendix A - Grant Thornton Audit Findings Report 2020/21 - To follow

Appendix B - Letter of Representation - Draft

Appendix C - Minutes from the Member Working Group

Appendix D - Audited Statement of Accounts 2020/21

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading



Grant Thornton UK LLP
30 Finsbury Square,
London EC2A 1AG

Tel No: 01732 227483
Ask for: Alan Mitchell
Email: alan.mitchell@sevenoaks.gov.uk
My Ref:
Your Ref:
Date: 15 March 2022

Dear Sirs

Sevenoaks District Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Sevenoaks District Council and its subsidiary undertakings, Quercus 7 Limited and Quercus Housing Limited, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

Chief Executive: Dr. Pav Ramewal

Council offices
Argyle Road
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e information@sevenoaks.gov.uk
DX30006 Sevenoaks
www.sevenoaks.gov.uk



- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any 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.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 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.
- vi. 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.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Council have 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. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern 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 group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's 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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. 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.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - 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.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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- xxi. 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.
- xxii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. 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

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and 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 29 March 2022.

Yours faithfully

Name

Position

Date

Name

Position

Date

Signed on behalf of the Group and Council

List of Unadjusted Misstatements

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Notes from the Audit Committee Working Group meeting, 25 August 2021

In Attendance:

Members: Cllr. McGarvey (Chairman)

Cllr. Osbourne Jackson

Cllr. Morris

Cllr. Pender

Officers: Adrian Rowbotham, Chief Finance Officer

Alan Mitchell, Head of Finance

Jessica Booth, Senior Principal Accountant

Apologies: none

The Head of Finance explained that the purpose of this working group is to assist the Audit Committee in fulfilling its terms of reference, namely

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies, including International Financial Reporting Standards (IFRS), have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the council.
- To approve the statutory statement of accounts when the deadline for approval does not allow approval by full council (though not anticipated this year)
- To consider the external auditors' report to those charged with governance on issues arising from the audit of the accounts and comments received from the district auditor.

As points 2 and 3 cannot be fulfilled until the Audit Committee, the purpose of this meeting is to support point 1.

The accounts themselves are a very complicated and technical document as they are produced to comply with the CIPFA code of practise as well as the relevant IFRS (International Financial Reporting Standards).

Due to the COVID-19 pandemic the reporting deadlines were changed for the 2020/21 accounts. Rather than the draft accounts being published by 31 May this was moved back to 31 July. The requirement for the accounts to be audited and the approved by the audit committee and for the auditors (Grant Thornton) to issue the ISA260 were moved back to 30 September 2021. This deadline was not met as the audit took longer to complete.

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The draft accounts are audited (the auditors are Grant Thornton or GT) and they will go over every aspect of the accounts to ensure they correctly comply with the code. Throughout the audit process they work closely with the Finance Team to ensure they have sufficient evidence on which to base their opinion.

They produce a management report which is then presented to the Audit Committee which sets out their findings. Audit Committee Members will have the chance to ask the auditors any questions at that meeting.

If approved, the Chief Finance Officer and Audit Committee Chairman will then sign the accounts.

The Head of Finance took the Member Working Group through the Draft Statement of Accounts, discussing the document section by section and providing explanations to all of their questions and ensuring that they were satisfied with the Accounts and its contents.

Prior to the meeting itself the draft accounts had been circulated to members of the working group and asked to provide any comments before the meeting. Some comments had been received and these were discussed before going through the accounts themselves.

Narrative Report

The narrative report links the performance of the organisation to the financial results of the year. It details what has been achieved and the Council's successes. It also contains details of corporate risks. Risk information is presented at high level - highlighting the more significant risks and the mitigating actions. Further information in relation to corporate risks are shared with Members at Committees during the year.

The Narrative Report is the area where there is flexibility as to what is included and how it is presented and is therefore the section of the accounts where the Member Working Group can recommend changes.

The Member Working Group commented on some of the non financial information and asked for additional information to be discussed to assist the reader of the accounts. This information has been provided in the final version of the Statement of Accounts.

The Member Working Group also recommended that mention of Sevenoaks Town Car Park should be included within the Cash Flow paragraphs as an example of the investment in property assets.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting

practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices. The Net Increase/Decrease line shows the statutory General Fund balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value (as at the Balance Sheet date) of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories: the first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt); the second category of reserves represents those that the authority is not able to use to provide services - this category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow

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.

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Notes to the Core Statements

The Statement of Accounts includes 37 disclosure notes covering a wide range of areas.

The Member Working Group asked several questions which the Head of Finance answered and provided clarification on a number of the notes. Many figures were examined in detail, and for anyone unfamiliar with Local Authority financial reporting, it might help to remind Members that because a Local Authority is a net spender (on services etc) rather than a business that generates income for profit; the norm is to report income as a negative, and expenditure as a positive figure (Balance Sheet excepted).

Member Working Group Conclusion

Upon overall review, Members were happy with the 2020/21 draft accounts. It was requested that a short report from the Working Group go back to the Audit Committee, alongside the presentation of the Accounts on 29 March 2022.



Appendix D

Statement of Accounts

2020/21

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

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

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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 2021. 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 2020/21 and the Service Reporting Code of Practice 2020/21.

The Core Statements are:

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

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and building control; and
- expenditure 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 Supplementary Financial Statements are:

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

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

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

Other information published with the financial statement:

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

2. Chief Finance Officer's Statement – Adrian Rowbotham

Our Council Plan sets out our ambition for our communities: going beyond the traditional remit of a district council by putting the wellbeing of our residents and businesses at the heart of everything we do, while still providing high quality services at a price people can afford.

The Council's work is built on excellence, innovation and value for money, and 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. Last year we set a budget for 2020/21 that continued to reflect our financial self-sufficiency, having achieved this in 2016/17, ahead of our projected timescale.

At the start of the financial year, we had just entered the first Covid-19 lockdown, and a year later, the financial impacts of the pandemic on local government as a result of our focus on supporting the most vulnerable, protecting our staff and continuing to provide services are becoming more apparent. Our continuous focus on making savings, 10-year budget and continued investment in assets that help us to generate more of our own income have meant we are in a relatively strong position compared to others in the sector. Our investments continue to generate strong returns, and help us to maintain our financial independence.

We continue to be very proud at the recognition we continue to win from our peers regarding the success of our organisation. We were one of the first organisations globally to be awarded Investors in People Platinum in 2015, and retained this status during our reassessment in February 2019. In December 2019 we were shortlisted as Platinum Employer of the Year, and the award of Leader of the Year went to Dr Pav Ramewal, our Chief Executive.

In 2018/2019 Kent was one of the areas that was successful in bidding to be a Business Rates Retention Pilot area, and our participation in this meant that we were able to retain an additional £554,000 of Business Rates income which was transferred to the Budget Stabilisation Reserve for the longer term benefit of the Council. However, the future Business Rates distribution method and the financial effect on this Council remains unclear as the Government announced that it had abandoned the planned revaluation of business rates due to take place in 2021, with ministers wanting to ensure businesses have more certainty during the Covid-19 crisis.

Our Finance Team continue to provide the Council with the financial expertise it requires to meet the challenges ahead of us and we are proud that their efforts have been recognised through being shortlisted in the most recent Public Finance awards. Our HR team and senior managers continue to maximise opportunities to deploy the Apprenticeship Levy and to fulfil our public sector duty on employing apprentices.

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, with the exception of 2020/21, due to COVID-19 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. While we now have a better understanding of the impact of Covid-19, including the substantial loss of income from fees and charges, as well as the additional expenditure on supporting our most vulnerable residents, the longer term effects are yet to become apparent. However, we are in a stronger position than many other councils due to our firm foundations. We have been actively looking at recovery and how to bring forward our major capital projects in order to reinvigorate the economy of the district.

In the coming year we look forward to supporting the Council to make further progress in delivering its Property Investment Strategy, and to meet the challenges that will be ahead for the sector once more clarity is provided on the impact of leaving the European Union. We aim to provide advice on the most effective way to fund our investments and to continue to provide advice and skills to the Council's trading company, Quercus 7 and the affordable housing company, Quercus Housing.

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Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

3. Council Performance

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

Environment

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

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

The Council continued to provide a weekly collection of all rubbish and recycling to every household in the District throughout the pandemic, which means over 15,000 successful dual waste and recycling collections every single day. During 2020/21, with the vast majority of Sevenoaks residents at home during national restrictions, the Council collected nearly 5,000 tonnes of additional household waste and recycling.

During 2020/21 the Council recycled 35.9% of all household waste collected. This is a decrease from 38.7% for the previous year.

The Council missed only 8.9 waste collections per 100,000 made during 2020/21; this is an increase on the previous year but below the target level of 10. Our performance of collecting those uncollected waste streams the same day still stands at 100% for 2020/21

The number of complaints about missed green waste collections dropped from 129 to 60.

Our processing of major, minor and other planning applications within the target time increased from 39.05% last year to 42.73% this year, and despite the restrictions, our site visits for enforcement complaints increased from 150 in 2019/20 to 235 in 2020/21. The percentage of enforcement complaints completed within target time also increased from nearly 67% to 73% this year.

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

Economy

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

The number of active businesses within the District has increased year on year from a baseline of 6,365 in 2010 to 7,475 in 2020. 6,150 of these are micro businesses employing 9 people or less, which form a significant contribution to the local economy.

Housing

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

In 2019/20 we successfully delivered our own housing development for investment purposes adjacent to the new car park in Buckhurst Way; during 2020/21 all of these were either let or sold and are providing income to the council. Through our housing company, Quercus Housing, we have begun to provide affordable social housing in the district.

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Community Safety

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

97% of all the actions in the Council's Community Safety Action Plan were delivered during the year, compared to 98% during 2019/20

Health

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

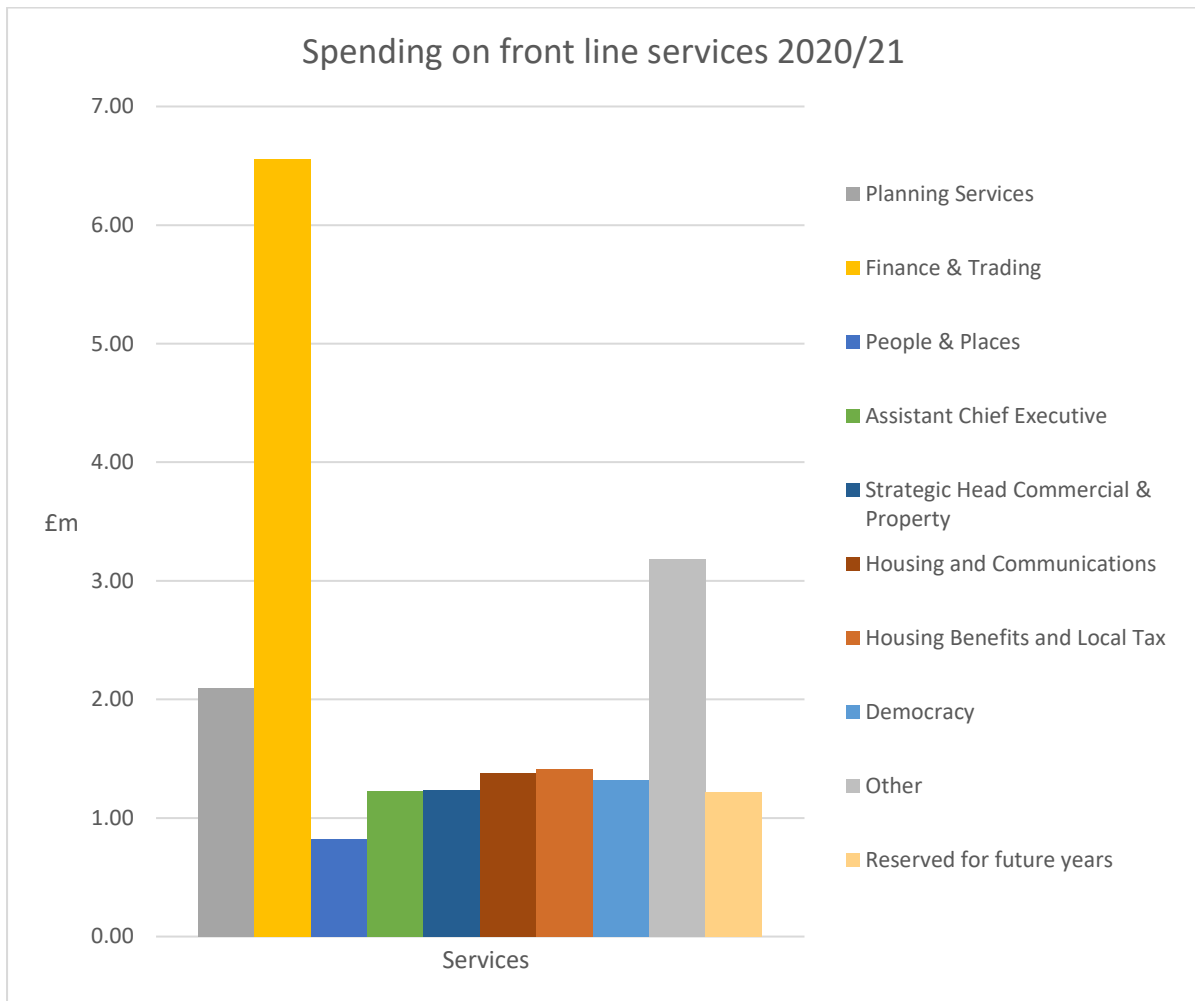
Despite the local and national restrictions during the past year, the percentage of actions in the Sustainable Community Action Plan achieved for 2020/21 is 88% (98% 2019/20).

To provide value for money

In 2020/21 the Council collected 97.5% of Council Tax within the year, a decrease of just over 1% from the previous year, and 92.7% of the business rates due within the year (97.5% 2019/20). The council raised additional income through its Property Investment Strategy which contributed £1.5m to fund the budget. A further £112,000 was raised through other investments.

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

Chart 1: The chart below illustrates where we spent our money, by service, in 2020/21



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.

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

Ref	Risk Title	September 2020 Score	March 2021 Score
SR01	Finance	15 High	10 Medium
SR02	Property Investment Strategy	9 Medium	9 Medium
SR03	Asset management & maintenance	9 Medium	9 Medium
SR04	Knowledge, capacity & culture	12 Medium	12 Medium
SR05	Technology	9 Medium	12 Medium
SR06	Information & data management	10 Medium	12 Medium
SR07	Legal compliance, governance & ethics	6 Low	6 Low
SR08	Capacity of community partners	6 Low	6 Low
SR09	Health & Safety (incl. Staff Wellbeing)	12 Medium	12 Medium
SR10	Emergency planning & severe weather events	8 Medium	12 Medium
SR11	Safeguarding	4 Low	4 Low
SR12	Covid-19	8 Medium	8 Medium

Ref	Risk Title	September 2020 Score	March 2021 Score
SR13	Temporary Accommodation	8 Medium	12 Medium
SR14	Capital Projects	NA	NA

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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 on-going and includes additional uncertainty regarding the impact of leaving the European Union, and the challenges which Covid-19 has brought to the economy and public services in both the short and long term.

The Council continuously reviews the environment it operates within, seeking to develop a stronger understanding of the financial opportunities and challenges it faces. Since 2010/11, the local government sector as a whole has faced a real term reduction in government funding of 49.1% to 2017/18, and a 28.6% real term reduction in spending power during the same period. The Local Government Association reports that councils dealt with a £15b reduction to core government funding between 2010 and 2020.

Councils are also dealing with the sharp end of the immediate financial impact caused by the extra costs, loss of income and cash flow pressures arising from Covid-19. While Government compensated for a proportion of these losses, this did not cover all the costs incurred. Our response was to implement a number of service restructures and tighten our belts with further savings but despite this a shortfall of £300,000 remains. Our 10-year budget gives us the flexibility we need in order to balance our budget over a longer period of time.

The previous Government had begun consultation on the plan for local government to retain 100% of business rate revenues to fund local services to take effect from April 2021. However, the future Business Rates distribution method and the financial effect on this Council remains unclear as the Government announced that it had abandoned the planned revaluation of business rates due to take place in 2021, with ministers wanting to ensure businesses have more certainty during the Covid-19 crisis and The Local Government Finance Bill has not been reintroduced during this parliament.

Although we are now financially self-sufficient, the long term challenges have not disappeared. We still need to make savings and efficiencies within the context of our 10-year budget. 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.

Councils are set to be banned from investing in commercial property for the purpose of boosting revenues. The Local Authorities (Borrowing and Investment) Bill is still awaiting a date for its second reading in the House of Commons and if passed, the assumption is that councils will be prevented from investing in commercial property.

Financial conditions also mean that the Council must work hard to retain and recruit the very best people as what can be provided in salary is contained within national terms and conditions. It has become evident over the past two years 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 in the country to retain 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.

As the financial year drew to a close, the country was in the third month of the second national lock down, and the attendant impacts on the economy and household finances are yet to be fully realised, despite an unprecedented package of support from the Treasury. The full impact of Covid-19 will no doubt be reflected in our Statement next year.

Revenue

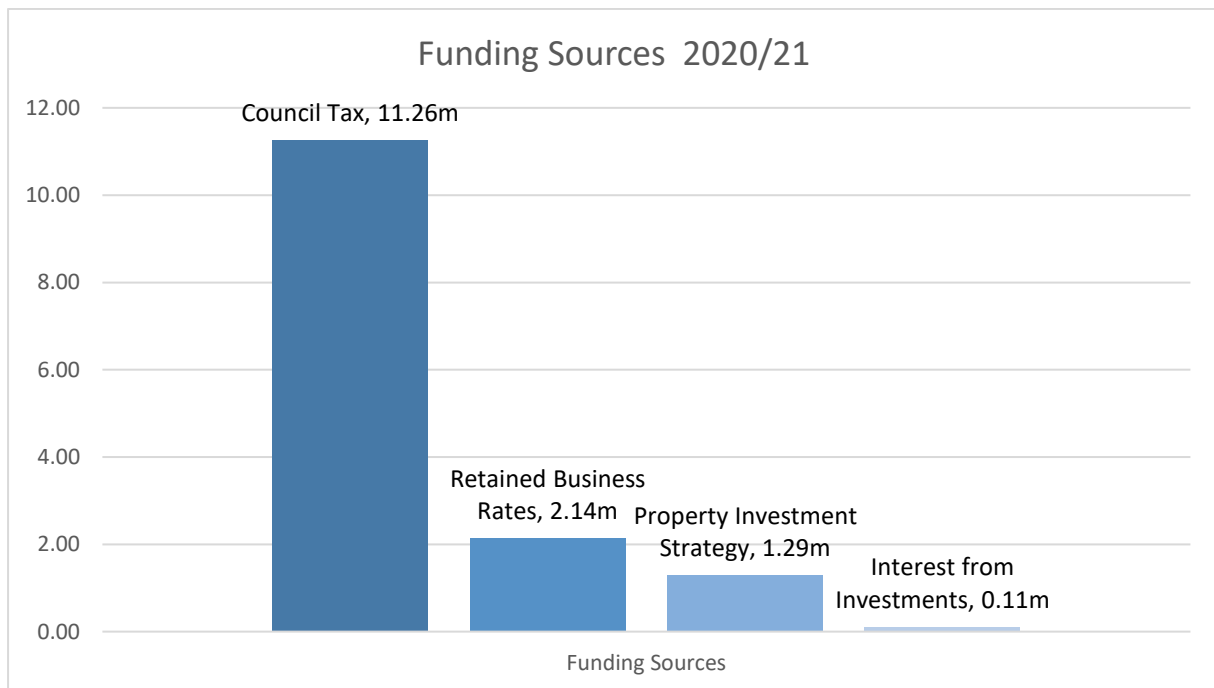
Sevenoaks District Council set its budget for 2020/21 at a meeting of the Council on 25 February 2020. Overall, the Council's net revenue budget has increased from £15.251m in 2019/20 to £15.795m for 2020/21.

