



DISTRICT COUNCIL

Despatched: 01.09.14

AUDIT COMMITTEE

09 September 2014 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

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

Cllrs. Mrs. Bayley, Brown, Fittock, Neal, Orridge, Mrs. Purves and Towell

	<u>Pages</u>	<u>Contact</u>
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 10 June 2014, as a correct record.	(Pages 1 - 8)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 9 - 10)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Statement of Accounts Outcome of External Audit	(Pages 11 - 140)	Helen Martin Tel: 01732 227483
6. Internal Audit 2014/15 - 1st Progress Report	(Pages 141 - 156)	Bami Cole Tel: 01732 227236
7. Investment Strategy - Risk Register	(Pages 157 - 162)	Andrew Robson Tel: 01732 227209
8. Report on Internal Audit Recommendations Outstanding	(Pages 163 - 172)	Bami Cole Tel: 01732 227236
9. Risk Management Training	(Pages 173 - 176)	Bami Cole Tel: 01732 227236

10. **Workplan**

(Pages 177 - 178)

EXEMPT INFORMATION

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

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

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

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

The Democratic Services Team (01732 227241)

AUDIT COMMITTEE

Minutes of the meeting held on 10 June 2014 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank (Vice Chairman)

Cllrs. Mrs. Bayley, Orridge, Mrs. Purves and Towell

Apologies for absence were received from Cllrs. Brown, Fittock and Neal.

Cllr. Ramsay was also present.

Apologies for lateness were received from the Chairman. The Vice Chairman took the Chair.

Cllr. Brookbank in the Chair.

1. Minutes

Resolved: That the minutes of the Audit Committee held on 18 March 2014 be agreed and signed as a correct record.

2. Declarations of Interest

There were no additional declarations of interest.

3. Actions from Previous Meeting

The actions from the previous meeting were noted.

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

The response from the Local Planning & Environment Advisory Committee to Minute 17 Audit Committee 10 September 2013, was noted.

5. Audit Committee Terms of Reference

It was noted that 3 (p) of the Terms of Reference would be reviewed as it possibly would be more suited in the remit of the Governance Committee.

Resolved: That the report be noted.

6. External Audit - Audit Committee Update

Mr Andy Mack (Engagement Lead) and Mr Geoffrey Banister (Audit Manager), from Grant Thornton presented their Audit Committee update. The paper also included a summary

of emerging national issues and developments and a number of challenge questions in respect of these emerging issues. To date they reported the audit was progressing to plan and good arrangements continued to be in place. In response to questions Members were advised that compared to a couple of years ago there had been a significant improvement in the performance of the Benefits Service as fewer errors were being identified.

Public Sector Equality Duty

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

Resolved: That the report be noted.

7. External Audit - Annual Audit Plan

Mr Andy Mack and Mr Geoffrey Banister presented the Audit Plan which highlighted the key elements of their 2013/14 external audit strategy for the Council. The three main areas were financial statements, value for money and housing benefits. The Council had a good track record of accounts preparation with only some minor presentational issues. The audit fee would be the same as the previous year.

In response to questions, Members were advised that the adoption of the International Financial Reporting Standards (IFRS) had meant more information was included in the accounts, but it was time now to cut back. It would be possible to streamline the accounts by removing notes that were not material or did not add value to the user. Ways of streamlining the accounts would be discussed with the Chief Finance Officer.

Mr. Mack stated that the Department for Local Communities and Local Government proposed to bring forward the timetable for closure of accounts by up to two months. The Chief Finance Officer commented that in reality this could lead to an increased amount of assumptions and estimates in order to achieve the shorter deadline.

Public Sector Equality Duty

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

Resolved: That the report be noted.

8. Anti- Fraud Team Report 2013/14

The Fraud Manager presented a report which set out details of the activities of the Anti-Fraud Team during 2013/14, the team's work plan for 2014/15 and the potential impact on fraud investigation services within Sevenoaks District Council caused by the creation of the Single Fraud Investigation Service (S-FIS). He further advised that a date had now been received for the work within S-FIS to be transferred to the Department of Work and Pensions (DWP), as February 2016. Negotiations regarding the transfer of staff would commence six months prior to this. The S-FIS would only investigate welfare fraud and so the investigation of fraud within Council Tax Support claims and Council Tax (discounts and exemptions) would remain the responsibility of the local authority.

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A Member queried whether more money was being retrieved than spent to retrieve. The Fraud Manager reported that more benefit fraud was being detected in comparison to the cost of the service, but as to the monetary value this was pretty constant. The recent amount discovered was the second highest value from the last four years results. However the Anti-Fraud Team only assisted with the detection of benefit fraud not the retrieval. With regards to Council Tax fraud, the work conducted by the Anti-Fraud Team provided significant benefits to both the local authority and Kent County Council and it was hoped that the County Council could assist the local authorities in Kent with permanent funding for this type of work.