Due to Covid-19 this has been a very difficult financial year and Sevenoaks District Council could be facing

unprecedented financial pressures both on loss of income and increased costs. The Council took early and definitive decisions in order to address these issues and this limited the financial impact whilst enabling the Council to continue to deliver services to customers. The final outturn position for 2020/21 is a deficit of £394,000 (2019/20 surplus of £52,000).

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

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



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Capital & assets

Table 1: The table below shows the planned capital budget over the period of 2021 to 2023 by service area.

Capital Programme 2021-24

Scheme	2021/22	2022/23	2023/24	Total over programme period £000
	Budget	Budget	Budget	
	£000	£000	£000	
People & Places				
White Oak Leisure Centre	10,352	1,452	100	19,852
White Oak Leisure centre - Orchards Academy	100			130
Burlington Mews	79	8	8	95
27-37 Swanley High street (meeting Point)	3,000	1,824		5,624
White Oak Residential	50			100
Bevan Place	730			750
Edenbridge	-			20
Sevenoaks Town Centre Regeneration	300			330
Hollybush		350		350
Spitalcross		50		50
Otford Park & Ride		200		200
Westerham		50		50
Kemsing			350	350
Lulingstone	20	30		50
Other Feasibility & Due Dilliegnce costs	50	150	-	200
Finance and Trading				
Commercial vehicle replacements	563	563	563	2,238
Disabled Facilities Grants (gross)	1,100	1,100	1,100	4,400
Property Investment Strategy	5,000	5,000	5,795	50,300
TOTAL	21,344	10,777	7,916	85,089

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

Borrowing & Investments

During the 2020/21 year the Council internally borrowed £8.0m. A significant proportion of this, £6.8m, was to fund the development of the White Oak Leisure Centre. The remaining balance of £1.2m was used to fund other capital schemes.

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

Cash flow

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

At the 31 March 2020 the Council held £4.8m in cash and cash equivalents.

At the 31 March 2021 the Council held £6.9m in cash and cash equivalents.

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

Contingencies

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

Business rates – valuation appeals provision	£3.269m at 31 March 2021	£3.064m at 31 March 2020
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Pensions

The Council participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit career average (CARE) 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 £76.7m at 31 March 2021 compared to £67.0m at 31 March 2020 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 December 2019 which reported a funding deficit of .

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

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

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

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

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

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

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

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

The Accounts present a true and fair view of the financial position as at 31 March 2021 and its income and expenditure for the year ended on that date.

ADRIAN ROWBOTHAM

Deputy Chief Executive and Chief Officer - Finance & Trading

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Comprehensive Income and Expenditure Statement

SDC 2019/20*		Group 2019/20		Note	SDC 2020/21		Group 2020/21	
Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000
8,024	(4,738)	3,286	3,297	People & Places	5,980	(2,333)	3,647	3,657
25,686	(23,996)	1,690	1,703	Customer & Resources	27,337	(25,593)	1,744	1,764
3,076	(596)	2,480	2,480	Assistant Chief Executive	2,549	(131)	2,418	2,418
1,144	(367)	777	809	Strategic Property	468	(364)	104	104
21,022	(5,043)	15,979	15,901	Finance & Trading	19,233	(10,507)	8,726	8,475
10,320	(3,368)	6,952	6,952	Planning & Regulatory	8,156	(3,172)	4,984	4,984
69,272	(38,108)	31,164	31,142	24 Net Cost of Services	63,723	(42,100)	21,623	21,402
	(1,227)	(1,227)		Loss/(Gain) on Disposal of non current assets		(212)	(212)	
	4,415	4,415		Parish Council Precepts		4,638	4,638	
	3,188	3,188		Other Operating Expenditure		4,426	4,426	
	(370)	1,355		Movement in Fair Value Investment Property		703	(1,159)	
	(1,591)	(1,591)		11 Investment Property Income		(1,523)	(1,523)	
	135	135		Interest Payable and similar charges		131	131	
	1,567	1,567		34 Net interest on the net defined benefit liability		1,484	1,484	
	(283)	(178)		Interest and Investment Income		(252)	(69)	
	(542)	1,288		Financing and Investment Income and Expenditure		543	(1,136)	
	(1,121)	(1,121)		28 Capital Grants and Contributions		(898)	(898)	
	(15,415)	(15,415)		Council Tax		(15,954)	(15,954)	
	(1,636)	(1,636)		28 Business Rates		15,112	15,112	
	(2,827)	(2,827)		28 Non Service Related Government Grants		(23,736)	(23,736)	
	(20,999)	(20,999)		Taxation and Non Specific Grant Income		(25,476)	(25,476)	
	12,811	14,619		(Surplus) or Deficit on the Provision of Services		1,116	(784)	
	-	-		Taxation relating to subsidiaries		-	-	
	(1,331)	(1,331)		(Surplus) or Deficit on the revaluation of property, plant & equipment assets		(2,826)	(2,826)	
	(3,328)	(3,328)		34 Remeasurement of the net defined benefit liability		5,921	5,921	
	(4,659)	(4,659)		Other Comprehensive Income and Expenditure		3,095	3,095	
	8,152	9,960		Total Comprehensive Income and Expenditure		4,211	2,311	

* Previous year comparatives were restated to reflect a management restructure in 2020/21

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MOVEMENT IN RESERVES STATEMENT

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

The CIPFA Code of Local Authority Accounting in 2020/21 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented.

Movement in Reserve Statement

Financial Year 2019/20									
Notes	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(1,500)	(19,373)	(20,873)	(3,627)	(558)	(25,059)	17,808	(7,251)	(6,883)
Movement in reserves during 2019/20									-
(Surplus) or deficit on the provision of services	12,812		12,812			12,812		12,812	14,619
Other Comprehensive Income and Expenditure		-	-	-	(1)	(1)	(4,658)	(4,659)	(4,659)
Total Comprehensive Income and Expenditure	12,812	-	12,812	-	(1)	12,811	(4,658)	8,153	9,960
Adjustments between accounting basis & funding basis under regulations (note 8)	(12,450)	-	(12,450)	584	(1,180)	(13,045)	13,045	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	361	-	361	584	(1,181)	(235)	8,387	8,153	9,960
Year end balance transferred (to)/from Budget Stabilisation Reserve	52	(52)	-	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(413)	413	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(361)	361	-	-	-	-	-	-	-
(Increase)/ Decrease in 2019/20	-	361	361	584	(1,181)	(235)	8,387	8,153	9,960
Balance at 31 March 2020	(1,500)	(19,011)	(20,511)	(3,043)	(1,739)	(25,296)	26,195	902	3,077

Movement in statement of reserves (cont)

Financial Year 2020/21									
Notes	General Fund Balance	Earmark'd Reserves Balance 9	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves 20	Total Authority Reserves	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(1,500)	(19,011)	(20,511)	(3,043)	(1,739)	(25,293)	26,195	902	3,077
Movement in reserves during 2020/21									-
(Surplus) or deficit on the provision of services	1,116	-	1,116	-	-	1,116	-	1,116	(784)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	3,095	3,095	3,095
Total Comprehensive Income and Expenditure	1,116	-	1,116	-	-	1,116	3,095	4,211	2,311
Adjustments between accounting basis & funding basis under regulations (note 8)	(10,693)	-	(10,693)	602	(137)	(10,228)	10,228	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	(9,577)	-	(9,578)	602	(137)	(9,112)	13,323	4,211	2,311
Year end balance transferred (to)/from Budget Stabilisation Reserve	(394)	394	-	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	9,771	(9,771)	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	9,377	(9,377)	-	-	-	-	-	-	-
(Increase)/ Decrease in 2020/21	(200)	(9,377)	(9,578)	602	(137)	(9,112)	13,323	4,211	2,311
Balance at 31 March 2021	(1,702)	(28,388)	(30,090)	(2,441)	(1,876)	(34,407)	39,519	5,113	5,388

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BALANCE SHEET

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

31/03/19 Restated £'000	31/03/20 £'000	31/03/20 £'000	SDC Note		31/03/21 £'000	31/03/21 £'000
SDC	SDC	Group		Long Term Assets	SDC	Group
37,943	28,895	28,895	10	Property, Plant and Equipment	38,863	38,863
1,164	1,045	1,045	10	Surplus Assets	1,761	970
29,753	30,347	35,260	11	Investment Property	31,738	44,409
265	1,711	51	12	Long Term Investments	4,041	50
1,136	3,326	800	14	Long Term Debtors	6,727	804
<u>70,261</u>	<u>65,324</u>	<u>66,051</u>		Total Long Term Assets	<u>83,130</u>	<u>85,096</u>
				Current Assets		
18,078	11,087	11,087	12	Short Term Investments	4,014	4,014
180	187	187	16	Assets held for sale	174	266
2,773	4,806	4,806	15	Cash and Cash Equivalents	6,516	6,946
1,796	5,843	5,843	13	Inventories	3,311	3,311
5,973	4,491	4,082	14	Short Term Debtors	12,826	11,953
572	658	658	14	Payments in Advance	825	825
<u>29,372</u>	<u>27,072</u>	<u>26,663</u>		Total Current Assets	<u>27,666</u>	<u>27,316</u>
				Current Liabilities		
(8,320)	(8,261)	(8,261)	17 & 28	Receipts in Advance	(13,075)	(13,075)
(8,643)	(9,236)	(9,242)	17	Short Term Creditors	(15,328)	(15,431)
(2,699)	(3,216)	(3,216)	18	Short Term Provisions	(3,596)	(3,596)
<u>(19,662)</u>	<u>(20,713)</u>	<u>(20,719)</u>		Total Current Liabilities	<u>(31,999)</u>	<u>(32,102)</u>
9,710	6,359	5,944		Net Current Assets	(4,333)	(4,786)
				Long Term Liabilities		
(5,364)	(5,241)	(5,241)	17	Long Term Borrowing	(5,112)	(5,112)
(257)	(257)	(257)	18	Long Term Provisions	(257)	(257)
(67,066)	(67,037)	(67,037)	34	Net Pensions Liability	(76,745)	(76,745)
(33)	(50)	(2,537)	28	Capital Grants Receipts in Adv.	(1,798)	(4,285)
<u>(72,720)</u>	<u>(72,585)</u>	<u>(75,072)</u>		Total Long Term Liabilities	<u>(83,912)</u>	<u>(86,399)</u>
7,251	(902)	(3,077)		Total Net Assets/(Liabilities)	(5,115)	(6,089)

BALANCE SHEET (cont)

31/03/19 Restated £'000	31/03/20 £'000	31/03/20 £'000	SDC Note		31/03/21 £'000	31/03/21 £'000
				Usable Reserves		
(559)	(1,739)	(1,739)	MIRS	Usable Capital Receipts Reserve	(1,876)	(1,876)
(19,373)	(19,011)	(19,011)	9	Earmarked Reserves	(28,388)	(28,388)
-		2,175		Profit and Loss Reserve		413
(3,627)	(3,043)	(3,043)	MIRS	Capital Grants Unapplied	(2,441)	(2,441)
(1,500)	(1,500)	(1,500)	MIRS	General Fund	(1,700)	(1,700)
(25,059)	(25,293)	(23,118)		Subtotal Usable Reserves	(34,405)	(33,992)
				Unusable Reserves		
(30,058)	(20,709)	(20,709)	20	Capital Adjustment Account	(22,092)	(22,147)
(18,812)	(19,825)	(19,825)	20	Revaluation Reserve	(22,473)	(21,856)
152	152	152	20	Accumulated Absences Act.	327	327
(382)	(312)	(312)	20	Collection Fund Adj. Account	7,151	7,151
67,066	67,037	67,037	20 & 34	Pensions Reserve	76,745	76,745
(158)	(148)	(148)	20	Deferred Capital Receipts	(138)	(138)
				Share Capital		-
17,808	26,195	26,195		Subtotal Unusable Reserves	39,520	40,082
(7,251)	902	3,077		Total Reserves	5,115	6,089

These unaudited financial statements will be replaced by the audited financial statements authorised at the meeting of the Audit Committee on 29 March 2022

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

29 March 2022

COUNCIL APPROVAL

The Audit Committee at its meeting on 29 March 2022, approved the Statement of Accounts for the year end 31 March 2021 in accordance with the Accounts and Audit (England) Regulations 2015.

Councillor P McGarvey

Chairman of the Audit Committee

29 March 2022

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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.

SDC 2019/20 £'000	Group 2019/20 £'000	Note		SDC 2020/21 £'000	Group 2020/21 £'000
12,812	14,619		Net (surplus) or deficit on the provision of services	1,116	(782)
(15,215)	(22,001)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(9,729)	(11,831)
3,235	3,130	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	1,879	1,879
832	(4,252)		Net cash flows from operating activities	(6,734)	(10,734)
(3,563)	1,521	22	Investing Activities	4,306	7,873
698	698	23	Financing Activities	718	718
(2,033)	(2,033)		Net (increase) or decrease in cash and cash equivalents	(1,710)	(2,143)
(2,773)	(2,773)		Cash and cash equivalents at the beginning of the reporting period	(4,806)	(4,806)
(4,806)	(4,806)	15	Cash and Cash Equivalents at the end of the reporting period	(6,516)	(6,947)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis

2019/20*			2020/21		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
1,429	1,857	3,286	1,804	1,844	3,647
3,515	(1,825)	1,690	4,054	(2,310)	1,744
5,931	10,048	15,979	4,860	2,306	8,726
1,764	5,188	6,952	1,769	3,217	4,984
1,549	931	2,480	1,655	763	2,418
1,459	(682)	777	1,675	(1,571)	104
15,647	15,517	31,164	15,817	4,249	21,623
(15,286)	(3,067)	(18,353)	(25,394)	4,887	(20,507)
361	12,450	12,811	(9,577)	9,136	1,116
(20,873)			(20,511)		
361			(9,577)		
(20,511)			(30,088)		

* Previous year comparatives were restated to reflect a management restructure in 2020/21

Note 2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, 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.

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Going Concern.

- Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting.
- The UK and in fact the rest of the world is currently dealing with the Covid-19 pandemic which is putting significant pressure on the UK economy. The Council has a strong financial planning process and is identifying the impact of Covid-19 and how it will be dealt with and plan for the future. Based on its current financial position and the legislation unpinning local authorities, the accounts have been prepared on a going concern basis

2.2 Accruals of Income and Expenditure

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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates and overpayments of Housing Benefit.

2.3 Cash and Cash Equivalents

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change

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

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

2.5 Charges to Revenue for Non-Current Assets

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

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

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

2.6 Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

2.7 Provisions Contingent Assets and Liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the

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Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

2.8 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-employment Benefits

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

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent

County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

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

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

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

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

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

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

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount

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calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

2.9 Events After the Reporting Period

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

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

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

2.10 Financial Instruments

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Financial assets measured at fair value through other comprehensive income

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

Financial Assets Measured at Fair Value through Profit or Loss

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

Fair Value Measurements of Financial Assets

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Expected Credit Loss Model

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

2.11 Government Grants and Contributions

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

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

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

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

Grants and contributions towards specific services for revenue purposes are credited against the appropriate

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

2.12 Community Infrastructure Levy

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

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

2.13 Inventories

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

2.14 Investment Property

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

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

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

2.15 Leases

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

The Authority as Lessor: Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

2.16 Overheads and Support Services

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

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2.17 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

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

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

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

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

Impairment

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

the shortfall.

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, 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.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

2.18 Reserves

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

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

2.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

2.20 Value Added Tax (VAT)

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

2.21 Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in policy 2.17.

At present the Council has no material heritage assets.

2.22 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:

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

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

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

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

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

2.23 Group Accounts

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

Where applicable the following principles will be followed:

Basis of Consolidation

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

Accounting Policies

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

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

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

2.24 Interests in companies and other entities

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2020/21 code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

The implementation of IFRS 16 Leases has been deferred by another year. This means the effective date for implementation is now 1 April 2022, which would impact the statements in 2022/23

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Note 4. Critical Judgements in Applying Accounting Policies

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

Valuations.

- Property. The valuer has declared that at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.
 - “Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards”
- In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date the valuers continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base their judgements.
 - “Our valuation of these assets are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.”

Other Judgements

- Preparation of Group accounts as detailed in 2.23
- Rounding – It is not the Councils Policy to adjust for immaterial cross-casting difference between the main statements and the disclosure notes

4.1 Covid-19 Pandemic

The Covid-19 Pandemic may have an impact on the Council's finances in specific areas within the financial statements including:

- Valuation uncertainty within Property, Plant and Equipment
- Valuation uncertainty for Investment Properties
- Valuation of Property Investment Funds
- Impairment of Debtors balances
- Grants and Contributions
- Pension Fund Assets and Liabilities
- Business Rates Income (Notes to the Collection Fund Statement)

4.2 Covid-19 Grants

In response to the pandemic the Government announced a number of grant packages to be paid out to support local businesses and residents. The Council was required to administer these schemes, in line with the eligibility criteria, and was reimbursed by Government for the payments. The accounting treatment of such transactions needs to have regard to the general principle of whether the Council is acting as the principal or agent. Where the Council deems it is acting as agent, the transactions shall not be reflected in the Council's Comprehensive

Income and Expenditure Statement and will only be reflected where there is a debtor or creditor closing position. Where the Council deems it is acting as principal the transactions are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate. Further information on all grants received are provided in note 28.

The Council deems itself to be acting as Agent for the following grants:

- Small Business Grant and Retail, Hospitality and Leisure Grant Funds
- Local Restrictions Support Grant
- Test and Trace, Self-Isolation Payments

The Council received additional funding to support its cost of services or offset its income losses and has determined itself to be acting as the principal for these payments. The Council needs to consider whether the grants are awarded to support expenditure on specific services, and should therefore be credited to Cost of Services, or is in the form of an un-ringfenced general grant and should therefore be disclosed within Taxation and Non-Specific Grant Income on the Comprehensive Income and Expenditure Statement.

Covid-19

Further to the final point under Note 4 critical judgements, the impact of Covid-19 on the financial statements 2020/21 has been reviewed and accounted for as appropriate following the CIPFA Code of Practice and IAS1.

The financial impact is being closely monitored and financial planning has been put in place to ensure the stable financial future of the authority.

Note 5. Prior Period Adjustment

- Change in reporting Structure

The 2019/20 core statements and appropriate notes have been restated following a reporting restructure in 2020/21 financial year. The restructure was implemented in December 2020 and has no prior year financial impact.

- Construction of Properties for re-sale

It has been identified that the previous accounting treatment where construction of properties for resale was treated as an Asset Under Construction before being reclassified as Held For Sale was incorrect. The particular capital project began construction in 2018/19 and it has therefore been necessary to produce a third balance sheet and restate related notes as indicated on relevant notes. The expenditure relates to the construction of assets intended for disposal, the appropriate balance sheet classification during construction is Inventory, rather than Assets Under Construction. Since the sums involved are considered material to the financial statement, a prior period adjustment has been made to reclassify the expenditure accordingly.

In funding this type of capital scheme a statutory provisions for Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265). Regulation 7b of SI 2012/265 has been applied meaning that expenditure is deemed to be capital under statute and the related receipts from the disposals are capital receipts.

Note 6. Events After the Balance Sheet Date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. There are potentially two types of events:

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events;

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

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

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

Note 7. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2019/20*	Adjustments for Capital	Net change for the Pensions adjustments	Other Statutory Adjustments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
People & Places	225	357	-	1,275	1,857
Customer & Resources	110	431	-	(2,366)	(1,825)
Finance & Trading	10,803	(303)	-	(452)	10,048
Planning & Regulatory	1,705	818	-	2,665	5,188
Assistant Chief Executive	-	306	-	625	931
Strategic Property	17	124	-	(823)	(682)
Net Cost of Services	12,860	1,733	-	924	15,517
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,780)	1,566	71	(924)	(3,067)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	9,080	3,299	71	-	12,450

* Previous year comparatives were restated to reflect a management restructure in 2020/21

Adjustments between Funding and Accounting Basis (cont)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2020/21	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	53	445	-	1,345	1,843
Customer & Resources	110	528	-	(2,948)	(2,310)
Finance & Trading	718	(141)	-	3,290	3,867
Planning & Regulatory	600	937	-	1,678	3,215
Assistant Chief Executive	-	363	-	400	763
Strategic Property	(816)	170	-	(925)	(1,571)
Net Cost of Services	665	2,302	-	2,840	5,807
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,386)	1,484	7,630	(2,840)	4,888
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(721)	3,786	7,630	-	10,695

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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Adjustments Between Accounting Basis and Funding Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(786)	-	-	786
Revaluation gain on Property, Plant and Equipment	(10,952)	-	-	10,952
Movements in the market value of Investment Properties	370	-	-	(370)
Capital grants and contributions applied	4,383	-	1,705	(6,088)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(6,090)	-	-	6,090
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	(269)	-	-	269
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:				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	1,497	(1,497)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	-	-	-	-
Capital expenditure charged against the General Fund Balance	1,381	-	-	(1,381)
Statutory provision for the repayment of debt	274	-	-	(274)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,121	-	(1,121)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(9)	-	-	9

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	317	-	(317)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Adjustments primarily involving the Pensions Reserve	-	-	-	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,846)	-	-	6,846
Employer's pensions contributions and direct payments to pensioners payable in the year	3,547	-	-	(3,547)
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	83	-	-	(83)
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	(154)	-	-	154
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	(12,450)	(1,180)	584	13,045

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Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(830)	-	-	830
Revaluation gain on Property, Plant and Equipment	(131)	-	-	131
Movements in the market value of Investment Properties	(703)	-	-	703
Capital grants and contributions applied	1,346	-	1,500	(2,846)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(1,041)	-	-	1,041
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	(9)	-	-	9
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:				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	228	(228)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	-	-	-	-
Capital expenditure charged against the General Fund Balance	697	-	-	(697)
Statutory provision for the repayment of debt	286	-	-	(286)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	898	-	(898)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(10)	-	-	10

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	91	-	(91)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,648)	-	-	7,648
Employer's pensions contributions and direct payments to pensioners payable in the year	3,861	-	-	(3,861)
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	(111)	-	-	111
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	(7,351)	-	-	7,351
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	(175)	-	-	175
Total Adjustments	(10,693)	(137)	602	10,228

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Note 9. Transfers To/From Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20 and 2020/21.

	Balance at 31/03/19 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31/03/20 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31/03/21 £'000
General Fund	(1,500)	-	-	(1,500)	-	(200)	(1,700)
Budget Stabilisation	(7,938)	391	(452)	(7,999)	156	(1,976)	(9,819)
Business Rates Retention	(566)	-	(154)	(720)	-	(7,351)	(8,071)
Financial Plan	(1,364)	869	(1,220)	(1,715)	495	(1,434)	(2,654)
Carry Forward Items	(707)	44	(295)	(958)	48	(309)	(1,219)
Asset Maintenance	(1,000)	-	-	(1,000)	500	-	(500)
IT Asset Maintenance	(682)	-	(43)	(725)	100	(154)	(779)
Vehicle Renewal	(532)	563	(694)	(663)	624	(657)	(696)
Housing and Commercial Growth Fund	-	1	(567)	(566)	-	-	(566)
Housing Benefit Subsidy	(444)	248	(164)	(360)	187	(376)	(550)
Pension Fund	(500)	-	-	(500)	59	-	(441)
New Homes Bonus	(406)	-	-	(406)	-	-	(406)
Action and Development	(396)	-	-	(396)	100	-	(296)
Local Plan	(491)	272	(66)	(285)	39	(72)	(318)
Vehicle Insurance	(299)	51	-	(248)	-	(10)	(258)
Property Investment Strategy Maintenance	(24)	-	(110)	(134)	-	(100)	(234)
Capital Financing	(593)	581	(148)	(160)	86	(148)	(222)
Corporate Project Support	(586)	284	-	(302)	90	-	(212)
Sewerage	(206)	-	-	(206)	148	-	(58)
People and Places	(352)	96	(68)	(324)	205	(86)	(205)
Community Infrastructure Levy Administration	(184)	-	-	(184)	-	-	(184)
Planning Services	(35)	-	(94)	(129)	76	(60)	(113)
Other	(2,068)	1,500	(463)	(1,031)	973	(529)	(587)
Total	(20,873)	4,900	(4,538)	(20,511)	3,886	(13,462)	(30,088)

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.
- 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.
- Financial Plan - Funds that support the 10-year budget strategy.
- Carry Forward Items - For specific items agreed by Cabinet.
- Asset Maintenance - To fund emergency asset maintenance works.
- IT Asset Maintenance - To fund future IT asset maintenance costs.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Housing and Commercial Growth Fund - To fund projects as part of the West Kent Partnership within the district
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Pension Fund - To contribute towards any future downturns in the pension fund following actuarial
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate as part of the 10 year Financial Plan.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Local Plan - To help support the Local Plan.
- Vehicle Insurance - Provides own damage cover on the Council's commercial vehicle fleet.
- Property Investment Strategy Maintenance - To fund future maintenance and void periods
- Capital Financing - Annual contributions from revenue to fund some capital projects.
- Corporate Project Support - To support investigation and development of Corporate Projects.
- Sewerage - Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- People and Places - To fund ongoing and future projects.
- Community Infrastructure Levy Administration - To be spent on the administration of the levy.
- Planning Services - To fund ongoing and future projects.
- Other - Other small reserves set aside.

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Note 10. Property, Plant and Equipment

Movements on Balances

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction * £'000	Total Property, Plant & Equipment £'000
Movements in 2019/20:						
Cost or Valuation						
At 1 April 2019	23,603	5,323	211	1,164	12,976	43,277
Additions	5	582	-	-	669	1,256
Revaluation increases/ (decreases) recognised in:	-	-	-	-	-	-
- Revaluation Reserve	1,162	-	-	(119)	-	1,043
- Surplus or Deficit	(10,959)	-	-	-	-	(10,959)
Derecognition – Disposals	-	(667)	-	-	-	(667)
Derecognition – Other	12,926	-	-	-	-	12,926
Reclassifications in PPE	-	-	-	-	-	-
Reclassifications other	-	-	-	-	(12,926)	(12,926)
At 31 March 2020	26,737	5,238	211	1,045	720	33,950
Accumulated Depreciation and Impairment						
At 1 April 2019	(517)	(3,653)	-	-	-	(4,170)
Depreciation Charge	(195)	(591)	-	-	-	(786)
Depreciation written out to the	-	-	-	-	-	-
- Revaluation Reserve	289	-	-	-	-	289
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	657	-	-	-	657
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2020	(423)	(3,587)	-	-	-	(4,010)
Net Book Value						
As at 31 March 2020	26,314	1,651	211	1,045	720	29,941
* Restated as detailed in Prior Period Adjustment Note 5						

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 20/21: Cost or Valuation						
At 1 April 2020	26,737	5,238	211	1,045	720	33,950
Additions	-	624	-	-	8,930	9,554
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	1,619			754	-	2,373
- Surplus or Deficit	(195)	(19)	-	-	-	(214)
Derecognition – Disposals		(174)	-	-	-	(174)
Derecognition – Other	(6)	-	-	-	-	(6)
Reclassifications in PPE	-	-	-	-	-	-
Reclassifications other	24	-	-	(39)	(623)	(638)
At 31 March 2021	28,179	5,669	211	1,760	9,027	44,845
Accumulated Depreciation and Impairment						
At 1 April 2020	(423)	(3,587)	-	-	-	(4,010)
Depreciation Charge	(238)	(592)	-	-	-	(830)
Depreciation written out to the						
- Revaluation Reserve	453	-	-	-	-	453
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	165	-	-	-	165
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2021	(208)	(4,013)	-	-	-	(4,222)
Net Book Value						
As at 31 March 2021	27,971	1,655	211	1,760	9,027	40,623

Capital Commitments

At 31 March 2021, the capital commitments outstanding on capital contracts was £10m.

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Surplus Assets

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

	31st March 2020 £'000	31st March 2021 £'000
Surplus Operation Properties		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	1,045	1,760
Significant un-observable inputs (Level 3)	-	-
Fair Value	<u>1,045</u>	<u>1,760</u>

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

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

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

Revaluations

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

The freehold and leasehold properties which comprise the Authority’s property portfolio have been valued as at 31st March 2021, by external independent valuers, 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.

Year of Valuation	Assets within the following classifications may have been revalued in year
2020/21	Investment Properties, Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2019/20	Investment Properties, Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2018/19	Investment Properties, Car parks; Amenity Land, Playgrounds and Surplus Operational Assets
2017/18	Investment Properties, Amenity Land, Car Parks and Community Offices
	Investment Properties and Amenity Land
2016/17	Investment Properties, Amenity Land, Car Parks and Community Offices
2015/16	Investment Properties, Leisure Centres, Golf Course, Hollybush Depot, premises and grounds
2014/15	Investment Properties, Stag Theatre, Parks and Woodlands

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Held for Sale £'000	Assets Under Construction £'000	Surplus Assets £'000	TOTAL £'000
Carried at historical cost:		5,668	211	-	-	-	5,879
Valued at current value in:							
2020/21	27,939			174	9,026	826	37,965
2019/20	-	-	-	-	-	935	935
2018/19	-	-	-	-	-	-	-
2017/18	-	-	-	-	-	-	-
2016/17	35	-	-	-	-	-	35
Total	27,974	5,668	211	174	9,026	1,761	44,814

Note 11. Investment Properties

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

	2019/20 £'000	2020/21 £'000
Rental income from investment property	(1,939)	(2,112)
Direct operating expenses from investment property	348	589
Net income from Investment Properties	(1,591)	(1,523)

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

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

	2019/20	2020/21
	£'000	£'000
Balance at start of the year	29,753	30,347
Purchases	482	141
Reclassifications	-	1,954
Disposals	(259)	-
Net Gains/ (losses) from fair value adjustment	371	(703)
	<u>30,347</u>	<u>31,739</u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2021 are as follows:

	31st March 2020	31st March 2021
	£'000	£'000
Existing properties generating rental income		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	2,651	6,007
Significant un-observable inputs (Level 3)		
Property Investment Strategy		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	27,696	25,732
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>30,347</u>	<u>31,739</u>

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

Properties are subject to leases with varying review dates.

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

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Note 12. Financial Instruments

Balance Sheet disclosures

Categories of Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL								
Amortised cost			3,188	6,687	15,893		1,749	2,448
FVOCI - designated	1,711	4,041						
FVOCI - other								
Total Financial Assets	1,711	4,041	3,188	6,687	15,893		1,749	2,448
Non-Financial Assets			66,204	72,402			3,651	14,688
Total			71,103	83,130			21,293	27,666

Categories of Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL								
Amortised cost	(4,892)	(4,767)	(349)	(345)	(178)	(179)	(1,795)	(3,272)
Total Financial Liabilities	(4,892)	(4,767)	(349)	(345)	(178)	(179)	(1,795)	(3,272)
Non-Financial Liabilities			(67,344)	(78,800)			(18,741)	(28,548)
Total			(72,585)	(83,912)			(20,713)	(31,999)

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

	Carrying amount at		Fair value at		Change in value during		Dividends	
	31/03/21		31/03/21		2020/21		2020/21	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Municipal Bond Agency	50	50	50	50	-	-	-	-
Quercus 7 Ltd	3,887	3,887	3,887	3,887	2,226	-	-	-
	3,937	3,937	3,937	3,937				

The authority holds shares in UK Municipal Bond Agency which was set up to allow local authorities to diversify funding sources and borrow at a lower cost. The agency will sell municipal bonds on the capital markets, raising funds that it will then lend to the councils. As the equity instrument of UK MBA is not held for trading, rather a longer term policy initiative, it has been designated as fair value through other comprehensive income. The shares are carried at cost which is the best estimate of fair value.

The authority holds shares in Quercus 7 Ltd, a wholly owned subsidiary, which was set up to enable Sevenoaks District Council to invest in property on a commercial basis, ensuring a sustainable income for the Council, as well as enabling the Council to invest in and hold residential property, which it is otherwise not allowed to do. As the equity instrument of Quercus 7 Ltd is not held for trading, rather a longer term policy initiative, it has been designated as fair value through other comprehensive income. The shares are carried at cost which is the best estimate of fair value.

Comprehensive Income and Expenditure Statement disclosures

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

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehen sive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehe nsive Income and Expenditur e £'000
Net gains/losses on:				
Interest revenue				
financial assets measured at Amortise	(266)		(116)	
financial assets measured at FVOCI - other				
Total interest revenue	<u>(266)</u>	-	<u>(116)</u>	-
Interest expense	<u>161</u>		<u>157</u>	

Fair Value

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

	Input level in fair value hierarchy	Valuation technique	As at 31/3/20 £'000	As at 31/3/21 £'000
FVOCI - designated				
UK Municipal Bond Agency	Level 3	Cost	50	50
Quercus 7 Ltd	Level 3	Cost	1,661	3,991

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The fair values of financial assets and financial liabilities that are not measure at fair value

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	Input level in fair value hierarchy	31/3/20		31/3/21	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Financial liabilities					
PWLB debt	Level 2	(5,070)	(5,218)	(4,946)	(5,359)
Long term creditors	Level 2	(349)	(637)	(345)	(663)
Short term creditors	Level 2	(1,795)	(1,795)	(3,272)	(3,272)
Financial Assets					
Financial Institutions (banks)	Level 2	5,056	5,056	2,009	2,009
Building Societies	Level 2	3,026	3,026	2,005	2,005
Other Local Authorities	Level 2	3,005	3,005	-	-
Money Market Funds	Level 2	3,203	3,203	4,800	4,800
Long term debtors	Level 2	3,188	3,538	6,687	6,713
Short term debtors	Level 2	1,749	1,749	2,448	2,448

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loan of £5.359m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value of assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for investments the Council would be allowed to make in accordance with the Council's Investment Policy at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2021) arising from a commitment to receive interest from borrowers above current Investment market rates.

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

Credit Risk

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

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

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

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

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

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

The full investment strategy for 2021/22 was approved by Council on 25 February 2021. 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 £6.25m at 31 March 2021 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

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

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

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	Lifetime ECL - simplified approach	Total
	£'000	£'000
Opening Balance as at 01/04/19	<u>(64)</u>	<u>(64)</u>
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(32)	(32)
Amounts written-off	16	16
Balance as at 31/03/20	<u>(79)</u>	<u>(79)</u>
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(51)	(51)
Amounts written-off	20	20
Balance as at 31/03/21	<u>(109)</u>	<u>(109)</u>

Liquidity Risk

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

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

All investments, totalling £11.05m are due to be repaid in less than one year.

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

By way of example, if interest rates on deposits had been 1% higher during 2020/21 (with all other variables held constant), the financial effect would have been to increase investment income by £333,000.

Price Risk

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

Foreign Exchange Risk

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

Note 13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and wood stocks at Farningham Woods. Properties constructed for resale relates to The Burlington Mews housing development

	Property constructed for resale*		Property constructed for resale		Total *	
	2019/20	Other Inventory	2020/21	Other Inventory	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of the year	1,727	69	5,779	64	1,796	5,843
Purchases	4,052	435	733	474	4,487	1,207
Reclassified to Investment Property	-	-	(220)	-	-	(220)
Reclassify historic to Investment Property	-	-	(1,734)	-	-	(1,734)
Recognised as an expense in the year	-	(440)	(1,302)	(483)	(440)	(1,785)
Balance outstanding at end of the year	5,779	64	3,256	55	5,843	3,311

* Restated as detailed in Prior Period Adjustment Note 5

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Note 14. Debtors

Short Term Debtors

31/03/20		31/03/21	
£'000		£'000	
274	Central Government Bodies	1,631	
737	Other Local Authorities	1,065	
581	Council Tax Payers	1,439	
1,432	Non Domestic Rate	6,980	
2,125	Other entities and individual	2,536	
<u>5,148</u>	Total	<u>13,651</u>	

Long Term Debtors

31/03/20		31/03/21	
£'000		£'000	
3,326	Other entities and individual	6,727	
<u>3,326</u>	Total	<u>6,727</u>	

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

Note 15. Cash and Cash Equivalents

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

	31/03/20	31/03/21
	£'000	£'000
Cash held by the Authority	6	7
Bank current accounts	1,597	1,708
Short-term deposits with:		
Banks	0	0
Building Societies	-	-
Other Local Authorities	-	-
Money Market Funds	3,203	4,800
Total Cash and Cash Equivalents	<u>4,806</u>	<u>6,516</u>

Note 16. Assets Held for Sale

	2019/20	2020/21
	£'000	£'000
Balance at start of the year	180	187
Purchases	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adjustment	7	84
Assets newly classified as held for sale	-	-
Reclassifications Other	-	(96)
	<u>187</u>	<u>175</u>

* Restated as detailed in Prior Period Adjustment Note 5

Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2021 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 2020/21	175	266	-	266	-
Assets held for Sale 2019/20	187	1,163	-	1,163	-
Assets held for Sale 2018/19	180	1,454	-	1,454	-
Assets held for Sale 2017/18	180	1,013	-	1,013	-

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 Deputy Chief Executive and Chief Officer – Finance & Trading on a regular basis regarding all valuation matters.

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Note 17. Creditors and Receipts in Advance

Short Term Creditors

31/03/20		31/03/21
£'000		£'000
(2,036)	Central Government Bodies	(803)
(855)	Other Local Authorities	(930)
(144)	Council Tax Payers	(155)
(5,261)	Non Domestic Rate	(11,080)
(940)	Other entities and individuals	(2,360)
<u>(9,236)</u>	Total	<u>(15,328)</u>

Long Term Borrowing

31/03/20		31/03/21
£'000		£'000
(4,892)	Central Government Bodies	(4,766)
(349)	Other Local Authorities	(345)
<u>(5,241)</u>	Total	<u>(5,111)</u>

Short Term Receipts in Advance

31/03/20		31/03/21
£'000		£'000
(1,998)	Central Government Bodies	(6,349)
(331)	Other Local Authorities	(464)
(266)	Council Tax Payers	(283)
(180)	Non Domestic Rate	(241)
(406)	Other entities and individuals	(634)
<u>(3,181)</u>	Total	<u>(7,970)</u>

Note 18. Provisions

The following provisions have been made by the Council:

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

	Long Term MMI £'000	Short Term Accumulated Absences £'000	NDR Appeals £'000	Total Short Term £'000
Balance at 1 April 2020	257	152	3,064	3,216
Additional Provisions made during year	-	175	4,596	4,771
Amounts Used during the year	-	-	(4,391)	(4,391)
Amounts reversed as not required	-	-	-	-
Balance at 31 March 2021	<u>257</u>	<u>327</u>	<u>3,269</u>	<u>3,596</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 2021.

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

Note 19. Usable Reserves

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

Note 20. Unusable Reserves

	31/03/20 £'000	Movement in Year £'000	31/03/21 £'000
Capital Adjustment Account	(20,709)	(1,383)	(22,092)
Revaluation Reserve	(19,825)	(2,648)	(22,473)
Accumulated Absences Account	152	175	327
Collection Fund Adjustment Account	(312)	7,463	7,151
Pensions Reserve	67,037	9,708	76,745
Deferred Capital Receipts Reserve	(148)	10	(138)
Total Unusable Reserves	<u>26,195</u>	<u>13,325</u>	<u>39,520</u>

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Capital Adjustment Account

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

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

Capital Adjustment Account

2019/20		2020/21
£'000		£'000
(30,058)	Balance at 1 April	(20,709)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-	Charges for depreciation and impairment of non current assets	-
786		830
10,959	Revaluation Losses on Property, Plant and Equipment	131
6,090	Revenue expenditure funded from capital under statute	3,242
-	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	
269		9
<hr/>		<hr/>
18,104		4,212
(318)	Adjusting Amounts written out of the Revaluation Reserve	(178)
<hr/>	Net Written out amount of the cost of non current assets consumed in the year	<hr/>
17,786		4,034
	Capital Financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
(317)		(91)
-	Repayment of Internal borrowing	(2,200)
	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	
(4,383)		(1,346)
-	Non-specific capital grant	-
	Application of Grants to capital financing from the Capital Grants Unapplied Account	
(1,705)		(1,500)
(1,381)	Capital Expenditure charged against the General Fund	(697)
(274)	Statutory provision for the repayment of debt	(286)
<hr/>		<hr/>
(8,060)		(6,120)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	
(377)		703
<hr/>		<hr/>
(20,709)	Balance at 31 March	(22,092)

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

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created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20			2020/21	
£'000	£'000		£'000	£'000
	(18,812)	Balance at 1 April		(19,825)
(2,522)		Upward Revaluation of Assets	(5,581)	
1,191		Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	2,755	
		Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(2,826)	(2,826)
(1,331)	(1,331)	Difference between fair value depreciation and historical cost depreciation		178
	318	Accumulated gains on assets sold or scrapped		-
	-			
	(19,825)	Balance at 31 March		(22,473)

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.