Members agreed that it would be helpful to have some form of cost benefit analysis. The Chief Finance Officer advised that as positions were part funded by Government but no funds formally identified it would be difficult to differentiate.

Action 1: That the Chief Finance Officer and Chairman further investigate ways of bringing a cost benefit analysis to the Committee.

Public Sector Equality Duty

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

Resolved: That the contents of the report and the work of the Anti-Fraud Team carried out in 2013/14 and that proposed for 2014/15, be noted.

Cllr. Grint in the Chair.

9. Report on Internal Audit Recommendations Outstanding

The Audit Risk and Anti Fraud Manager presented a report updating Members on progress of the implementation of recommendations agreed with management, and outstanding recommendations due for implementation by 30 April 2014. A report would be presented to all future meetings providing details on Internal Audit recommendations which had not been completed by management within the implementation due date. It would also include any relevant explanations for delay or cancelation of recommendations. Where appropriate, Members would be able to request responsible management to attend future meetings to provide further information regarding the reasons for the delay and its implications.

Public Sector Equality Duty

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

Resolved: That

- a) the information in Appendix A to the report be noted; and

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- b) the reasons for delayed implementation be noted, and the revised dates for implementation provided by management, as noted in Appendix B to the report, endorsed.

10. Annual Self Assessment Review of the effectiveness of Internal Audit Service 2013/14

The Audit Risk and Anti Fraud Manager presented a report concerning the outcome of the annual self-assessment review of the Council's Internal Audit Function. It was the first report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The new standards related to all public sector internal audit functions and were mandatory. Appendix A to the report set out the details of the self-assessment, which was undertaken using the standardised checklist.

Members commented that the template produced a very detailed review. The outcome of the review indicated that the Internal Audit partnership with Dartford Council was substantially compliant with the new standards. Areas for further development were identified which would enable full compliance within a reasonable timeframe. The Audit Risk and Anti Fraud Manager advised that the standards required that once every five years there should be an independent external assessment of internal audit.

Mr. Mack of Grant Thornton, the External Auditor, reported that the mid Kent Audit Partnership, (Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils) had just had the first external review in the country, the details of which were now public. The Institute of Internal Auditors had carried this out. It was agreed that the Committee should be involved in the appointment process of the external reviewers.

Public Sector Equality Duty

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

Resolved: That the Annual Self-assessment Review of the Effectiveness of Internal Audit Service 2013/14, be approved.

11. Internal Audit Annual Report - 2013/14

The Audit Risk and Anti Fraud Manager presented a report setting out the achievements of the Internal Audit team in delivering the assurance requirements for the period April 2013 to March 2014. The report provided satisfactory assurance that the Council had effective internal controls and governance arrangements in place for the delivery of its objectives and the management of its business risks during the period 1 April 2013 to 31 March 2014.

Public Sector Equality Duty

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

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Resolved: That

- a) the work of the Internal Audit Team for 2013/14 be noted and approved; and
- b) the Audit Manager's Annual Assurance opinion that the Council had effective internal controls and governance arrangements in place for delivering its objectives and the management of its business risks, be supported.

12. Report on the Public Sector Internal Audit Standards

The Audit Risk and Anti Fraud Manager presented a report setting out the Council's readiness to implement the new Public Sector Internal Audit standards. The report indicated that the internal audit function was substantially compliant with the new standards. However, there were areas for further development which requires addressing in order to achieve full compliance. These had been set out in an action plan for senior management's consideration.

Public Sector Equality Duty

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

Resolved: That the report on the implementation of the new Public Sector Internal Audit Standards and the proposals for achieving full compliance be approved.

13. Annual Governance Statement 2013/14

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

The Chief Executive, Chief Officers and more managers than in previous years had been involved in the process and had completed a detailed questionnaire to raise any issues that could be included in the AGS. The Internal Audit Team had also analysed the previous years AGS and minutes of various meetings held during the year to ensure that everything was included. This was a more detailed process than used in previous years as the importance of the document continued to increase. The AGS confirmed that the Council had sound systems of internal control and good governance arrangements in place in 2013/14.

It was noted that reference to the 'District Auditor' needed to be changed to 'External Auditor.'

Public Sector Equality Duty

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

Resolved: That the Annual Governance Statement for 2013/14, which accompanies the Council's Accounts, be agreed.