2019/20			2020/21
£'000			£'000
152	Balance at 1 April		152
-	Settlement or cancellation of accrual made at the end of previous year		-
-	Amounts accrued at the current year end		175
-	Expenditure Statement on an accruals basis is different from remuneration chargeable in the		-
152	Balance at 31 March		327

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.

2019/20		2020/21
£'000		£'000
(382)	Balance at 1 April	(312)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with	
70	statutory requirements	7,463
(312)	Balance at 31 March	7,151

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.

2019/20		2020/21
£'000		£'000
67,066	Balance at 1 April	67,037
(3,328)	Actuarial Gains/(Losses) on pensions assets and liabilities	5,921
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
6,846	Comprehensive Income and Expenditure Statement	7,648
(3,547)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,861)
67,037	Balance at 31 March	76,745

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.

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2019/20		2020/21
£'000		£'000
(158)	Balance at 1 April	(148)
9	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	10
1	Transfer to the Capital receipts reserve upon receipt of cash	-
(148)	Balance at 31 March	(138)

Note 21. Cash Flow Statement – Operating Activities

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

2019/20		2020/21
£'000		£'000
(786)	Depreciation	(830)
(10,582)	Impairment and downward valuations	(834)
-	Amortisation	-
128	Increase in impairment provision for bad debts	(206)
(531)	(Increase)/Decrease in creditors	(10,895)
(1,490)	Increase/(Decrease) in debtors / payments in advance	8,673
(4)	Increase/(Decrease) in stock	(2,533)
(3,299)	Pension liability	(3,787)
(268)	Carrying amount of non-current assets sold	(16)
1,616	Other non-cash items charged to the net surplus or deficit on the provision of services	698
(15,216)	Net cashflows from operating activities	(9,730)

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

2019/20		2020/21
£'000		£'000
-	Purchase of short-term and long-term investments	-
1,739	Proceeds from short-term and long-term investments	1,644
1,496	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	235
3,235		1,879

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
(283)	Interest received	(252)
135	Interest paid	131

Note 22. Cash Flow Statement – Investing Activities

2019/20 £'000		2020/21 £'000
5,790	Purchase of property, plant & equipment, investment property and intangible assets	10,995
1,446	Purchase of short term and long term investments	2,331
-	Other payments for investing activities	-
(2,079)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(313)
(7,139)	Proceeds from sale of short-term and long-term investments	(7,194)
(1,581)	Other receipts from investing activities	(1,513)
<u>(3,563)</u>	Net Cash Flow from Investing activities	<u>4,306</u>

Note 23. Cash Flow Statement – Financing Activities

2019/20 £'000		2020/21 £'000
-	Cash receipts of short and long term borrowing	-
-	Other receipts from financing activities	-
(9)	Cash receipts for finance leases	(10)
707	Other payments for financing activities	728
<u>698</u>	Net Cash Flow from Financing activities	<u>718</u>

Note 24. Segmental Reporting and Reconciliation to Subjective Analysis

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

Note 24.a Subjective Reporting by Chief Officer segments

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	People & Places £'000	Customer & Resources £'000	Assistant Chief Executive £'000	Strategic Property £'000	Finance & Trading £'000	Planning & Regulatory Services £'000	Total £'000
Chief Officer Income and Expenditure 2019/20							
	£'000	£'000	£'000	£'000			£'000
Fees, Charges & Service Income	(503)	(1,034)	(596)	(415)	(4,865)	(2,630)	(10,043)
Grants	(568)	(22,807)	-	-	(178)	(19)	(23,572)
Total Income	(1,071)	(23,841)	(596)	(415)	(5,043)	(2,649)	(33,615)
Employee Expenses	1,350	2,324	1,251	697	1,666	2,371	9,659
Other Service Expenses	1,151	25,033	894	1,177	9,308	2,041	39,604
Total Expenditure	2,501	27,357	2,145	1,874	10,974	4,412	49,263
Net Expenditure	1,430	3,516	1,549	1,459	5,931	1,763	15,648
Chief Officer Income and Expenditure 2020/21							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(731)	(3,244)	(404)	(123)	(3,588)	(2,475)	(10,565)
Grants	(943)	(22,187)	(1)	(8)	(484)	(38)	(23,661)
Total Income	(1,674)	(25,431)	(405)	(131)	(4,072)	(2,513)	(34,226)
Employee Expenses	1,593	2,734	879	1,310	5,296	2,446	14,258
Other Service Expenses	1,884	26,752	1,202	476	7,510	1,837	39,661
Total Expenditure	3,477	29,486	2,081	1,786	12,806	4,283	53,919
Net Expenditure	1,803	4,055	1,676	1,655	8,734	1,770	19,693

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

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

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

2019/20 £'000		2020/21 £'000
15,648	Net Expenditure in Chief Officer Analysis	15,817
15,518	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,806
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
31,166	Cost of Services in Comprehensive Income and Expenditure Statement	21,623

Note 24.c Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Chief Officer income and expenditure relate to a

subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2019/20	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(10,044)	(111)	-	(10,155)	-	(10,155)
Interest Income	-	-	-	-	(283)	(283)
Investment Income	-	-	-	-	(1,591)	(1,591)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(1,227)	(1,227)
Income from Council Tax and NDR	-	-	-	-	(17,664)	(17,664)
Movement on Fair Value of Investment Property	-	-	-	-	(370)	(370)
Government Grants and Contributions	(23,571)	-	-	(23,571)	(2,827)	(26,398)
Capital Grants and Contributions		(4,383)		(4,383)	(1,121)	(5,504)
Total Income	(33,615)	(4,494)	-	(38,109)	(25,083)	(63,192)
Employee Expenses	9,658	1,982	-	11,640	2,058	13,698
Other Service Expenses	39,605	6,609	-	46,214	-	46,214
Depreciation, amortisation and Impairment	-	10,905	-	10,905	-	10,905
Interest Payments & similar payments	-	23	-	23	135	158
Precepts & Levies	-	-	-	-	5,029	5,029
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
Total Expenditure	49,263	19,519	-	68,782	7,222	76,004
services	15,648	15,025	-	30,673	(17,861)	12,812

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Reconciliation to Subjective Analysis (Cont).

Reconciliation to Subjective Analysis 2020/21	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(10,564)	(2,485)	-	(13,049)	-	(13,049)
Interest Income	-	-	-	-	(252)	(252)
Investment Income	-	-	-	-	(1,523)	(1,523)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(212)	(212)
Income from Council Tax and NDR	-	-	-	-	(841)	(841)
Movement on Fair Value of Investment Property	-	-	-	-	703	703
Government Grants and Contributions	(23,661)	-	-	(23,661)	(23,736)	(47,397)
Capital Grants and Contributions	-	(5,211)	-	(5,211)	(898)	(6,109)
Total Income	(34,225)	(7,696)	-	(41,921)	(26,759)	(68,680)
Employee Expenses	14,258	2,435	-	16,693	1,484	18,177
Other Service Expenses	39,658	6,495	-	46,153	-	46,153
Depreciation, amortisation and Impairment	-	555	-	555	-	555
Interest Payments & similar payments	-	142	-	142	131	273
Precepts & Levies	-	-	-	-	4,638	4,638
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
Total Expenditure	53,916	9,627	-	63,543	6,253	69,796
(Surplus) or deficit on the provision of services	19,691	1,931	-	21,622	(20,506)	1,116

Note 24.d Expenditure and Income analysed by nature

2019/20 £'000	Expenditure and Income analysed by nature	2020/21 £'000
	Expenditure	
13,698	Employee Benefit Expenses	18,177
46,214	Other Service Expenses	46,153
10,905	Depreciation, amortisation and impairment	555
-	Loss on Disposal of non current assets	-
158	Interest payments	273
5,029	Precepts and levies	4,638
-	Payment to Housing Capital Receipts Pool	-
76,004	Total Expenditure	69,796
	Income	
(10,155)	Fees and Charges and other service income	(13,049)
(17,664)	Income from Council Tax and Business Rates	(841)
(26,398)	Government Grants and contributions	(47,397)
(1,874)	Interest and Investment income	(1,775)
(1,227)	Gain on disposal of non current assets	(212)
(370)	Movement on Fair Value of Investment Property	703
(5,504)	Capital Grants and Contributions	(6,109)
(63,192)	Total Income	(68,680)
12,812	Net Service cost/income	1,116

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Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis							
2019/20	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
Expenditure							
Employee Benefit Expenses	1,500	2,590	1,307	702	2,216	2,833	11,148
Other Service Expenses	6,303	22,986	1,770	425	7,611	7,487	46,582
Depreciation, amortisation & impairment	222	110	-	17	10,680	-	11,029
Interest payments	-	-	-	-	23	-	23
Total Segmental Expenditure	8,025	25,686	3,077	1,144	20,530	10,320	68,782
Income							
Fees and Charges and other service income	(654)	(1,644)			(5,227)	(2,629)	(10,154)
Benefits and other Gov. grants	(4,231)	(22,807)			(178)	(739)	(27,955)
Total Segmental Income	(4,885)	(24,451)			(5,405)	(3,368)	(38,109)
Net Segmental Expenditure	3,140	1,235	3,077	1,144	15,125	6,952	30,673
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							(17,861)
Net Service Expenditure							12,812

Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis							
2020/21	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
Expenditure							
Employee Benefit Expenses	1,879	3,143	960	1,516	5,994	3,200	16,692
Other Service Expenses	4,093	24,111	(562)	1,065	12,436	5,013	46,156
Depreciation, amortisation & impairment	50	110	82	-	312	-	554
Interest payments	-	-	-	-	142	-	142
Total Segmental Expenditure	<u>6,022</u>	<u>27,364</u>	<u>480</u>	<u>2,581</u>	<u>18,884</u>	<u>8,213</u>	63,544
Income							
Fees and Charges and other service income	(713)	(3,406)	(363)	(123)	(5,969)	(2,475)	(13,049)
Benefits and other Gov. grants	(1,621)	(22,187)	(1)	(8)	(4,357)	(697)	(28,871)
Total Segmental Income	<u>(2,334)</u>	<u>(25,593)</u>	<u>(364)</u>	<u>(131)</u>	<u>(10,326)</u>	<u>(3,172)</u>	(41,920)
Net Segmental Expenditure	3,688	1,771	116	2,450	8,558	5,041	21,624
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							(20,506)
Net Service Expenditure							<u>1,116</u>

Note 25. Members' Allowances

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

2019/20		2020/21
£'000		£'000
393	Allowances	402
9	Expenses	1
<u>402</u>	Total	<u>403</u>

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Note 26. Officers' Remuneration

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

2019/20	Salary £	Bonuses £	Expenses £	Com- pensation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive	157,243	3,781	-	-	25,603	7,171	193,798
Chief Officer - Finance & Trading	106,626	2,403	-	-	17,336	-	126,365
Chief Officer Customer & Resources	106,626	2,403	-	-	17,336	2,921	129,286
Chief Officer People and Places	16,034	-	-	-	2,549	-	18,584
Chief Officer - Planning & Regulatory Services	106,626	2,403	-	-	17,336	-	126,365
Head of Transformation & Strategy	72,358	500	-	-	11,584	2,921	87,364
Head of Legal and Democratic Services	77,358	500	-	-	12,379	-	90,238
Chief Officer Communities and Business	79,249	-	-	49,389	12,601	-	141,238
Chief Officer Environmental and Operations	62,199	-	-	55,305	9,890	-	127,393

2020/21	Salary £	Bonuses £	Expenses £	Com- pensation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive	161,403	3,885	-	-	30,909	1,057	197,254
Deputy Chief Executive and Chief Officer Finance & Trading	109,268	2,469	-	-	20,895	-	132,632
Deputy Chief Executive and Chief Officer Customer & Resources	109,268	2,469	-	-	20,895	-	132,632
Deputy Chief Executive and Chief Officer People & Places	104,423	500	-	-	19,621	-	124,544
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	109,268	2,469	-	-	20,895	-	132,632
Assistant Chief Executive Transformation and Strategy	91,846	500	-	-	17,269	-	109,615
Strategic Head of Property & Commercial Economic Development and Property	92,024	1,890	-	-	17,562	-	111,476
Head of Legal & Democratic Services	80,658	500	-	-	15,177	-	96,335

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:

Number of Employees	Remuneration Bands	Number of Employees
		2019/20
4	50,000 - 55,000	7
2	55,001 - 60,000	4
7	60,001 - 65,000	4
2	65,001 - 70,000	5
-	70,001 - 75,000	1
2	75,001 - 80,000	-
1	80,001 - 85,000	3
-	85,001 - 90,000	1
-	90,001 - 95,000	-
-	95,001 - 100,000	-
-	100,001 - 105,000	1

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	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
							£'000	£'000
£0 - £20,000	2	7	3	-	5	7	34	87
£20,001 - £40,000	-	3	-	-	-	3	-	91
£40,001 - £60,000	2	1	-	-	2	1	115	56
£60,001 - £80,000	-	1	-	-	-	1	-	76
£80,001 - £100,000	-	1	-	-	-	1	-	93
Over £100k	-	-	-	-	-	-	-	-
Total	4	13	3	-	7	13	149	403

27. External Audit Fees

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

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2019/20 £'000		2020/21 £'000
	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	58
-	Fees Payable to external auditors in respect of statutory inspections returns	-
21		21
-	Fees payable in respect of other services provided by external auditors during the year	-
<u>63</u>	Total	<u>79</u>

Note 28. Grant income

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

2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non Specific Grant Income	
(1,589)	S31 Small Business Rate Reduction (MHCLG)	(18,581)
-	Income Compensation Covid-19 (MHCLG)	(2,373)
	General Covid-19 (MHCLG)	(1,501)
(1,220)	New Homes Bonus (MHCLG)	(1,250)
(1,121)	Community Infrastructure Levy	(898)
-	Access Improvement	-
(19)	S31 Council Tax Family Annexes (MHCLG)	(31)
<u>(3,949)</u>	Total	<u>(24,634)</u>
	Credited to Services	
(22,309)	Benefit Subsidy (DWP)	(21,630)
	ARG and LRSG Open Grants	(2,798)
(3,406)	Community Facility Improvements	(503)
(977)	Better Care Fund (was Disabled Facilities Grant) (KCC)	(834)
-	Council Tax Hardship Fund (MHCLG)	(697)
(325)	Housing Benefit Administration (DWP)	(353)
(265)	Flexible Homelessness (MHCLG)	(364)
-	Housing Support (KCC/Other LA)	(246)
(183)	New Burdens (MHCLG)	(204)
-	Business Support Grant - LA Covid-19 (MHCLG)	(170)
-	Contain Outbreak Management (KCC)	(138)
(167)	Homelessness (MHCLG/KCC)	(119)
(124)	Choosing Health PCT (KCC)	(119)
-	Sports England	(112)
(105)	EU Exit Fund (MHCLG)	-
(43)	Innovation and Enforcement (MHCLG)	-
(34)	Communities against Drugs (KCC/PCC)	(34)
-	Re-Open High Streets (MHCLG/ERDF)	(44)
-	Compliance & Enforcement (MHCLG)	(31)
	Test and Trace LA Covid-19 (KCC)	(21)
-	Clinically Extremely Vulnerable (KCC)	(20)
-	Green Home (BEIS)	(13)
(17)	Individual Electoral Registration (CO)	(8)
(40)	Other	(34)
<u>(27,995)</u>	Total	<u>(28,493)</u>

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Breakdown of Business Rates Grants

2019/20		2020/21
£'000		£'000
	Business Rates	
613	NNDR Safety Net/Levy	612
(349)	NNDR Pool Growth	(411)
(1,900)	NNDR Net (Surplus)/Deficit	14,911
<u>(1,636)</u>	Total	<u>15,112</u>

The authority receives grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if conditions are not met. The balances at year-end are as follows:

2019/20		2020/21
£'000		£'000
	Capital Grants Receipts in Advance	
(38)	Better Care Fund (KCC)	(534)
-	Community Infrastructure Levy	-
	Green Home (BEIS)	(1,256)
(12)	Regional Housing Pot (KCC/MHCLG)	(8)
<u>(50)</u>	Total	<u>(1,798)</u>

2019/20		2020/21
£'000		£'000
	Revenue Grants Receipts in Advance	
(5,079)	Section 106 receipts	(5,104)
<u>(5,079)</u>	Total	<u>(5,104)</u>

Note 29. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for

providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2021 are shown in note 28.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 25. Returns were obtained from Members in respect of the 2020/21 financial year requesting details of any transactions that had taken place between them or close family members and the Council. For all the organisations listed in the table below the relationship to the organisation was that the member was in a position of general control or management.

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

Paid to (Supplier) £'000	2019/20 Received		Balance at 31/03/20 £'000	Organisation	2020/21 Received		Balance at 31/03/21 £'000
	From (Customer) £'000	£'000			Paid to (Supplier) £'000	From (Customer) £'000	
12	2	0	0	Stag Community Arts Centre	0	1	0
3	0	0	0	Godfreys (Sevenoaks) Limited	1	0	0
3	0	0	0	J & D Griffiths	4	0	0
0	0	0	0	Mr James Barnett	0	1	1
65	2	0	0	Sencio Community Leisure	41	1	0
19	0	0	0	Citizens Advice North & West Kent	12	0	0

Other payments were made to the following organisations where members held position of authority or representation.

2019/20 £'000	Organisation	2020/21 £'000
3	Sevenoaks District Arts Council	3
0	Sencio Community Leisure	430
99	Citizens Advice Bureau	99

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

Senior Officers

Senior officers of the Council have control over the day to day management of the authority. The Chief Executive and Chief Officers are required to declare any related party transactions. Three officers are Directors of Quercus 7 Limited and Quercus Housing Limited and the Monitoring Officer is the Company Secretary.

Kent County Council pension fund

See note 34.

Assisted organisations

The Council provided material financial assistance to the following organisation:

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Sevenoaks Leisure Limited

A management fee of £26,950 (2019/20 £26,950) and a Development Fee of £20,000 (2019/20 £20,000). Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £600,000 was given to Sevenoaks Leisure Limited to refurbish the fitness centre at Sevenoaks Leisure Complex. The term of the loan was 10 years, with a redemption date of March 2028 and interest of 6% per year. Due to Covid-19 repayments for this loan were deferred in 2020/21.

Quercus 7 Limited

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

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

The company has acquired 5 commercial properties and during the year the company were given credit facilities for business expenses totalling £242,283. Quercus 7 Limited also has secured long term borrowing of £6.00m.

Quercus Housing Limited

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

Sevenoaks District Council has ultimate control over the activities of the Company and the Company's operational matters. The Company will enable the Council to operate develop affordable housing using Section 106 receipts.

During the year the company were given credit facilities for business expenses totalling £31,877

Burlington Mews Management Company Limited

The company was incorporated 10 December 2019 (Company number 12357799). Two officers were appointed as directors and 1 as Secretary. The purpose of the company is to manage the shared spaces of the Burlington Mews development. The development was still in construction as 31 March 2021 and there were no transactions during the year between the Council and the Company.

Shared Services

The Authority has a shared service arrangement with Dartford Borough Council to provide various services namely Revenues and Benefits, Audit, and Environmental Health. There is a shared Building Control Service with Tonbridge and Malling Borough Council. The Licensing Partnership is a shared service with Maidstone, Tunbridge Wells and London Borough of Bexley Councils. The relevant costs to the Council are accounted for within the Comprehensive Income and Expenditure Statement.

Note 30. Capital Expenditure and Capital Financing

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

2019/20 £'000		2020/21 £'000
(21,989)	Opening Capital Financing Requirement	(27,515)
-	Capital Investment:	
5,308	Property, Plant & Equipment	9,528
-	Intangible Assets	-
-	Surplus Assets	-
482	Investment Properties	167
6,090	Revenue Expenditure Funded from Capital under Statute	1,940
11,881		11,635
	Sources of Finance:	
(317)	Capital Receipts	(91)
(4,383)	Government Grants and other contributions	(2,846)
(1,381)	Sums set aside from revenue	(697)
(6,081)		(3,634)
274	MRP for the year	286
(27,515)	Closing Capital Financing Requirement	(35,230)

Note 31 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 2018/19 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 £40,858 (£41,993 in 2019/20).

31/03/20 £'000	Minimum Lease Payments	31/03/21 £'000
49	Not later than one year	51
206	Later than one year and not later than five years	211
168	Later than five years	113
423	Total	375

Authority as Lessor

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

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31/03/20		31/03/21
£'000		£'000
1,508	Not later than one year	1,357
4,327	Later than one year and not later than five years	4,079
6,618	Later than five years	5,837
<u>12,453</u>		<u>11,273</u>

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

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

Finance Leases Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

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

31/03/20		31/03/21
£'000		£'000
174	Gross Investment in the Lease	149
31	Estimated Residual value	31
134	Net Investment in the lease (Gross Investment discounted by implic	123
40	Unearned Finance Income	26
The gross investment in the lease will be received over the following periods.		
23	Not later than one year	22
112	Later than one year and not later than 5 years	110
63	Later than 5 years	14
<u>198</u>	Total	<u>147</u>

Note 32. Impairment Losses

During 2020/21 there were no impairment losses on the Council's property assets.

Note 33. Termination Benefits

The Authority terminated the contracts of 13 employees in 2020/21, incurring costs of £403,745 (£148,964 in 2019/20) – see note 26 for the number of exit packages and total cost per band.

Note 34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

their future entitlement.

Characteristics of the Defined Benefit Scheme

The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded career average (CARE) scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

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

Transactions relating to Post Employment Benefits

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

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

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2019/20 £'000		2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
4,175	Current Service cost	5,905
1,047	Past Service costs	184
1,624	Net Interest Expense (includes administration expense)	1,559
	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	<u>7,648</u>
	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)	(25,711)
9,620	Other actuarial (gains)/losses on assets	-
(774)	Actuarial (gains) and losses arising on change in demographic assumptions	(1,837)
(2,164)	Actuarial (gains) and losses arising on changes in financial assumptions	35,754
(12,103)	Other	(2,285)
2,093	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	<u>5,921</u>
(3,328)		
	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	7,648
6,846	Actual Amount charged against the General Fund balance for pensions in the year	
3,547	Employers contributions payable to the scheme	3,861

Pension Assets and Liabilities recognised in the balance Sheet

2019/20 £'000		2020/21 £'000
	Present value of the Defined Obligations	
(156,253)	Present value of Funded Liabilities	(192,784)
(1,653)	Present Value of Unfunded Liabilities	(1,589)
(157,906)	Total Defined Benefit Obligation	(194,373)
90,869	Fair Value of plan assets (at bid value)	117,628
(67,037)		<u>(76,745)</u>

Reconciliation of movements in the fair value of scheme assets

2019/20 £'000		2020/21 £'000
98,151	Opening fair value of scheme assets	90,869
2,347	Interest on assets	1,516
(9,620)	Return on assets less interest	25,711
774	Other actuarial gains/(losses)	-
(57)	Administration expense	(75)
3,547	Contributions from employer	3,861
767	Contributions from scheme participants	831
(5,040)	Estimated benefits paid plus unfunded net of transfers in	(5,085)
<u>90,869</u>	Closing Value of scheme assets	<u>117,628</u>

Reconciliation of the movements in defined benefit obligation

2019/20 £'000		2020/21 £'000
165,217	Opening Defined Benefit Obligation	157,906
4,175	Current Service Cost	5,905
3,914	Interest Cost	3,000
(12,103)	Change in Financial Assumptions	35,754
(2,164)	Change in Demographic assumptions	(1,837)
2,093	Experience loss/(gain) on defined benefit obligation	(2,285)
(4,869)	Estimated benefits paid net of transfers in	(4,924)
1,047	Past service costs including curtailments	184
767	Contributions by scheme participants	831
(171)	Unfunded pension payments	(161)
<u>157,906</u>	Closing Defined Benefit Obligation	<u>194,373</u>

Scheme Assets

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

31/03/20 %		31/03/21 %
61	Equity investments	65
1	Gilts	1
13	Bonds	12
14	Property	10
3	Cash	5
8	Absolute Return Fund	7
<u>100</u>	Total	<u>100</u>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2021.

The principal assumptions used by the actuary have been:

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2019/20		2020/21
Mortality Assumptions:		
Longevity at 65 for current pensioners		
22	Men	22
24	Women	24
Longevity at 65 for future pensioners		
23	Men	23
25	Women	25
Financial Assumptions		
2.00%	Rate of Inflation (CPI)	2.80%
3.00%	Rate of increase in salaries	3.80%
2.00%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%
50.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%

Barnett Waddingham estimate the duration of Employers liabilities at 19 years.

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 17 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 Employers 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 the total obligation of £192.8m.

	Increase of 0.1% £'000	Decrease of 0.1% £'000
Adjustment to discount rate		
Present value of total obligation	190,735	198,084
Projected Service Cost	5,975	6,385
Adjustment to long term salary increase		
Present value of total obligation	194,740	194,009
Projected Service Cost	6,180	6,173
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	197,685	191,123
Projected Service Cost	6,383	5,977
	Increase 1	Decrease 1
Adjustment to mortality age rating assumptions	year	year
Present value of total obligation	203,419	185,753
Projected Service Cost	6,436	5,927

Projected Pension Expense for the year to 31 March 2022

	2020/21 Projection £'000
Service Cost	6,177
Net interest on the defined liability	1,497
Administration expense	97
Total	<u>7,771</u>
Employer Contributions	3,638

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.

Note 35. Contingent Liabilities

There are no contingent liabilities identified in the year

Note 36. 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.

Note 37. 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.

Otford Palace Gatehouse was granted on a 99 year peppercorn lease to the Archbishop's Palace Conservation Trust to allow the Trust to develop their objectives with a 5 year review period.

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

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

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

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

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

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2019/20			2020/21			
Council Tax £000	NDR £000	Total £000	Note	Council Tax £000	NDR £000	Total £000
Income						
95,802	-	95,802	1	99,874	-	99,874
-	36,466	36,466	2	-	19,735	19,735
768	-	768		-	-	-
-	466	466		-	1,145	1,145
-	252	252		-	-	-
-	-	-	3	-	-	-
96,570	37,184	133,754		99,874	20,880	120,754
Expenditure						
Precepts & Demands:						
65,975	3,125	69,100		69,195	3,236	72,431
9,807	-	9,807		10,403	-	10,403
3,948	347	4,295		4,060	360	4,420
10,917	13,889	24,806		11,264	14,383	25,647
4,415	-	4,415		4,638	-	4,638
Business Rates:						
-	17,361	17,361		-	17,979	17,979
-	159	159		-	163	163
-	-	-		-	167	167
Bad and Doubtful Debts:						
573	67	640		631	752	1,383
-	1,759	1,759		-	1,659	1,659
413	308	721		392	(26)	366
-	554	554	3	-	585	585
96,048	37,569	133,617		100,583	39,258	139,841
522	(385)	137	(DEFICIT)/SURPLUS FOR YEAR	(709)	(18,378)	(19,087)
COLLECTION FUND BALANCE						
44	938	982		566	553	1,119
522	(385)	137		(709)	(18,378)	(19,087)
566	553	1,119	BALANCE AT END OF YEAR	(143)	(17,825)	(17,968)

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 2021/22 was approved by Council on 25 January 2020 as follows:

Band	2019/20			2020/21		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	2.06	5/9ths	1.10	4.66	5/9ths	2.60
A	1,049.41	6/9ths	699.60	1,034.57	6/9ths	689.70
B	2,009.84	7/9ths	1,563.20	2,020.22	7/9ths	1,571.30
C	8,636.07	8/9ths	7,676.50	8,731.34	8/9ths	7,761.20
D	10,024.82	9/9ths	10,024.80	10,127.01	9/9ths	10,127.00
E	6,753.49	11/9ths	8,254.30	6,809.81	11/9ths	8,323.10
F	5,532.67	13/9ths	7,991.60	5,562.13	13/9ths	8,034.20
G	7,296.12	15/9ths	12,160.20	7,331.13	15/9ths	12,218.60
H	1,352.20	18/9ths	2,704.40	1,393.69	18/9ths	2,787.40
	<u>42,656.68</u>		<u>51,075.70</u>	<u>43,014.56</u>		<u>51,515.10</u>
Contributions in lieu for Crown property			2.90			1.40
			<u>51,078.60</u>			<u>51,516.50</u>
Collection rate adjustment			99.40%			99.40%
Council Tax Base			<u>50,772.34</u>			<u>51,207.88</u>

A* - Concessionary rate for adapted homes

The tax rate for a band D property in 2020/21 was £1,853.66, excluding Town and Parish Council taxes (2019/20 = £1,785.34).

	2019/20	2020/21
	£	£
Kent County Council	1,299.42	1,351.26
Police & Crime Commissioner for Kent	193.15	203.15
Kent & Medway Fire & Rescue Authority	77.76	79.29
Sevenoaks District Council	215.01	219.96
	<u>1,785.34</u>	<u>1,853.66</u>
Town & Parish Councils (Average)	86.96	90.56
TOTAL (including an average town & parish rate)	<u>1,872.30</u>	<u>1,944.22</u>

Note 2 Non-Domestic Rates (NDR)

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a

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

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

Non-domestic rates are calculated on a national basis. For 2020/21, the Government specified a “rate poundage” of 51.2p (2019/20: 50.4p) for large businesses or 49.9p (2019/20: 49.1p) for small businesses and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The NDR income after relief and provisions of £19,735,000 for 2020/21 (2019/20: £36,466,000) was based on the total rateable value for the Council’s area, which at 31 March 2021 was £96,164,482 (31 March 2020: £96,767,673). The reduction in income is largely due to the Government’s business rates relief measures resulting from the Covid-19 pandemic. The shortfall was made up by grants under Section 31 of the Local Government Act 2003 to individual authorities and accounted for outside of the Collection Fund.

Note 3 Contributions to Collection Fund surpluses and deficits

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

In January 2021, the estimated balance at 31 March 2021 in respect of council tax transactions was zero. Had there been an estimated surplus or deficit, it would have been shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2019/20 and taken into account by the respective authorities in the calculation of their council taxes for 2020/21. The actual position at 31 March 2020 was a surplus of £566,060.

The actual deficit of £142,861 at 31 March 2021 in respect of council tax and the actual deficit of £17,825,321 in respect of NDR will be taken into account when estimating the surplus or deficit for 2021/22. Again, these figures are significantly different from those estimated due to the reduced council tax collection level and the effects of the Government’s business rates relief measures.

Note 4 Allocation of arrears, prepayments and other balances

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

		KCC	PCC	KMFRA	Gov't	SDC	Total
		£000	£000	£000	£000	£000	£000
2019/20	Council Tax:						
	Arrears	3,820	574	224	-	878	5,496
	Provision for Bad Debts	(1,573)	(236)	(92)	-	(361)	(2,263)
	Prepayments & Refunds	(1,785)	(268)	(105)	-	(410)	(2,568)
	Cash	(69)	(10)	(4)	-	(16)	(99)
	(Surplus)/Deficit	(393)	(59)	(23)	-	(90)	(566)
	NDR:						
	Arrears	221	-	25	1,230	984	2,460
	Provision for Bad Debts	(55)	-	(6)	(306)	(245)	(612)
	Provision for Appeals	(689)	-	(77)	(3,830)	(3,064)	(7,660)
	Prepayments & Refunds	(90)	-	(10)	(499)	(399)	(998)
Cash	855	-	74	3,490	2,945	7,364	
(Surplus)/Deficit	(242)	-	(6)	(84)	(221)	(553)	
Total	-	-	-	-	-	-	
2020/21	Council Tax:						
	Arrears	4,598	707	262	-	1,033	6,600
	Provision for Bad Debts	(2,016)	(310)	(115)	-	(453)	(2,894)
	Prepayments & Refunds	(1,949)	(300)	(111)	-	(438)	(2,797)
	Cash	(733)	(114)	(41)	-	(163)	(1,051)
	(Surplus)/Deficit	100	17	5	-	21	143
	NDR:						
	Arrears	338	-	38	1,880	1,504	3,760
	Provision for Bad Debts	(123)	-	(14)	(682)	(546)	(1,364)
	Provision for Appeals	(736)	-	(82)	(4,087)	(3,270)	(8,174)
	Prepayments & Refunds	(181)	-	(20)	(1,005)	(804)	(2,010)
Cash	(903)	-	(100)	(5,018)	(4,014)	(10,036)	
(Surplus)/Deficit	1,604	-	178	8,913	7,130	17,825	
Total	-	-	-	-	-	-	

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GLOSSARY OF TERMS

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

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

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

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

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

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

Bexley. London Borough of Bexley.

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

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

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

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

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

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

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

CO. Cabinet Office

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

Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) This specifies the principles and practices of accounting required to prepare a Statement of Accounts which represents a ‘true and fair view’ of the financial position and transactions of the Council.

CIPFA. Chartered Institute of Public Finance and Accountancy.

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

Contingent Liabilities. Contingent liabilities are either:

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

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

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

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

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

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

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

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

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

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

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

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

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

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

ERDF. European Regional Development Fund.

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

FIAC. Finance & Investment Advisory Committee.

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

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

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

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

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

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

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

Impairment. A downward revaluation of an asset

KCC. Kent County Council.

KMFRA. Kent and Medway Fire and Rescue Authority.

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

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

MBC. Maidstone Borough Council.

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

MRP. Minimum Revenue Provision.

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

PCC. Police and Crime Commissioner.

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

PCT. Primary Care Trust

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

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

Related Party Transactions. The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

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

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

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

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

SMT. Strategic Management Team

SDC. Sevenoaks District Council

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

Supplies and Services. Includes expenditure on equipment and materials.

Support Services. The charges made by central functions for the services they provide to other departments.

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

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

TMBC. Tonbridge and Malling Borough Council.

TWBC. Tunbridge Wells Borough Council.

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

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

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

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INTERNAL AUDIT PLAN 2022-23

Audit Committee - 29 March 2022

Report of: Audit Manager

Status: For Decision

Also considered by: None

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer(s): Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee:

Approve the Internal Audit Plan 2022-23 (Appendix A)

Reason for recommendation: The Internal Audit Plan is a key component of an effective service delivery and the Audit Committee, as part of its governance and oversight role, reviews and approves this document.

Introduction and Background

- 1 This report provides the framework for Internal Audit activity in the 2022-23 financial year.
- 2 Following on from Internal Audit's mandate as depicted in the Charter, the risk-based Plan sets out how audit resources will be deployed throughout the year to enable an annual opinion to be provided on systems of risk management, governance and control. Updates on the delivery of the plan and findings of internal audit work will be reported throughout the year.
- 3 The outcome of all assurance pieces of work is a report which contains an overall opinion on the Council's governance, risk management and controls. This opinion will be presented in July 2023.

Other options Considered and/or rejected

None

Key Implications

Financial

There are no financial implications associated with this report. Delivery of the Plan will be met from existing budgeted resources.

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Legal Implications and Risk Assessment Statement.

Under the Account and Audit Regulations 2015, the Council must deliver Internal Audit services in accordance with the Public Sector Internal Audit Standards. The production of a risk-based Plan and a Charter are two requirements of these Standards. Links to the Corporate Risk Register are provided within Appendix A.

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.

Conclusion

Members are asked to approve the proposals for delivery of Internal Audit Services in 2022-23.

Appendices

Appendix A - Internal Audit Plan 2022-23

Background Papers

None

Jennifer Warrillow
Audit Manager

DARTFORD & SEVENOAKS AUDIT PARTNERSHIP

Internal Audit Update Report

29 March 2022



Agenda Item 7

Introduction

1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2021.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex D** and an update on the Partnership's Quality Action Plan is provided in **Annex E**.

Internal Audit Progress Update

4. The approved 2021/22 Internal Audit Plan is divided into two sections; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.
5. An overall summary of Internal Audit progress against both Plans as at 3 March 2022 is included below in **Annex A**. We have made progress against Plan A with eight pieces of work fully completed and a further six in fieldwork or reporting stages.
6. There have been vacancies at Auditor and Audit Manager level during the year as well as long term sickness absence which have hindered the Partnership's ability to progress the Audit Plan as quickly as expected. We are now at full establishment with the Audit Manager having now started in her post.
7. We have reviewed the current Audit Plan in light of changes within the Partnership and within the organisation itself. In our view, the Plan remains broadly fit for purpose and aligned to key risks. However we are proposing one change which Members are asked to approve:
 - Deferral of the 'Asset Management' review until 2022/23. This was due to be completed in Quarter 3 but the service have implement a new system and so it is no longer an appropriate time to undertake this review. Deferring until 2022/23 allows time for the new system to be embedded and for Audit to assess the effectiveness of the new controls.

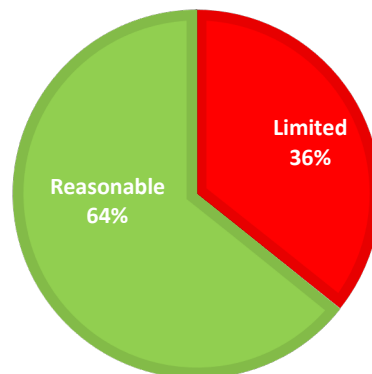
Internal Audit Outcomes

8. As a result of the resourcing issues mentioned above, no new final reports have been issued since the last quarterly update. The team have been focussing on progressing work already in progress and developing the audit plan for 2022/23.

9. The chart below shows a breakdown of all audit assurance opinions to date for the 2021/22 financial year. Members will note that overall, the largest proportion of audits received 'Reasonable' assurance and the overall proportions are approximately in line with the year end 2020/21 position. It will be continually updated for future progress reports to Committee.

ASSURANCE RATINGS

■ Limited ■ Reasonable ■ Substantial



10. One of the primary functions of Internal Audit is to provide assurance that identified risks are being effectively managed and to this end, the table below also provides links between Internal Audit work and the current Strategic Risk Register. This does not mean that all controls have been covered as part of our audit but simply shows Members where they may be able to gain some assurance over the management of risk through our work. There are audits on the Plan for all risks currently shown with no coverage with the exception of the new 'Net Zero' risk and, as each audit is completed, the table will be updated for future reports to this Committee. Assurances over risks with less coverage will be considered as part of the 2022/23 Audit Planning process.

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR01 Finance	Medium	Ten Year Budget Strategy Covid 19 Grant Funding Payroll Corporate Credit Cards	Reasonable NA Reasonable Limited
SR02 Property Investment Strategy	Medium		
SR03 Asset management & maintenance	Medium		
SR04 Knowledge, capacity & culture	Medium	Appraisals	Reasonable
SR05 Technology	Medium		
SR06 Information & data management	Medium		

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Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR07 Legal compliance, governance & ethics	Low	Parking (PCN)	Reasonable / Limited
SR08 Capacity of community partners	Low	Community Grants Process	Advisory
SR09 Health & Safety (incl. Staff Wellbeing)	Medium		
SR10 Emergency planning & severe weather events	Medium		
SR11 Safeguarding	Low	Safeguarding	Limited
SR12 Covid-19	Medium		
SR13 Temporary Accommodation	Medium		
SR14 Capital Projects	Medium		
SR15 Net Zero	Medium		

Follow Up

11. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. **Annex C** shows the results of our follow up process for actions due in Quarter 3 this financial year. All deferrals have been agreed by the Chief Officer – Finance and Trading or else the actions have made significant progress and we are expecting them to be fully implemented shortly.