14. Draft Strategic Risk Register

The Audit Risk and Anti Fraud Manager presented a report which gave Members the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register had been developed by Officers, taking into consideration the views of the Officers Risk Management Group, Service Managers and Chief Officers. It set out risks that Officers considered could prevent or enhance the Council's ability to deliver the Vision and Promises set out in the Council's Corporate Plan.

The Chairman noted that the a recent survey of Members' training needs had identified the need for risk management training and it had been the intention to deliver this at the meeting, but it was an already full agenda, so training would be held on another occasion.

Action 2: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss training arrangements for Members.

It was agreed that this was a document that should be considered more regularly and in more detail throughout the year.

Action 3: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to address this for the rest of the year.

Public Sector Equality Duty

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

Resolved: That the Draft Strategic Risk Register be agreed with no further recommendations, amendments or additions.

15. Statement of Accounts 2013/14 - Member Working Group

Members considered setting up a working group to review the 2013/14 Draft Statement of Accounts and recommend any changes to the Foreword and presentational changes to facilitate better comparison of information between years.

Public Sector Equality Duty

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

Resolved: That

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- a) a Member Working Group be set up to review the 2013/14 Draft Statement of Accounts; and
- b) the membership consists of Councillors Mrs Bayley, Brookbank, Fittock and Grint, with the Portfolio Holder for Finance & Resources, Cllr Ramsay, and Deputy Portfolio Holder, Cllr Firth invited to attend.

16. Review of the Effectiveness of the Audit Committee

The Chairman introduced the report of the Audit Risk and Anti Fraud Manager, which put forward proposals for assessing the effectiveness for the Audit Committee for the year 2013/14, its first full year of operation.

Looking at the responses received to the survey it was agreed that it was helpful to have Grant Thornton present for at least three meetings during the year, even though they were only obliged to attend two.

It was noted that the Constitution required an Annual report to Council on the work of the Committee. It was agreed that it would be useful to amalgamate this work and place it on the Work Plan.

Public Sector Equality Duty

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

Resolved: That the Annual Self-assessment Review of the Effectiveness of the Audit Committee 2013/14, be approved.

17. Work Plan

The work plan was noted. Members discussed and agreed it would still be useful to have an update on any Community Infrastructure Levy (CIL) arrangements taking into account the fact that the Local Planning and Environment Advisory Committee would be receiving a report on the governance of CIL in the summer. Implementation of Audit Recommendations, Review of Effectiveness of Internal Audit and the Annual report to Council/ Review of Effectiveness of the Audit Committee report needed to be added to the meeting in March 2015.

Action 4: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to update the Committee on Community Infrastructure Levy (CIL) arrangements.

THE MEETING WAS CONCLUDED AT 8.50 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 10.06.2014			
Action	Description	Status and last updated	Contact Officer
ACTION 1	That the Chief Finance Officer and Chairman further investigate ways of bringing a cost benefit analysis to the Committee.	A cost benefit analysis of the Anti-Fraud Team was sent to Audit Committee Members on 22/08/14.	Adrian Rowbotham
ACTION 2	The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss training.	Risk Management training will be provided to the Audit Committee on 09/09/14.	Adrian Rowbotham
ACTION 3	The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to address this for the rest of the year.	This is to be discussed by the Audit Committee after the above training.	Adrian Rowbotham
ACION 4	The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to update the Committee on Community Infrastructure Levy (CIL) arrangements	A CIL Governance Arrangements report is being presented to the Local Planning & Environment Advisory Committee on 23/10/14. A CIL Update report has been added to the 13/01/15 Audit Committee.	Adrian Rowbotham

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STATEMENT OF ACCOUNTS 2013/14 – OUTCOME OF EXTERNAL AUDIT

Audit Committee – 09 September 2014

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2013/14 accounts

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

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext.7483

Recommendation to Audit Committee: It be RESOLVED that the Statement of Accounts 2013/14 be approved

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 21 July 2014.
- 2 The external audit of the accounts began on 7 July and the Audit Findings Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VfM) conclusion for 2013/14.
- 3 The external auditor, Andy Mack from Grant Thornton, will attend the meeting to discuss their report on the 2013/14 audit. The accounts are required to be signed off by the end of September 2014.
- 4 The Audited Statement of Accounts 2013/14 is attached as Appendix B.
- 5 The format of the statement remains the same as 2012/13 and has been compiled in line with International Financial Reporting Standards (IFRS).

Review by Working Group

- 6 At the meeting of the working group on 21 July, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.

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- 7 Following the working group, the Foreword has been amended to include information about the income and expenditure in graph form, and a simplified balance sheet to clearly identify the total of the Council's assets.
- 8 The Foreword also includes information about the changes to the Business Rates Retention scheme.