Internal Audit Performance

12. Audit Committee has an important role to play in overseeing and ensuring the quality and effectiveness of Internal Audit, in order to assure themselves that Internal Audit makes a robust contribution to governance and that reliance can be placed on its conclusions. This oversight is facilitated through the Quality Assurance and Improvement Programme, which includes an action plan and performance indicators.
13. **Annex D** contains the results of our Key Performance Indicators (KPIs) for Quarter 3 (October – December). These KPIs highlight that customer satisfaction remains good and that we are planning sufficiently in advance of audit fieldwork. The main areas for action at this stage are percentage of budgeted days taken to complete a project and the timeliness of audit delivery. The KPIs show that too few draft reports are issued by the date given on the audit brief and audits are repeatedly taking more days to complete than anticipated. We continue to explore root causes and address these in 1:1s and team meetings, including whether initial expectations are realistic.
14. The results of the various strands of our Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex E** (as at 4 March 2022).

The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being 'Generally Conformant' with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. It is presented to Audit Committee minimum six monthly and was last reported in July 2021.

15. The current iteration shows that we have made some good progress against our actions, including review of core processes (in particular those which relate to reporting), development of a Customer Charter and provision of the majority of identified training. Some actions are behind schedule, which is mainly due to the change in Audit Manager; it would not be appropriate, for example, to develop an Audit Strategy until the new manager is in post. A further update will be presented to Members as part of the Annual Report in July 2022.

Conclusion

16. We have continued our work on the 2021/22 Internal Audit Plan and have made steady progress, with some key audits completed. Managers have agreed the recommendations for all issues raised and consequently there are no risks identified that will not be sufficiently mitigated once these are implemented. We have seen some staffing changes with the departure of the Audit Manager and the arrival of the Auditor. At this stage in the financial year, on the basis of both the assurance and consultancy work completed to date and the outcomes of follow up activity, my interim overall opinion on systems of risk management, governance and control continues to be 'Reasonable' in line with the opinion provided in July 2021.
17. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

Jennifer Warrillow

Audit Manager

Annex A – Internal Audit Plan 2021/22

Plan A 2021/22	Audit Title	Type	Current Status	Assurance
1	Assurance Mapping	Consultancy	Fieldwork	
2	Property Investment Strategy	Risk Based	Review	
3	Fraud Risk Assessment	Consultancy	Planning	
4	IT Governance	Risk Based	Planning	
5	Ten Year Budget	Risk Based	Complete	Reasonable
6	Corporate Landlord Liabilities	Risk Based	Fieldwork	
7	Purchase Orders Continuous Assurance	Consultancy	Not yet started	
8	New Service Review - Environmental Health	Risk Based	Audit Committee agreed to cancel	
9	Emergency Planning	Risk Based	Not yet started	
10	Staff Wellbeing	Risk Based	Fieldwork	
11	Appraisals	Risk Based	Complete	Reasonable
12	Information Security	Risk Based	Fieldwork	
13	Safeguarding	Risk Based	Complete	Limited
14	Temporary Accommodation	Risk Based	Fieldwork	
15	Covid-19 Recovery	Risk Based	Not yet started	
16	S106 Agreements	Risk Based	Complete	Reasonable
17	Companies - Quercus	Risk Based	Planning	
18	Grants Process	Consultancy	Complete	N/A
19	Council Tax and Enforcement (shared)	Risk Based	Review	
20	Asset Management	Consultancy	<i>Proposed to defer</i>	
21	Covid-19 Grant Funding	Risk Based	Fieldwork	
22	Ethical Governance	Risk Based	Audit Committee agreed to cancel	
23	Legal Service Processes (Case Management)	Risk Based	Fieldwork	
24	Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Risk Based	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)
25	Corporate Credit Cards	Risk Based	Complete	Limited
26	Payroll	Risk Based	Complete	Reasonable
Plan B 2021/22	Audit Title	Type	Current Status	
1	Council Tax Reduction Scheme	Risk Based	Not yet started	
2	Local Plan	Consultancy	Not yet started	
3	Equality and Diversity	Risk Based	Not yet started	
4	Workforce Development / Talent Management / Succession Planning	Risk Based	Not yet started	
5	Workforce Strategy	Risk Based	Not yet started	

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6	Training and Development	Risk Based	Not yet started	
7	Community safety	Risk Based	Not yet started	
8	Taxis	Risk Based	Not yet started	
9	Pre-Application advice	Risk Based	Not yet started	
10	Print Studio	Consultancy	Not yet started	
11	Asset Management	Risk Based	Not yet started	
12	Council Tax Enforcement	Consultancy	Not yet started	
13	Discretionary Powers	Risk Based	Not yet started	
14	Disaster Recovery	Risk Based	Not yet started	
15	My Account function	Risk Based	Not yet started	
16	Governance - Committee Process	Risk Based	Not yet started	
17	Procurement	Risk Based	Not yet started	
18	Safety Advisory Group	Risk Based	Not yet started	
19	Leases	Consultancy	Not yet started	

Annex C - Audit actions

We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our follow-up process all audit actions are tracked and followed up when they fall due. The table below shows all audits with open actions from April 2021 to the date of writing. Column E indicates which of these were due between October and December 2021, which we have now followed up. Columns G and H give a summary of that follow up process:

A - Project	B - Service Manager	C - Report Issue Date & Rating	D - Agreed actions in Final Report	E- Actions due in Q3	F- Not yet due	G - Closed during Q3	H - Deferrals this Qtr.	I - Total actions complete to date	J - Total actions outstanding
COVID-19 Response & Recovery 2020/21	Richard Morris	December 2020 Substantial Assurance	10	2 (M), 1 (L)	0	1 (M), 1(L)	0	9	1
Cyber Security 2020/21	Darren Lepper	February 2021 Limited Assurance	9	1 (H), 1 (M)	0	1 (H)	1 (M)	8	1
Housing Allocations Policy	Rav Kensrey	March 2021 Limited Assurance	6	1 (L)	0	1 (L)	0	6	0
Local Air Quality Management 2020/21	Nick Chapman	March 2021 Limited Assurance	7	1 (H)	0	0	1 (H)	6	1
Fleet Management 2020/21	Trevor Kennett	April 2021 Substantial Assurance	5	1 (L)	0	1 (L)	0	5	0
Licensing Administration Fees 2020/21	Sharon Bamborough	June 2021 Substantial Assurance	5	2 (M)	0	0	0	2	3
Customer Solutions (Phones) 2020/21	Amy Wilton	June 2021 Substantial Assurance	6	0	1 (M)	0	0	5	1
Housing Benefits 2020/21	Heather Gaynor	July 2021 Substantial Assurance	2	1 (M)	0	1 (M)	0	2	0
Payroll 2021/22	Debbie Hoadley	August 2021 Reasonable Assurance	5	2 (M), 3 (L)	0	1 (M), 3 (L)	1(M)	4	1

Ten Year Budget 2021/22	Alan Mitchell	August 2021 Reasonable Assurance	2	1 (M)	1(L)	0	0	0	2
Appraisals 2021/22	Graeme Taylor	October 2021 Reasonable Assurance	5.5	0	2.5 (M), 2 (L)	0	0	0	5.5
Corporate Credit Cards 2021/22	Roy Parsons	October 2021 Limited Assurance	7	2 (H), 3 (M), 1 (L)	1 (M)	2 (H), 3 (M), 1 (L)	0	6	1
Parking Penalty Charge Notices 2021/22	Trevor Kennett	November 2021 Reasonable (PCN Process) Limited (Contractual Arrangements) Assurance	11	2 (M)	2 (H), 4 (M), 3 (L)	2 (M)	0	2	9
Safeguarding 2021/22	Sarah Robson	November 22021 Limited Assurance	8	1 (M)	1 (H), 2 (M)	1 (H), 4 (M)	0	5	3
S106 Agreements	Claire Pamberi	December 2021 Reasonable Assurance	3	0	3(M)	0	0	0	3
		TOTAL	91.5	26	22.5	23¹	3	60	31.5

Based on the results of our follow-up work, there are now **31.5** open actions which we are actively tracking and monitoring. We will report progress on implementation of these actions as they fall due, as part of this regular summary report.

¹ Four additional actions that weren't due in Q3 have been implemented ahead of schedule because of proactive action taken by the service..

Deferrals

This table shows the **two** audit actions that have been deferred or are in progress beyond the due date. Officers have been asked to provide an update on progress, and the reason for the deferral:

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Local Air Quality Management 2020/21	1.Approval of Local Air Quality Plan (High)	30/6/21	30/4/22	<p>Manager's Comment: External consultants have completed a report and a consultation period is required. Once the consultation has taken place, the new plan will be presented to Committee for formal approval. A deferral, until the end of January 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p>Audit Comment: Based on the above, this action has been deferred until the end of April 2022.</p>	2
Payroll 2021/22	1.I-Trent Functionality	31/12/21	30/6/22	<p>Manager's Comment: The user guides for the audit trail function have been obtained, but more time is required to go through them. A deferral, until the end of June 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p>Audit Comment: Based on the above, this action has been deferred until the end of June 2022.</p>	1

Outstanding Actions not deferred / no response to follow up

Project	Action (including priority)	Original agreed date (& revised date if applicable)	Responsible Officer	No. of times previously deferred	Comments
Ten Year Budget 2021/22	1.Updating of Financial Procedure Rules (Medium)	31/12/21	Alan Mitchell	0	Awaiting response.

Annex D – Key Performance Indicators for Q3 (Oct – Dec 2021)

Finance: Associated performance indicators	Q3 (October - December)
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	172%
<p>F2: Chargeable days – <i>Target 75%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 75%
<p>F3: PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported annually</p> <p>Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q3 (October– December)
<p>C1: Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	4/4 100%
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	53.5/54 99%

Internal processes: Associated performance indicators	Q3 (October – December)
<p>I1: Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures the effectiveness of our project planning and communications with the client</p>	3/3 100%
<p>I2: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a project by project basis</p> <p>Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	1/7 14%
<p>I3: Time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported on a project by project basis</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	6/9 66%
Learning & Development: Associated performance indicators	Q3 (October – December)
<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a monthly basis</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	<p>October – 3/7 = 43%</p> <p>November – 1/2 = 50%</p> <p>December – 5/7 = 71%</p>
<p>L2: Training & development days - Reported annually</p> <p>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	42.41 Days (annual budget of 29 days)

Annex E – Quality Action Plan

Theme	Action	Target Date	Status Update
Reporting	Review the assurance levels for individual reports.	To be introduced for financial year 2021/22	Complete
Reporting	Review the assurance levels for the Annual Opinion.	Graded opinion to be provided for 2020/21.	Complete
Reporting	Review report format to ensure that it is fit for purpose but “lean” – only containing elements that add value to the customer. Include guidance notes.	To be introduced for financial year 2021/22.	Complete but continue to monitor - Report format has been reviewed, including guidance notes, and rolled out to team in March 2021 team meeting. If report timeliness and initial quality does not improve following additional training, may need to consider amending further by streamlining again and removing detailed findings section - this will require stakeholder consultation.
Reporting	Deliver report writing training in team meeting session.	Jul-21	Complete
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	Complete
Reporting	Review action priority levels.	April 2022	Not yet started.
Reporting	Review the Annual Opinion report template and contents to ensure that IA reports to committee are more strategic and focused on outcomes / key themes and issues.	Jul-21	Complete
Co ordination of Assurance	Develop assurance maps for both organisations a) Discuss other forms of assurance as part of	Complete by March 2022.	In progress - Outline complete but change in Audit Manager has delayed work in this area and so will commence during 2022/23.

Theme	Action	Target Date	Status Update
	2021/22 Audit Planning b) Add assurance maps to both Plans for 2021/22		
Co ordination of Assurance	Develop relationships with EA 1) Set up regular liaison meetings (every 4 months?)	For 2021/22 financial year with new EA personnel.	Not yet commenced.
Planning	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year	Change of Audit Manager delayed this process but a full review of the audit planning process will be undertaken during 2022/23.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23	Complete, changes to periodic planning proposed as part of the Audit Plan 2022/23 paper.
Planning	Develop Audit Strategy for the partnership.	Sep-21	Due to departure of Audit Manager, this will not be complete until new Audit Manager in post and embedded.
Planning	Undertake Culture / Ethics / IT Governance Audits.	March 2022 (for completion of 2021/22 audits)	IT Governance audits on both Plans for 2021/22. Culture on DBC audit plan. Ethical Governance was on SDC Audit Plan but due to departure of Audit Manager is proposed to be deferred until 2022/23.
Planning	Develop mechanism and allocate responsibilities to team members to keep knowledge of key parts of the sector up to date, share updates with team as a whole.	Oct-21	Focus at present is on core audit work, not yet discussed with the team.
Data Analysis	Provide Excel training to the team	Dec-20	Complete - basic data analysis provided over 2 sessions in house and further 1 day external course. Need to review further options once skills matrix complete.
Data Analysis	Arrange demonstration of data analysis software	Dec-20	Complete
Data Analysis	Add data analysis to team objectives	Dec-20	Complete

Theme	Action	Target Date	Status Update
Data Analysis	Add to planning checklist to enforce that it is considered as part of every audit and that non-use is justified - done	Dec-20	Complete
Data Analysis	'Continual' assurance using analysis of data will be trialled as part of the 2021/22 Plans.	Complete by March 2022	Audits on Plans, individual audits not yet commenced.
Data Analysis	Draft data analysis strategy will be prepared by September 2021 (including identification of potential costs) and shared with the s151 officers for agreement of any additional funds required, specifically for training or software	Sep-21	Not yet commenced - difficult at present due to staff changes and as other audit skills need to be fully developed first.
Performance Management	Review suite of KPIs to ensure they measure what we need to know and want to improve	Needs to be in place for 2021/22	Complete
Performance Management	Review calculation of CSQ measure	Needs to be in place for 2021/22	Complete
Performance Management	Quality of work including specific standards, competencies, deliverables and performance measures to be set out in a new suite of objectives for the auditors	Dec-20	Complete
Quality and timeliness of audit work (also links to Performance Management above)	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete
Quality and timeliness of audit work (also links to Performance Management above)	Training plan for 2021/22 to be developed (reliant on completion of the above action)	Jul-21	In progress.

Theme	Action	Target Date	Status Update
Quality and timeliness of audit work (also links to Performance Management above)	Develop a Customer Charter that sets out clear expectations for audit staff and clients. Include expectation that customers will be given 2 weeks to comment on draft report.	To be in place for April 2021	Complete, ongoing need to remind staff of the commitments in the Charter and to ensure they are communicating with clients. Charter to be reviewed in team meeting 24 November.
Quality and timeliness of audit work (also links to Performance Management above)	All staff to continue to complete self assessments at the end of individual audits to identify actions for improvement going forwards.	For 2020/21 audits onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Training on project planning audits to be delivered as part of team meeting	May-21	Complete - delivered over two sessions - April and May 2021.
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member. Small teams allocated to Ethical Governance and Culture, FC to lead and adopt task-based, agile approach but EG now deferred. 'Site' approach to be considered as relevant when staff return to office.
Quality and timeliness of audit work (also links to Performance Management above)	Review and update the Audit Manual.	Sep-21	Complete

Theme	Action	Target Date	Status Update
IA Charters	Review Audit Charters for both organisations.	Audit Committee / Board March 2022	Complete
Data Retention	Review and update the information asset register / data retention schedule.	May-21	Complete
Remote Working	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Complete
Follow Ups	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Reviewed as a team but due to KPI and other reporting, decided to remain 'as is' at the moment, but training to be provided to the team May 2021 and auditors asked to be more 'smart' with implementation dates - eg try to have the same date for multiple recommendations where possible. This was reviewed again in October 2021 and decision to be taken to keep current system but continual to review especially with the appointment of a new Audit Manager in February 2022.

Annex F - Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Substantial Assurance</p>	<p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>
<p>Reasonable Assurance</p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p>Limited Assurance</p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>
<p>No Assurance</p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>

INTERNAL AUDIT PLAN 2022-23

Audit Committee - 29 March 2022

Report of: Audit Manager

Status: For Decision

Also considered by: None

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer(s): Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee:

Approve the Internal Audit Plan 2022-23 (Appendix A)

Reason for recommendation: The Internal Audit Plan is a key component of an effective service delivery and the Audit Committee, as part of its governance and oversight role, reviews and approves this document.

Introduction and Background

- 1 This report provides the framework for Internal Audit activity in the 2022-23 financial year.
- 2 Following on from Internal Audit's mandate as depicted in the Charter, the risk-based Plan sets out how audit resources will be deployed throughout the year to enable an annual opinion to be provided on systems of risk management, governance and control. Updates on the delivery of the plan and findings of internal audit work will be reported throughout the year.
- 3 The outcome of all assurance pieces of work is a report which contains an overall opinion on the Council's governance, risk management and controls. This opinion will be presented in July 2023.

Other options Considered and/or rejected

None

Key Implications

Financial

There are no financial implications associated with this report. Delivery of the Plan will be met from existing budgeted resources.

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Legal Implications and Risk Assessment Statement.

Under the Account and Audit Regulations 2015, the Council must deliver Internal Audit services in accordance with the Public Sector Internal Audit Standards. The production of a risk-based Plan and a Charter are two requirements of these Standards. Links to the Corporate Risk Register are provided within Appendix A.

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.

Conclusion

Members are asked to approve the proposals for delivery of Internal Audit Services in 2022-23.

Appendices

Appendix A - Internal Audit Plan 2022-23

Background Papers

None

Jennifer Warrillow
Audit Manager

INTERNAL AUDIT PROGRESS REPORT

Audit Committee - 29 March 2022

Report of: Audit Manager

Status: For Consideration

Also considered by: None

Key Decision: No

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee: Note the contents of the report

Reason for recommendation: This report is part of regular reporting to Audit Committee on Internal Audit progress and outcomes. The overarching purpose is so that Members can assure themselves on the effectiveness of both the service itself and of risk management, governance and control processes within the Council.

Introduction and Background

- 1 The Audit Committee receives regular updates from the Internal Audit Partnership. Principally the focus of these updates is to track progress, findings, and key insights from delivery of the Internal Audit Plan.
- 2 We have also reviewed the 2021-22 Internal Audit Plan as approved by Committee in March 2021 in light of current risks and resources. Consequently, we are proposing one amendment to the Plan as set out in paragraph 7 of Appendix A.
- 3 The report also provides an update on the implementation of actions raised as part of our audit work and on the performance of Internal Audit via KPIs.

Other options Considered and/or rejected

None

Agenda Item 8

Key Implications

Financial

There are no direct financial implications associated with this report.

Legal Implications and Risk Assessment Statement.

Under the Accounts and Audit Regulations, the Council is required to maintain an adequate and effective system of internal audit.

Links to the Corporate Risk Register are provided within Appendix A.

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.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Conclusion

This report provides Members with an update on the Internal Audit's outcomes and performance, including Internal Audit progress towards delivery of the 2021/22 Audit Plan.

Appendices

Appendix A - Internal Audit Progress Update

Background Papers

[Internal Audit Plan 2021/22](#)

Jennifer Warrillow

Audit Manager

STRATEGIC RISK REGISTER

Audit Committee - 29 March 2022

Report of: Audit Manager

Status: For Consideration

Also considered by: None

Key Decision: No

Executive Summary: This report presents the most recent version of the Strategic Risk Register for consideration by Audit Committee.