Commentary on the Auditor's Report

Audit Findings

- 9 Grant Thornton have stated that the accounts give a true and fair view of the Council's financial position, and have been properly prepared in accordance with the Code of Practice.
- 10 The changes made to the statement of accounts following the audit are explained below:
 - a. Non Domestic Rates – an item of non domestic rate income was incorrectly shown as a reduction in the net cost of service on the Comprehensive Income and Expenditure Statement (CIES) and should have gone through the Movement in Reserves statement and Collection Fund adjustment account. This change reduces the total of net income shown on the CIES.
 - b. Gross Income and Gross Expenditure analyses in the Comprehensive Income and Expenditure statement were incorrect and did not match the General Ledger.
- 11 The above items have been adjusted and do not impact on the amount transferred to Earmarked Reserves at the end of the year.

Value for Money

- 12 Grant Thornton have issued an unqualified conclusion to our arrangements for Value for Money. They examined our arrangements for securing economy, efficiency and effectiveness in our use of resources and confirm that we have proper arrangements in place. They have reviewed whether the Council has prioritised its resources to take account of the tighter constraints within which we are required to operate. The 'traffic light' indicators for value for money indicators for value for money are all assessed as green.
- 13 The Council's track record of good financial performance is considered indicative of robust financial planning arrangements. The 10-year financial plan is considered to reflect best practice, and they observe that we have a strong track record on delivering budgets and savings plans.
- 14 The Council's financial governance arrangements have been strengthened during the year and there is increased focus on scrutiny of key internal audit reports and of financial statements which emphasises our sound financial governance.

- 15 The Council has a robust financial control framework and a strong track record on budgetary and financial control.

Summary

- 16 We would like to express our thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee. The Finance Team will be working with Grant Thornton to review the 13/14 Accounts process to identify any improvements that can be made for future years.

Key Implications

Financial

There are no financial implications

Legal Implications and Risk Assessment Statement.

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

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The recommendation is concerned with sound control of the Councils finances and does not directly impact on services provided to the community
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		No mitigating steps are required

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Conclusions

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

Appendices

Appendix A – Grant Thornton Audit Findings
2013/14

Appendix B – Letter of Representation

Appendix C – Audited Statement of Accounts
2013/14

Adrian Rowbotham
Chief Finance Officer

The Audit Findings for Sevenoaks District Council

Year ended 31 March 2014

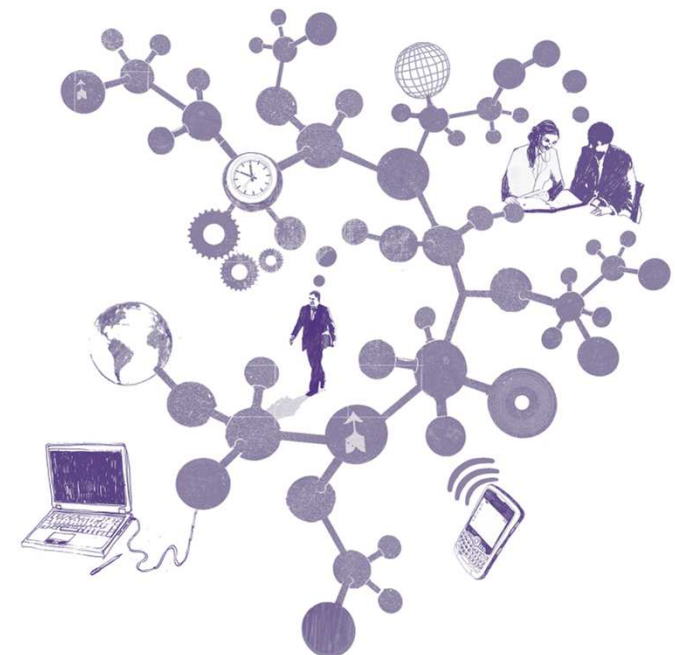
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Sevenoaks District Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan presented to the June 2014 Audit Committee.

Our audit is substantially complete although we are finalising our work in the following areas:

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

- Work on the Whole of Government Accounts

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements. We have identified one adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded total comprehensive income and expenditure of £10,470k; the audited financial statements show total comprehensive income and expenditure of £9,875k. This change relates to the incorrect treatment of non domestic rates income of £595k in the comprehensive income and expenditure. We have also identified a number of adjustments to improve the presentation of the financial statements.

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

- The financial statements were provided by the deadline, although as last year, there was scope to reduce the number of presentational errors through a more thorough quality review process
- The quality of the working papers and documents supporting the balances within the financial statements were of a good standard.
- Our substantive testing of the balances within the financial statements has identified only two issues which relate to non domestic rates and gross expenditure and gross income figures, that we are required to report.
- There were a number of minor presentational issues that the Council has corrected in the revised set of financial statements. Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Audit Certificate

The audit certificate will be issued once our work in respect of Whole of Government Accounts is completed.

Controls

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

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. Our work has not identified any control weaknesses which we wish to highlight for your attention. Further details are provided within section 2 of this report.

The way forward

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

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

We propose to hold a debrief meeting with the finance team after the accounts are signed off to discuss how the Council can both strengthen and bring forward its accounts closedown process in future years. This will be particularly important given the Department for Communities and Local Government's proposals to move the sign off deadline to 31 July by 2018.

Acknowledgment

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

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 10 June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

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Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you at the Audit Committee on 10 June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively testing of a sample of the Council's operating expenditure incurred during the year testing of a sample of the Council's creditors at year end, including checking for payment post-period end 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively testing of a sample of the payroll expenditure incurred during the year testing of a sample of the payroll expenditure at year end, including checking for payment post-period end a review of the work of the pension fund actuary and substantive tests on the cost of pensions 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively We have completed modules set by the Department for Work & Pensions which included performance of an analytical review for the Housing and Council Tax Benefits Claim certification. We have tested samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with Department for Work & Pensions' guidelines and welfare legislation 	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's revenue recognition policies are disclosed within the accounting policies. This confirms that the revenue is recognised in the year to which it relates, rather than when the cash is actually received.	Our review of this policy confirms it is in line with the CIPFA Code of Practice.	● Green
Judgements and estimates	Key estimates and judgements included within the accounts include: <ul style="list-style-type: none"> • Going concern • Leases • Arrears • Business rate appeals • Pensions liability • Property, Plant and Equipment • Provisions 	Following our consideration of these judgements and estimates, we are satisfied they are in line with the Code of Practice, and with the approach taken by the Council in the previous year. We have performed a detailed review of the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14. We are satisfied the Council has taken a robust approach to estimating this provision.	● Green
Other accounting policies	<ul style="list-style-type: none"> • We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment

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

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p>1 Non domestic rates Adjustment to correct the incorrect treatment of non domestic rates income as the entry should have gone through the movement in reserves statement (MIRS) and Collection Fund Adjustment Account instead of on the face of the comprehensive income and expenditure statement.</p>	595 DR	595 CR NDR Debtors	595 DR
<p>2 Comprehensive income and expenditure statement Gross Expenditure (was £57,787k now £51,587k) and Gross Income figures (was £42,937k now £36,737k) in the comprehensive income and expenditure statement are incorrect as they do not agree to the General Ledger. The net expenditure does not change.</p>			nil

Misclassifications & disclosure changes

The audit identified misclassifications and disclosure notes which required amendments. Management have chosen to amend these and add the additional disclosures where required.

Examples include:

- Financial instruments note not disclosing cash and cash equivalents
- External audit fees
- Casting errors
- Disclosure of new accounting standards
- Note 24 - the 13/14 table included an incorrect figure of (£3,176k) against fees & charges for Legal & Governance. It should be (£176k).
- Movement in reserves note included incorrect figures

Unadjusted misstatements

There are no adjustments identified which we request be processed but which have not been made within the final set of financial statements.

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies in the Council's internal controls

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience.

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

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

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

Key findings

Securing financial resilience

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

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

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

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Council successfully challenges economy, efficiency and effectiveness in its use of resources. The Council's decision to seek to be financially self-sustainable has had a direct impact on the Council's investment and asset management strategy. Currently being developed are approaches to invest in land and property that generate a return and to also establish a trading company to maximise both opportunities to invest and levels of return.

Overall VFM conclusion

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

Value for Money

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

Green - Adequate arrangements

Amber - Adequate arrangements, with areas for development

Red - Inadequate arrangements

The table below summarises our findings for each of the themes reviewed:

Theme	Summary findings	High Level Risk Assessment
Key indicators of performance	The Council's key financial outcomes continue a track record of strong financial performance. The Council successfully delivered the 2013/14 budget and has maintained its robust reserve levels that will enable it to continue to invest in projects in the future.	● Green
Strategic financial planning	The Council has robust financial planning arrangements and delivery of 2014/15. The 10 year financial plan reflects best practice and has helped to mitigate projected funding shortfalls using risk reserves. This allows the council to take a longer term view in regard to addressing funding shortfalls through service development	● Green
Financial governance	The Council's financial governance arrangements have been strengthened in the year. The establishment of the Audit Committee has increased the Council's scrutiny of key Internal Audit reports and the focus on the financial statements. The Audit Committee has overseen the implementation of a refreshed risk management policy and corporate risk register.	● Green
Financial control	The Council has a strong track record on budgetary and financial control, demonstrated by good financial outcomes, which is indicative of a robust financial control framework.	● Green
Prioritising resources	The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery, demonstrating a clear strategy and rationale for the use of its financial and other resources.	● Green
Improving efficiency & productivity	The Council has a demonstrable track record of always seeking to deliver savings in support of the need to deliver a balanced budget. This has included in the past a review of salary bands and continues to include seeking new ways of working or working in partnership with other local authorities.	● Green