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Jennifer Warrillow, Ext. 7053

Recommendation to Audit Committee: Consider and note the contents of the Strategic Risk Register

Reason for recommendation: The Audit Committee, through its Terms of Reference, has responsibility for maintaining an overview of risk management development and operations. Regular oversight of the Strategic Risk Register is an important part of discharging this responsibility.

Introduction and Background

- 1 Audit Committee is required, through its Terms of Reference, to maintain oversight of risk management arrangements and operations. As such, it receives periodic updates on risk management, including the Strategic Risk Register.
- 2 The Strategic Risk Register was last presented to Audit Committee in September 2021. Since then, it has been updated quarterly through individual meetings with risk owners and collective discussions at Strategic Management (SMT). The most recent update (March 2022) is presented at Appendix A.
- 3 The table on Pages 2 of Appendix A gives an overview of changes made to the Strategic Risk Register since March 2021. There have been no changes since the last quarter.

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- 4 Seven risks are currently above the target score and actions are in place to reduce the current score accordingly.

Other options Considered and/or rejected

None

Key Implications

Financial

There are no direct financial implications associated with this report, however financial risk is considered as part of the Strategic Risk Register.

Legal Implications and Risk Assessment Statement.

The Strategic Risk Register is the core mechanism used by the Council to identify, assess and monitor key risks. There are no direct legal implications associated with this report, however compliance risk is considered as part of the Strategic Risk Register.

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

Since the last update to Audit Committee in November 2020, there have been several changes to the Strategic Risk Register. As part of its governance and oversight role regarding the Council's risk management, Audit Committee is asked to review and consider the updated Strategic Risk Register.

Appendices

Appendix A - Strategic Risk Register

Background Papers

None

Jennifer Warrillow

Audit Manager

Strategic Risk Register

December 2021



Strategic Risk Profile

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

Ref	Risk Title	March 2021 Score	June 2021 Score	September 2021 Score	December 2021 Score	March 2022 Score	Target Score	Net risk within target risk?
SR01	Finance	10 Medium	10 Medium	10 Medium	10 Medium	10 Medium	10 Medium	Yes
SR02	Property Investment Strategy	9 Medium	9 Medium	12 Medium	12 Medium	12 Medium	9 Medium	No
SR03	Asset management & maintenance	9 Medium	6 Low	6 Low	8 Medium	8 Medium	6 Low	No
SR04	Knowledge, capacity & culture	12 Medium	12 Medium	12 Medium	8 Medium	8 Medium	8 Medium	Yes
SR05	Technology	12 Medium	12 Medium	12 Medium	8 Medium	8 Medium	6 Low	No
SR06	Information & data management	12 Medium	12 Medium	12 Medium	12 Medium	12 Medium	6 Low	No
SR07	Legal compliance, governance & ethics	6 Low	6 Low	6 Low	6 Low	6 Low	6 Low	Yes
SR08	Capacity of community partners	6 Low	6 Low	6 Low	6 Low	6 Low	6 Low	Yes
SR09	Health & Safety (incl. Staff Wellbeing)	12 Medium	12 Medium	12 Medium	12 Medium	12 Medium	6 Low	No
SR10	Emergency planning & severe weather events	12 Medium	12 Medium	12 Medium	9 Medium	9 Medium	9 Medium	Yes
SR11	Safeguarding	4 Low	4 Low	8 Medium	4 Low	4 Low	4 Low	Yes
SR12	Covid-19	8 Medium	8 Medium	8 Medium	8 Medium	8 Medium	8 Medium	Yes
SR13	Temporary Accommodation	12 Medium	12 Medium	12 Medium	12 Medium	12 Medium	12 Medium	Yes
SR14	Capital Projects	NA	10 Medium	12 Medium	12 Medium	12 Medium	8 Medium	No
SR15	Net Zero	NA	9 Medium	9 Medium	9 Medium	9 Medium	6 Low	No

The matrix below shows the Council’s overall risk profile, again based on net risk. The impact matrix which gives guidance on the definitions to be applied when considering impact is provided at the end of this document.

		Impact	Impact	Impact	Impact	Impact
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Likelihood	Very Likely (5)					
Likelihood	Likely (4)			SR14 SR02		
Likelihood	Possible (3)			SR15 SR10	SR06 SR09 SR13	
Likelihood	Unlikely (2)		SR11	SR07 SR08	SR03 SR04 SR05 SR12	SR01
Likelihood	Very Unlikely (1)					

The summary below maps each of the strategic risks to the Council Plan:

No.	Risk	Net Risk Rating	Value for Money	Keep the District Safe	Provide high quality services	Protect the Green Belt	Support and grow the local economy
01	Finance	10	✓	✓	✓	✓	✓
02	Property Investment Strategy	12	✓		✓		✓
03	Asset management & maintenance	6	✓		✓		✓
04	Knowledge, capacity & culture	12	✓	✓	✓	✓	✓
05	Technology	12	✓	✓	✓	✓	✓
06	Information & data management	12	✓	✓	✓	✓	✓
07	Legal compliance, governance & ethics	6	✓	✓	✓	✓	✓
08	Capacity of community partners	6	✓	✓	✓		✓
09	Health & Safety (incl. Staff Wellbeing)	12	✓	✓	✓	✓	✓
10	Emergency planning & severe weather events	12	✓	✓	✓	✓	✓
11	Safeguarding	8		✓	✓		
12	Covid-19	8	✓	✓	✓	✓	✓
13	Temporary Accommodation	12	✓	✓	✓		
14	Capital Projects	12	✓		✓		✓
15	Net Zero	9		✓		✓	✓

Strategic Risk Register

The strategic risks are detailed below. Each risk has a lead officer who is best placed to co-ordinate the response to the risk.

Each risk is first assessed **gross** (without existing controls in place) and then re-assessed following the identification of key controls to give the **net** score. Each risk is also given a **target** score, which is the desired rating for the risk.

The overall **rating (R)** is derived by multiplying the **likelihood (L)** and the **impact (I)**.

Actions have been identified to further enhance controls where relevant.

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
Detrimental impact of Covid-19 on Council income and expenditure Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus <ul style="list-style-type: none"> • Effect of council tax referendum limits • Low, decreasing and uncertain level of government grant • Uncertainty of the timing and outcome of the Government spending and fair funding review • Potential for negative government funding (local authority to make payments to Government) • Effect of cost of external borrowing on the Council's budgets • Loss of external funding 	<ul style="list-style-type: none"> • Poor financial health • Inability to maintain services and deliver Council Vision and Promises • Requirement to issue S114 notice • 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 • Reduced income or increased 	4	5	20	<ul style="list-style-type: none"> • Self-sufficient budget position; no reliance on direct government funding • Long term 10-year budget framework including Savings Plan • Flexible use of reserves • Alternative funding source - 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 FIAC, Cabinet, Audit Committee and Scrutiny Committee • Qualified and experienced officers in post 	2	5	10	2	5	10

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
<ul style="list-style-type: none"> Budget assumptions not accurate Ability to identify increase in savings requirement to deliver a balanced 10-year budget 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 <p>Change in customer demand (eg car parking) and expectation Inflation Treasury management returns below expectations.</p>	<p>expenditure as a result of changing customer demands</p> <ul style="list-style-type: none"> Treasury management change in approach may result in higher volatility of returns 				<ul style="list-style-type: none"> 10-year balance sheet 3-year detailed cash flow Finance Procedure Rules in place (but see action below) 						
<p>Actions</p> <p>Update Finance Procedure Rules (end December 2021)</p>											
<p>Available Assurance</p> <ul style="list-style-type: none"> Internal Audit of Budget Monitoring reported December 2020 - substantial assurance Internal Audit of VAT reported March 2021 - Advisory but no significant issues raised Counter Fraud assessment - of 52 sections, 19 Compliant, 21 Partially Compliant, 12 Not Met Internal Audit of ten year budget process issued September 2021 - 'Reasonable' assurance External Audit of 2020/21 financial statements Internal Audit of corporate credit cards - Completed in October 2021 with 'Limited' assurance 											

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham & Detlev Munster											
<ul style="list-style-type: none"> Reduced ability to borrow funds including the effect of government legislation changes Lack of ability to seek appropriate investment opportunities Inappropriate appetite for risk within investment strategy to enable the Council to generate target returns Lack of ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy Prohibitive 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 Ineffective use of Quercus 7 to support the Council's investment strategy Covid-19 / Economic conditions - inability to find or retain tenants, collect lease or rental income, reduction in asset values (systemic risk) 	<ul style="list-style-type: none"> Inability to invest due to funding restrictions Lack of diversity in investments Inability to find investments that meet the return criteria Inability to deliver a balanced budget (SR01) Negative impact on budgets, reserves and the ability to deliver Council projects Poor financial health Reputational damage Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 	4	4	16	<ul style="list-style-type: none"> Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite Diversified portfolio to spread risk 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 Realistic income budget set based on current and projected investments Financial monitoring processes embedded Effective financial governance including reports to FIAC, Cabinet and Scrutiny Committee Regular Quercus 7 Board and Trading Board meetings 	4	3	12	3	3	9
Actions Identify alternative external funding sources and keep up to date with government legislation											

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
Within PIS Update Report (Jan / Feb 2022), present options for the strategy going forwards - complete											
Available Assurance Internal Audit of Property Investment Strategy in progress Ad hoc external consultants provide reports on state of the property markets Annual property investment valuation carried out by independent consultant, in line with CIPFA and RICS standards											

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Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR03: Asset Management & Maintenance - Losing the ability to: a) Dispose of surplus land; b) Maintain and develop assets and land holdings; c) Secure tenants for vacant or part-vacant assets Lead Officers: Adrian Rowbotham & Detlev Munster											
<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 Loss of contracted providers to manage and operate assets Covid-19 / Economic conditions - ability to find or retain tenants, collect lease or rental income, reduction in asset values (systemic risk) Lack of suitable skills or sufficient capacity 	<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 Closure of public assets and loss of community facilities Corporate Landlord liabilities associated with poorly maintained assets (tenants and corporate buildings) - cross refer to SR09 	3	4	12	<ul style="list-style-type: none"> Property / Asset Register (record of land in Council ownership) Asset maintenance budgets reviewed annually Ongoing strategic review of council owned property Inventory registers in place Financial procedure rules in place (but see action below) Economic Development & Property team in place Professional, external advisers engaged to support the development of strategies and fill skills and capacity gaps Capital Programme and Asset Maintenance 2019-22 plan in place Surveys of all Council buildings completed and reflected in Asset Maintenance plan Long term leases in place with providers with regular monitoring 	2	4	8	2	3	6

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net scores			Target Scores		
		L	I	R		L	I	R	L	I	R
<ul style="list-style-type: none"> Inadequate Property/Asset Register held by SDC and other statutory bodies 											
Actions <ul style="list-style-type: none"> Prepare and periodically review Asset Management Plan Financial Procedure Rules to be reviewed, Disposals Policy to be approved - due by end December 2021 Update Asset Register - in progress and has become a higher priority due to ongoing issues being identified Separate Business Continuity Plan for Dunbrik Depot 											
Available Assurance <ul style="list-style-type: none"> Internal Audit of Corporate Landlord - in 2021/22 Audit Plan 											

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Gross Score

Net Score

Target Score

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R

SR04: Knowledge, capacity & culture - Management of the Council's human resources fails to protect the Council's culture, making it difficult to address gaps in capacity and knowledge

Lead Officer: Jim Carrington-West & Graeme Taylor

<ul style="list-style-type: none"> Continuing reductions to Council budgets National and local pay constraint Inability to employ and retain high quality staff 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 within the Human Resources team to develop policy and support the workforce Ineffective succession planning High staff turnover Loss of IIP Platinum status Impact of Covid-19 on working practices and greatly increased working from home 	<ul style="list-style-type: none"> Lack of resources to employ, develop and support the wellbeing of staff Impact of poor mental health across the organisation 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 	4	4	16	<ul style="list-style-type: none"> 10-year budget minimises the need for short notice changes to the workforce 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 maintained (re-assessed in February 2019), demonstrating the Council is a high quality employer Re-evaluated HR strategies, training, development and retention plans and internal communications to address the post Covid working environment 	2	4	8	2	4	8
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Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
					<ul style="list-style-type: none"> Introduction of new Workforce strategy New LMS launched 						
Actions											
<ul style="list-style-type: none"> 											
Available Assurance											
<ul style="list-style-type: none"> Investors in People Platinum status (re-assessed February 2019) Internal Audit of ten-year budget strategy reported September 2021 - 'Reasonable' assurance Internal Audit of appraisals - completed in October 2021 with 'Reasonable' assurance Internal Audit of HR Policy Compliance (Grievance, Probation and Disciplinaries) reported August 2020 - Substantial Assurance Internal Audit compliance check of recruitment controls June 2021 - Substantial Assurance 											

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Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
SR05: Technology - The Council's Information Technology doesn't meet the needs of the Council, Members, Officers and the local community Lead Officer: Jim Carrington-West & Amy Wilton											
<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 User base may not have sufficient broadband to work from home 	<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 Failure to prioritise projects effectively as 	4	4	16	<ul style="list-style-type: none"> IT Security Policy Business Continuity Plan Disaster recovery plans in place Network security measures in place including firewall and access level controls Procurement practices in place within the IT Service Experienced staff in post Effective budget setting and financial monitoring processes embedded Officer groups in place to support progress of digital services Ability to work in office or to deploy applications via Citrix or RDS Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps Digital Strategy 	2	4	8	2	3	6

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
	financial resources reduce										
Actions <ul style="list-style-type: none"> Review Disaster Recovery plans - envisaged to be implemented October 2021 - delayed due to project in place to replace core infrastructure - will be looking at DR Plans Q1 2022/23 											
Available Assurance <ul style="list-style-type: none"> Internal Audit of Cyber Security reported February 2021 - Limited assurance Internal Audit of IT Governance - in 2021/22 Audit Plan LGA Cyber Security Review 											

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		Gross Score			Net Score			Target Score			
Risk Factors	Potential Effect	L	I	R	Internal Controls	L	I	R	L	I	R
SR06: Information & Data Management - Failure to properly protect, preserve and make best use of the data and information resources that the Council holds Lead Officer: Jim Carrington-West & Martin Goodman											
<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 Breach / non-compliance with General Data Protection Regulations (GDPR) 	<ul style="list-style-type: none"> Breach of regulations and potential for significant financial penalties Impact on residents / customers 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 organisation's culture and on staff morale Reputational damage 	4	5	20	<ul style="list-style-type: none"> Ability to engage professional, external advisers to support the organisation and fill skills and capacity gaps Data Protection policies in place and available to all staff Training for all staff on Data Protection IT policies 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 Digital strategy Actions from Cyber Security Audit implemented 	3	4	12	2	3	6
Actions <ul style="list-style-type: none"> Review Disaster recovery plans - new DR solution expected to be implemented October 2021 - delayed due to project in place to replace core infrastructure - will be looking at DR Plans Q1 next year 											

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R

Available Assurance

- Internal Audit of Cyber Security reported February 2021 - Limited assurance
- LGA review of cyber security
- Annual penetration testing - covered with LGA review as above
- Annual assessment against Code of Compliance - *frequency TBC - may not take place, DL to confirm*
- Monitoring Officer monitors compliance with DP training using system reports
- Internal Audit of Information Security currently underway

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR07: Legal compliance, governance & ethics - Failure 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 Lead Officer: Jim Carrington-West & Martin Goodman											
<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 Counter-Fraud and Corruption service Ineffective support for Councillors in relation to governance, legal compliance and ethics Procurement undertaken outside of / in breach of the Rules 	<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 	3	4	12	<ul style="list-style-type: none"> Dedicated in house Legal team with qualified and experienced officers in place Lexcel manual followed Professional managers within service areas (Council-wide) 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 Effective budget setting and financial monitoring processes embedded Annual review of Committee Terms of Reference Members Handbook and Training Annual Governance Statement and action monitored and plan reported to Audit Committee 	2	3	6	2	3	6

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
	date constitution, an effective Internal Audit function and an Annual Governance Statement <ul style="list-style-type: none"> • Reputational damage 										
Actions											
<ul style="list-style-type: none"> • Review risk management framework including operational risk management -completed - Audit Committee sign off Jan 2022 											
Available Assurance											
Internal Audit of Members Allowances and Expenses reported September 2021 - Substantial assurance Internal Audit review of AGS returns - comments returned to s151 officer but some areas for development identified Internal Audits of Procurement and Contract Management 2019/20 and 2020/21 - Advisory but several areas for development identified (see actions above) Internal Audit of Legal Case Management System currently underway Internal Audit of 10-year budget strategy complete - 'Reasonable' assurance Fraud Risk Assessment to be undertaken 2021/22 (IA & CF Managers) <ul style="list-style-type: none"> • Internal Audit of IT Governance due in Q4 2021/22 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR08: Capacity of Community Partners - The impact of austerity and reduced public spending on the workloads and budgets of community partners and the voluntary sector Lead Officer: Sarah Robson											
<ul style="list-style-type: none"> • Reductions in Government funding of partners such as housing, health, leisure, Police and Fire & Rescue services • Increased demand on partner resources and services as a result of Covid-19, against historic reductions in government funding • Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. health funding <p>Reductions in Council grant constraining the funding available for community grants</p> <p>Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers</p>	<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 • Increased hardship in the District • Loss of partner organisations and assistance in the District • Greater health inequalities across the District 	3	3	9	<ul style="list-style-type: none"> • Robust budget setting processes in place which consider the benefits of the Council's community grant scheme and Service Level Agreements • Representation on the Kent and Medway COVID-19 Communities recovery and funding meetings • Continue regular interaction with advisers at the DLUHC • COVID-19 Communities and Economy Recovery Plans adapted and being delivered • Ability to attract external funding to sustain community projects • Strong relationships with local community and voluntary groups • Community Awards Scheme to celebrate the success of local residents and community projects and promote the benefits of volunteering • Local Strategic Partnership delivery of the Community Plan, supported by the Community Wellbeing Fund funding local organisations and initiatives responding to the impact of Covid-19 	2	3	6	2	3	6

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
					<ul style="list-style-type: none"> Local Strategic Partnership for the District Robust monitoring process in place for Service Level Agreements and Grants to ensure outcomes are being achieved. Processes and controls under review. Voluntary Sector Forum for the District Partnership Agreement in place and monitored with West Kent Housing Association Funding Agreement with Kent Public Health to deliver One You programme in the district to address health inequalities. 						
Actions None											
Available Assurance <ul style="list-style-type: none"> Internal Audit consultancy review of Community Grants reported September 2021 Internal Audit of Covid-19 Recovery - in 2021/22 Audit Plan 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR09: Health & Safety - Breach / non-compliance with Health & Safety legislation and practices resulting in harm to workforce											
Lead Officer: Jim Carrington-West and Graeme Taylor and Trevor Kennett											
<ul style="list-style-type: none"> Ineffective or lack of Health and Safety Policy, guidance and training for staff Ineffective controls for the management of Health and Safety Ineffectiveness of health and safety risk assessments Lack of awareness of health and safety controls and practices at work Lack of capacity and skills to ensure continuous provision of high quality health and safety in the work place Property standards decline Threats posed by the pandemic - both in the office and - how we use everything Increased home working in the light of Covid-19 - equipment and facilities - staff not have equipment to work from home Covid - ways of working in the office 	<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 Corporate Manslaughter Financial impact Non-compliance with statutory requirements 	4	5	20	<ul style="list-style-type: none"> Health and Safety Policy regularly updated Health and Safety guidance Health and Safety risk assessments Regular review and monitoring of risk assessments and safe working practices Health and Safety training Health and well-being monitoring including sickness monitoring Accident recording, monitoring and action planning Suitably trained officers undertake H&S risk assessments Occupational health service Effective risk assessments for Covid-19 to protect staff, customers and Members, that are regularly reviewed and communicated Corporate Health and Safety update reported to SMT quarterly Staff wellbeing (Health, Safety and Security) is a standing item on the SMT agenda. The Action Manager (TAM) health and safety 	3	4	12	2	3	6