Section 4: Fees, non audit services and independence

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01. Executive summary

02. Audit findings

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04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	56,641	Estimate 59,541
Grant certification	30,300	Estimate 20,000
Total audit fees	£86,941	£79,541

Fees for other services

Service	Fees £
None	Nil

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The increase in the Council's audit fee is due to the Audit Commission's approval in principle of a fee variation for the additional work required on business rates and for the number of presentational errors.

The reduction in the grant certification fees is because some grant claims previously subject to audit certification now fall outside of the Audit Commission remit, but were originally included within the planned fees.

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

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Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

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Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	As recommended last year the Council should consider building into the financial statements preparation process a more thorough comprehensive quality assurance review to identify errors.	Deficiency	Additional time was included for this purpose in 2013/14 and further resources will be allocated for this purpose in 2014/15 to carry out a more thorough review.	June 2015 Head of Finance

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Sevenoaks District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Sevenoaks District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Sevenoaks District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998. We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Sevenoaks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

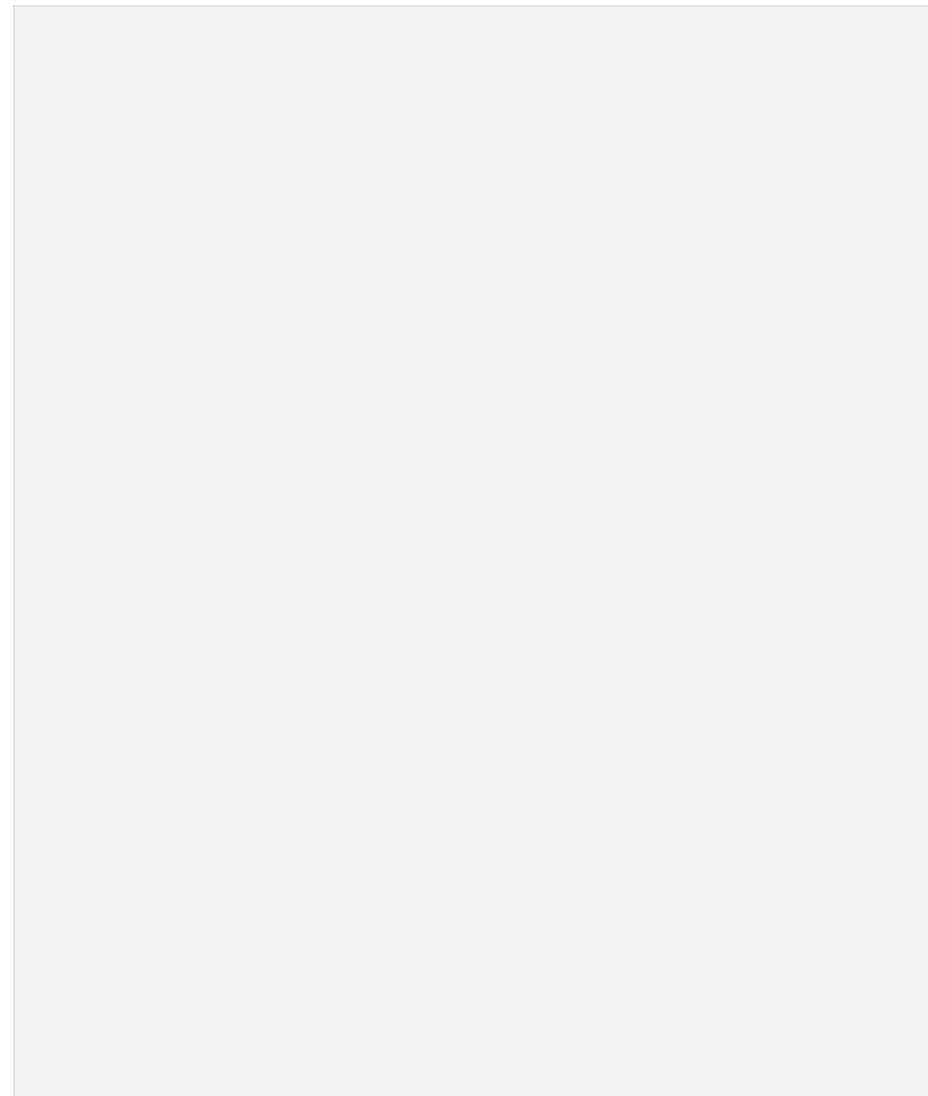
[Signature]

Andy Mack

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

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

[Date]





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Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

9 September 2014

Dear Sirs

Sevenoaks District Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Sevenoaks District Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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- 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.
- vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vii Except as stated in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x 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.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be 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.
- 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 believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further

disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- 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 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 Council's financial statements communicated by employees, former employees, regulators or others.
- 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 entity of the 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.

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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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 9 September 2014.

Signed on behalf of the Council

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

STATEMENT OF ACCOUNTS

2013/2014



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EXPLANATORY FOREWORD

Introduction

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

This explanatory foreword is structured as follows:

- Corporate vision for Sevenoaks
- Summary of 2013/14 Budget and Outturn
- Explanation of the Financial Statements
- Statement of Responsibilities for the Financial Statements
- Core Financial Statements

Corporate Vision for Sevenoaks

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

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

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

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

As local government continues to operate in an increasingly tight financial climate, our budget has reduced year on year. Financial savings have had to be made and between 2011 and 2014, we have saved £4.3 million, with £486,000 of savings during 2013/14.

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

Our investment strategy is committed to:

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- Improving efficiency and cost effectiveness of the services we provide. This will be achieved by working in partnership with others, increasing income and reducing running costs.
- Consider buying and building new assets that either help improve the way we provide services or generate a financial return.
- Generate returns on investments, by making use of available reserves and taking advantage of low interest rates on long-term borrowing.
- Invest in methods to attract, support and generate business within the District.

Managing our business and resources

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

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

Comparison of Outturn to Budget

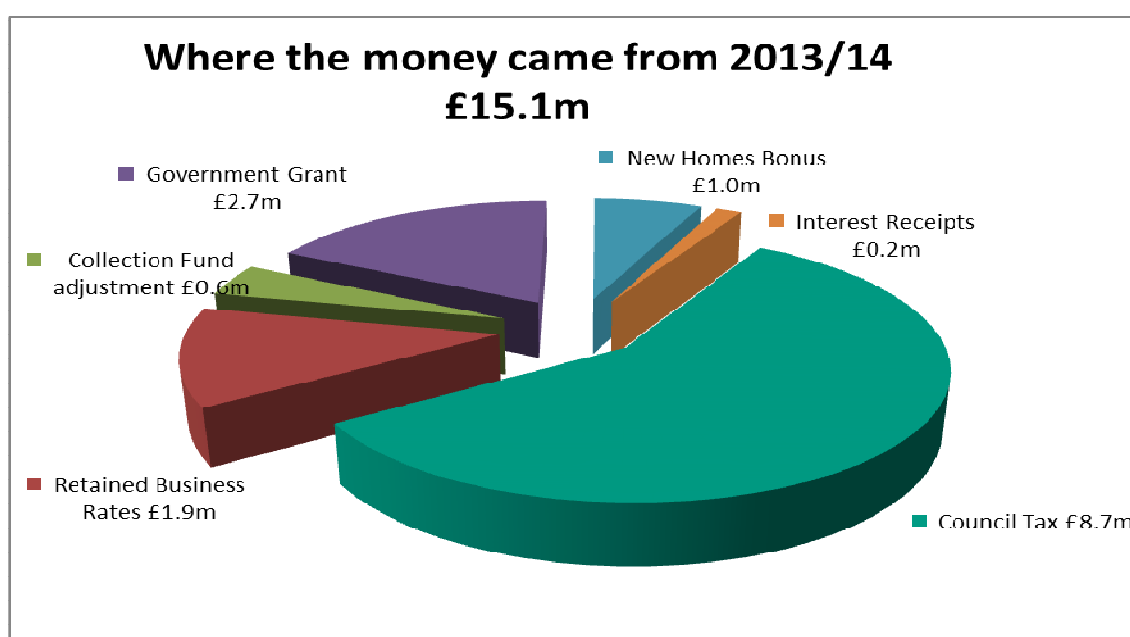
The original budget approved by Council on 19 February 2013 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2013/14 a supplementary estimate of £16,000 was approved for Christmas car parking.

The final outturn position is a surplus of £244,113. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund.