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
					management system for Direct Services <ul style="list-style-type: none"> • Depot health and safety handbook 						
Actions											
Review Health and Safety framework and arrangements as a whole including consideration of actions from the IA H&S audit - - <i>vacant post in structure with Health and Safety focus which will pick up ongoing review and update of framework - out to advert</i>											
Available Assurance											
<ul style="list-style-type: none"> • HSE Covid-19 inspection - confirmed arrangements in place are robust for Covid • Internal Audit consultancy review against HSE checklist - 28 areas generally compliant, 13 partially compliant, 5 not met • Internal Audit of Fleet Management reported March 2021 - substantial assurance • Internal Audit of Tree Maintenance - Advisory but no significant issues identified • Internal Audit of Staff Wellbeing currently underway • Ongoing review of C-19 risk assessment - last iteration signed off by SMT w/c 27th September 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR10: Emergency planning & severe weather events - Ability to respond effectively in the event of a prolonged major incident while maintaining the ability to keep services running Lead Officer: Adrian Rowbotham & Trevor Kennett											
<ul style="list-style-type: none"> Inadequacy of emergency plan & business continuity plans Inability to appropriately implement emergency plans in response to any given event Lack of capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency Insufficient controls for major emergency hazards Security - responding to national threat levels (move to critical plans within the major) emergency plan Insufficient resilience in the face of a long-term event Multiple successive and/or simultaneously occurring events i.e. EU exit, Covid and a severe weather event 	<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 Inability to adequately respond to multiple occurring events either separately or concurrently Insufficient staffing capacity to deal with a long term and/or major /or concurrent event(s) 	3	4	12	<ul style="list-style-type: none"> Cohort of trained officers on rota to formulate and co-ordinate the Council's emergency response (In place with a cohort of 8 trained senior managers on an 8 week on-call rota but see action below) District Major Emergency Plan (including BCP) in place (but see action below, currently being reviewed and updated) The Action Manager (TAM) to co-ordinate response effectively including documentation IT Disaster Recovery Plan in place (but see action below, currently being updated) Collaborative arrangements and plans agreed with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others Access to support resources from across the Council, including Direct Services Council is a member of the Kent Resilience Forum which gives access to expertise and resources Business continuity impact assessments undertaken identifying priority services Mutual aid provision via CCA 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
Actions											
<ul style="list-style-type: none"> Review of DEC, Training, procedures to commence in April - <i>Training reviewed and courses underway for specialist officers. DEC being reviewed by consultant, new handbook in draft</i> Training of additional officers and to cover more roles - <i>In progress</i> Review MEP (from April 21) - <i>In place (v13) currently being reviewed and updated by consultant, v15 is a major update and draft should be available in January</i> Review of Disaster Recovery Plans - <i>New solution estimated to be in place Quarter 1 2022/23</i> 											
Available Assurance											
<ul style="list-style-type: none"> Internal Audit of Covid-19 response (reported December 2020) - Substantial assurance, but some medium priority actions for emergency planning Internal Audit of Emergency Planning due Q4 2021/22 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR11: Safeguarding - Failure to identify and act on a Safeguarding concern Lead Officer: Sarah Robson & Jim Carrington-West											
<ul style="list-style-type: none"> Failure by the organisation or a member of staff to take action to refer a child or vulnerable adult to the appropriate agency when we become aware that they may be at risk Failure to provide staff training and awareness of the organisation's safeguarding duties and processes <p>Increased interaction with potentially vulnerable children and adults</p> <p>Reductions or loss of resources, capacity and knowledge / expertise</p>	<ul style="list-style-type: none"> Could result in domestic homicide, suicide or other death, injury or continuing neglect, continuing modern slavery, human trafficking, terrorism Damage to public confidence and Council reputation 	3	4	12	<ul style="list-style-type: none"> Safeguarding Policy to be reviewed annually. Latest update 2021 - to be presented to Council for approval in early 2022. Designated Safeguarding Officers trained every 2 years (June 2021 most recent) DBS checks in place for relevant staff Promotion of safeguarding to all staff through posters, Safeguarding newsletters and Grapevine Simple internal reporting arrangements in place for staff to report safeguarding issues A corporate Safeguarding Group to continually review and update policy and processes, and monitor strategic risk. Terms of Reference for the Group were reviewed and updated in October 2021 Workload management process and analysis kept up to date to ensure staff capacity to respond Staff trained as trainers Trained Designated Safeguarding Officers Frontline staff training undertaken in November and December 2021 E-learning safeguarding launches in January 2022 New online referrals system to go live in 2022 Lead Chief Officer reports regularly to SMT Deputy Lead is also a Chief Officer Annual Section 11 Audits and assessments to provide external assurance 	1	4	4	1	4	4

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
					<ul style="list-style-type: none"> • Good working relationship with KCC and the Kent Safeguarding Boards • Safeguarding awareness included into the staff 'new starter' induction process. • Safeguarding added as a standing agenda item to Procurement Working group and procurement guidance provided 						
Actions <ul style="list-style-type: none"> • Safeguarding Group Terms of Reference reviewed and approved by SMT in October 2021. COMPLETE • Safeguarding Policy reviewed and update. Being present for Council approval in early 2022. • Online referrals system being procured in partnership with KCC and 12 district/borough councils in Kent • Designated safeguarding officers training being held in June 2021 - COMPLETE and added to controls above • Reviewed external contracts to have a section on Safeguarding responsibilities - COMPLETE • Managers and frontline staff safeguarding training completed in November/December 2021 - COMPLETE • E-learning training programme being developed by HR for all staff and due to go live in early 2022. 											
Available Assurance <ul style="list-style-type: none"> • Internal Audit of Safeguarding issued November 2021 with Limited assurance • Annual Section 11 Audit - last undertaken November 2020 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR12: Covid-19 - impact on SDC - The impact of the current pandemic on the ability to operate the Council effectively and to continue to provide services to residents and businesses Lead Officers: SMT											
<ul style="list-style-type: none"> Ability to provide a Covid-secure work environment Loss of staff through illness, self-isolation and shielding Impact on suppliers and partners Impact on Council finances and budgets Increased needs of residents and demands on services Managing new responsibilities to support residents and businesses Changing customer behaviour changes service demand Impact of new variants 	<ul style="list-style-type: none"> Loss of staff essential to the provision of services Temporary closure of council offices Temporary pause on Council services Insufficient budget to maintain all services Interruptions to supply chain causing disruption to services Insufficient resources to meet increased demand for new or existing services 	3	5	15	<ul style="list-style-type: none"> Representation on Kent Resilience Forum's SCG meeting to ensure latest Government and county guidance is disseminated. Ongoing engagement with partner organisations and groups e.g. Community Safety Partnership and Local Strategic Partnership Covid-19 Health and Safety Policy to implement and sustain a Covid-secure work environment in place and regularly reviewed Covid-19 health and safety risk assessments in place and regularly reviewed Business Continuity Plans in place to prioritise service delivery and allocation of council resources Tested and effective home working arrangements in place Flexible working practices adopted to assist colleagues with national or local measures such as school closures Increased cleaning and hygiene protocols and practices implemented 10 year budget in place, with effective budget monitoring to address short term impact on council finances Ability to seek alternative suppliers in the event of disruption to supply chains Effective use of technology to enable the continuation of officer and Member aspects of the organisation Prioritisation of Council services and consequent ability to redeploy resources Ability to bid for extra funding eg Leisure Fund 	2	4	8	2	4	8

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
				16	<ul style="list-style-type: none"> Scrutiny Committee Working Group looking at Covid-19 response 			12			12
Actions None											
Available Assurance <ul style="list-style-type: none"> Internal Audit of Covid-19 Response and Recovery reported December 2020 - Substantial Assurance HSE Covid-19 inspection - robust arrangements in place Internal Audit of Covid-19 grant funding ongoing in 2021/22 											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR13: Temporary Accommodation - <i>Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homeless budgets.</i> Lead Officers: Sarah Robson											
<ul style="list-style-type: none"> Changes in government funding Rising numbers of placements Impact on Council finances Increase in Covid-19 related homelessness 	<ul style="list-style-type: none"> Failure to fulfil statutory obligations Impact on life chances and outcomes for individuals and families in temporary accommodation Increased risk of legal challenge due to provision of unsuitable accommodation (including shared accommodation) Pressure on other services 	4	4	16	<ul style="list-style-type: none"> Restructure of Housing Team completed. Temporary Accommodation Action Plan in place for the Housing team. Use of DLUHC's annual Homelessness Prevention Grant to the organisation to prevent homelessness and support costs for temporary accommodation. Focus on preventing homelessness and diversion to alternative housing options through: <ul style="list-style-type: none"> - Launch of Help to Let Scheme - Landlord and Tenancy advice, support and sustainment - Assistance, (including financial aid) to access the private rented sector - Access to employment and training 	3	4	12	3	4	12

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores			
		L	I	R		L	I	R	L	I	R	
					<ul style="list-style-type: none"> - Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money • Family incentive and mediation support to prevent homelessness and retain individual in the family home - Implementation of the Quercus Housing Business Plan to ensure the supply reduces the reliance on nightly paid accommodation - Implementing the Homelessness Strategy - Incentive campaign ‘Help to Let’ for private sector landlords embedded and benefits being realised • Voluntary Relocation scheme. • Implementation of the Quercus Housing Business Plan to ensure the supply reduces the reliance on nightly paid accommodation. • Refreshing the Housing Strategy, with Council approval in 2022 • Implementing the Housing Strategy and Homelessness Strategy • Communications plans in place to promote good news stories and initiatives (InShape, social media). • Work with Housing Associations and temporary accommodation providers to secure additional accommodation units within the district. 							
Actions Housing Strategy being reviewed and updated												

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
Available Assurance											
Internal Audit of Temporary Accommodation currently underway											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR14 - Capital projects - not delivered to time, budget or quality											
Lead Officer: Adrian Rowbotham & Detlev Munster											
<ul style="list-style-type: none"> Lack of available funding to deliver planned schemes Ambitions do not align to viability or lack of consensus Lack of capacity to deliver capital projects (resources and skills available within the organisation) at all stages from initiation to completion Schemes go over budget Risk appetite is averse and opportunities are missed Schemes are progressed at the expense of asset maintenance programme 	<ul style="list-style-type: none"> Projects do not progress as planned Projects go over budget meaning that resources are diverted from other areas Delays to starting schemes Reputational damage if projects delayed or part completed Increased revenue impact could 	3	5	15	<ul style="list-style-type: none"> Strategic Property Team in place and augmented depending on type of scheme presented Project Management and governance protocols in place Pre-feasibility and due diligence investigation undertaken prior to commitment of funds Capital programme set annually, approved by full council Bidding process for projects on capital plan Corporate / Strategic Programme Board - monitoring 	3	4	12	2	4	8

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
	result in an unbalanced 10-year budget				<ul style="list-style-type: none"> Augment team with external specialist consultants (as necessary) Commence discussions with local Planning Authority as soon as possible Commence early consultation with key interested and affected parties Review of lessons learned logs from previous projects 						
Actions <ul style="list-style-type: none"> Investigate viability and funding options - in progress More detailed 2022/23 capital programme process - COMPLETE Investigate appropriate project insurance - ongoing on a scheme by scheme basis Continue to check on lessons learned from previous projects - ongoing 											
Available Assurance All projects have external consultants to provide reports which inform decision making.											

Risk Factors	Potential Effect	Gross Scores			Internal Controls	Net Scores			Target Scores		
		L	I	R		L	I	R	L	I	R
SR15 - Net Zero 2030 - Failure to achieve carbon neutral Lead Officer: Richard Morris											
<ul style="list-style-type: none"> Technology does not sufficiently advance to allow the Council to replace fleet Technology is too expensive to allow the Council to replace fleet Cost of work to Council assets (prohibitive) Retrofitting of assets not technically feasible Delay in delivering actions and projects beyond 2030 Lack of adequate funding 	<ul style="list-style-type: none"> Reputational damage Environmental enhancements not achieved Political impact Financial impact on 10-year budget Inability to sufficiently fund schemes 	4	4	16	<ul style="list-style-type: none"> Cross Member Working Group Officer Working Group Monitoring and political oversight Training and skills development through best practice groups Net Zero fund 	3	3	9	2	3	6
Actions Net Zero Action Plan Preparation of carbon reduction plan											
Available Assurance Net Zero 2030 a standing agenda item on Cleaner and Greener Portfolio briefings and Advisory Committee											

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Strategic Risk Radar

Long-term horizon scanning allows us to be aware of key risks which are, as yet, too uncertain to assess or quantify. By keeping our eye on and tracking these issues we are able to draw them down into the strategic risk register when the timing is right. Having a longer-term view of strategic risk also enables us to be aware of local, sector-wide and even global issues. The bullet points below shows some of issues we are keeping on our radar.

2022/23

- Covid-19
- Climate Change
- Business Rates Retention
- Legislation Changes
- Regeneration Projects

2023+

- Political change
- Aging Population
- Advancing Technologies
- Infrastructure

Sevenoaks Impact Matrix

	Financial	Service Delivery & Capability	Reputation	Legal & Regulatory	People & culture
Impact Headings	<i>Relating to uncontrolled expenditure or loss of income</i>	<i>Relating to operational delivery of services / objectives</i>	<i>May cause harm to public confidence or embarrassment</i>	<i>Related to breaches of law, rules or governance</i>	<i>May impact negatively on our workforce, culture or values</i>
Critical (5)	Uncontrolled financial losses in excess of multiple £m's	Failure to deliver <i>statutory</i> service / service disruption for >14 days	National adverse publicity perceived as failing in a significant area of responsibility	Breach of law, regulations leading to significant sanctions Breakdown of governance / internal control resulting in fraud	Significant staff dissatisfaction / increased long term absence & staff turnover Loss of culture and value framework
Major (4)	Uncontrolled financial losses in excess of £1m+ overspend in budget by >£1m+	Unable to deliver <i>discretionary</i> service / service disruption for >14 days	Sustained negative local media attention & damage to public confidence	Breach of law or regulation leading to some sanction Breakdown of internal controls open to abuse	Adverse staff dissatisfaction / likely increased absence and turnover of staff Negative impact on culture & value framework
Moderate (3)	Uncontrolled financial losses between £500k - £1m / overspend in budget by >£500k	Unsatisfactory service performance / service disruption of >5 days	Isolated negative local publicity	Breach of regulation or internal standard (limited sanctions) Isolated internal control weaknesses	Declining staff dissatisfaction Isolated instances of behaviours outside of value framework
Minor (2)	Uncontrolled financial losses between £100k - £500k / overspend in budget by >£100k	Reduced service delivery / service disruption for 7 hours	Local publicity, but manageable through communication channels	Breach of internal policies Internal controls partially effective	Isolated areas of staff dissatisfaction / likely impact on absence and turnover
Minimal (1)	Uncontrolled financial losses less than £100k / overspend in budget less than £100k	Disruption managed within normal day to day operations	Unlikely to cause adverse publicity	Breaches of internal procedures / working practices	Loss of staff morale but unlikely to result in absence or turnover of staff

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DRAFT AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2021/22 - 26 APRIL 2022

Council - 26 April 2022

Report of: Cllr McGarvey, Chair of the Audit Committee

Status: For Consideration

Introduction and Background

- 1 This is our report to the Council on the work of the Audit Committee during the year 2021/22.
- 2 The Audit Committee is responsible for discharging the functions conferred by the Accounts and Audit Regulations 2015. The key responsibilities include approving the Council’s Annual Statement of Accounts, approving the Annual Governance Statement, approving the Annual Internal Audit Plan and monitoring and reviewing the work of Internal Audit, and reviewing the arrangements for the management of business risks.
- 3 In line with its Terms of Reference, the Audit Committee has met four times during the course of the year.
- 4 As Chair of the Committee, I have additionally held monthly briefings with Officers.
- 5 Details of the range of issues considered by the Committee over the course of the year are set out below:

Internal Audit

Date of Meeting	Agenda Items
July 2021	<ul style="list-style-type: none"> • Internal Audit Annual Report and Annual Opinion 2020/21
September 2021	<ul style="list-style-type: none"> • Internal Audit Progress Report 2021/22
January 2022	<ul style="list-style-type: none"> • Internal Audit Progress Report 2021/22
March 2022	<ul style="list-style-type: none"> • Internal Audit Progress Report 2021/22 • Internal Audit Plan 2022/23

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Governance, Risk & Anti-Fraud

Date of Meeting	Agenda Items
July 2021	<ul style="list-style-type: none">• Audit Committee Terms of Reference• Counter Fraud and Compliance Report 2020/21• Review of the Effectiveness of the Audit Committee 2020/21• Consideration of recruitment of Independent Audit Committee Member(s)
September 2021	<ul style="list-style-type: none">• Members' Allowance Scheme Monitoring 2020/21• Strategic Risk Register
January 2022	<ul style="list-style-type: none">• Risk Management Strategy• Audit Committee Independent Members - Update
March 2022	<ul style="list-style-type: none">• Strategic Risk Register Update

Accounts and External Audit

Date of Meeting	Agenda Items
July 2021	<ul style="list-style-type: none">• External Audit - Housing Benefit Subsidy 2019/20• Annual Governance Statement 2020/21• Statement of Accounts 2020/21 - Establishment of Member Working Group
September 2021	<ul style="list-style-type: none">• Statement of Accounts 2020/21 progress update
January 2022	<ul style="list-style-type: none">• Future Appointment of External Auditors• Statement of Accounts 2020/21 progress update
March 2022	<ul style="list-style-type: none">• Statement of Accounts 2020/21

- 6 The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton who have attended several Audit Committee meetings during the year.
- 7 Training of Audit Committee Members is important to ensure that they can add value to the discussions at the Committee. A Member Development Plan

has been agreed by the Committee and the following training sessions have taken place over the year:

- Counter Fraud and Whistle Blowing
- Internal Audit and the Role of the Audit Committee
- Risk Management

- 8 In addition to the core work of the Committee, a Member Working Group took place in August 2021 to review the draft Statement of Accounts. Its findings were reported back to the full Audit Committee. The external auditors commented favourably on Members' involvement in the Annual Accounts process.
- 9 Statement of accounts. *(comment to be added after the Audit Committee)*
- 10 As approved by Council in February we are currently in the process of appointing independent member(s) to the committee so long as there are suitable candidates who can enhance the committee.
- 11 It is my opinion that the work of the Committee has a positive impact on the overall control environment within the Council and has developed good working relationships with officers and External Audit, and has offered constructive comments on a range of issues. The Committee continues to develop and improve its understanding of the many technical issues presented to it.
- 12 Fran Chivers, Audit Manager, left the Council in December 2021 and Jen Warrillow started as the new Audit Manager in February 2022.
- 13 I thank all members of the Audit Committee for their personal contribution to the work of the Committee. I also thank Officers, in particular Adrian Rowbotham, Jen Warrillow, Fran Chivers, Alan Mitchell, Ian Wiltshire and Glen Moore, for the help and support they have given the Committee.

Cllr Philip McGarvey, Chairman, Audit Committee

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Audit Committee 2021/22 - Work Plan (as at 08/02/2022)

	March 2022	July 2022	September 2022
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Progress Report 2021/22 Internal Audit Plan 2022/23	Internal Audit Annual Report and Annual Opinion 2021/22	Internal Audit Progress Report 2022/23
Accounts and External Audit	Statement of Accounts 2020/21 External Audit - Annual Audit Plan 2021/22 External Audit - Auditors Annual Report External Audit - Housing Benefit Subsidy 2020/21	Statement of Accounts - Establishment of Member Working Group	Statement of Accounts 2021/22
Other	Chairman's Audit Committee Report to Council Statement of Accounts 2020/2021 Strategy Risk Register Update	Audit Committee Terms of Reference Counter Fraud and Compliance Report 2021/22 Annual Governance Statement 2021/22 Review of the Effectiveness of the Audit Committee 2021/22	Members Allowance Scheme Monitoring Strategic Risk Register

	March 2022	July 2022	September 2022
Members Development Briefings	Members Development Briefing - Risk Management	Members Development Briefing - External Audit	Members Development Briefing - understanding Local Government Accounts