The table below shows a comparison of outturn figures in 2012/13 and 2013/14

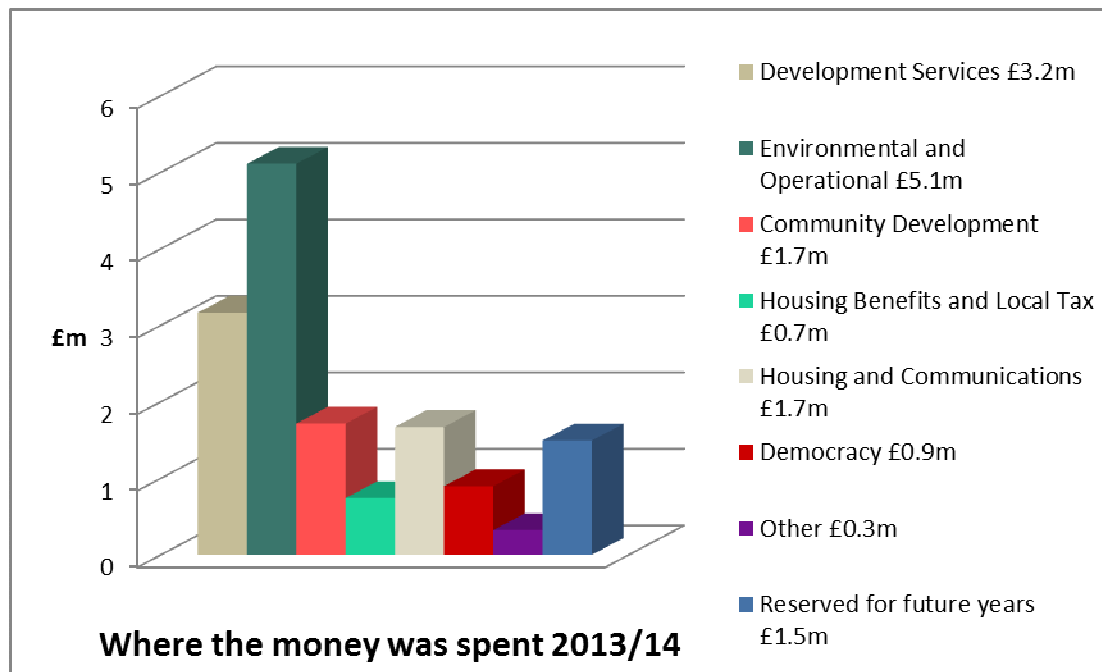
	Final Outturn 2012/13 £000	Final Outturn 2013/14 £000
Council Tax	(9,207)	(8,728)
Government Support (Inc Council Tax Support Grant) & Retained Business Rates and New Homes Bonus	(5,240)	(6,155)
Interest Receipts	(358)	(237)
Total Income	(14,805)	(15,120)
Planned Contributions to Reserves	612	655
Contribution to Reserves - New Homes Bonus	594	-
Contribution to Reserves for future NDR arrears	-	595
Contribution to carry forward reserve	35	129
Total Expenditure on services	13,308	13,497
Excess of Income over Expenditure	(256)	(244)
Contribution to Budget Stabilisation Reserve	256	244
(Fav)/Adv variance	-	-

The total income for 2013/14 came from the following sources:



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Our net income of £15.120m was spent on the following services:



Explanation of the Financial Statements.

The Statement of Accounts consists of the following:

- **The Statement of Responsibilities**, setting out the general responsibilities of both the District Council, and of the Chief Executive, in making proper financial arrangements and in maintaining financial records.
- **The Independent Auditor's report.** The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources
- The core financial statements:
 - i. **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General

Fund Balance for tax setting purposes. The line entitled 'Net Increase / Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

- ii. **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- iii. **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'
- iv. **The Cash Flow Statement** shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying Cash flows as Operating, Investing and Financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- v. **Notes to the core financial statements** provide further detailed information.

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vi. **The Collection Fund Statement**, together with notes to this account.

Accounting Practice

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

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

Assets

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

Fixed assets owned by the Council include the following:

Operational Land & Buildings

Central Offices Argyle Road
Swimming Pool/Leisure Centres
- Sevenoaks
- White Oak, Swanley
- Edenbridge
Lullingstone Clubhouse and Pro shop
Dunbrik Depot
Pavilion/Toilets Holly Bush Rec
Indoor Bowls Centres
- Sevenoaks
- Swanley
Public Conveniences* – 5
Bus Facility, Sevenoaks
Surface Car Parks – 16
Stangrove Park Edenbridge
Oxenhill Meadow, Otford

Non-Operational Assets

The Red Deer, Lullingstone Park
Land, Inglewood, Sevenoaks
Shoreham Woods/Timberden Farm
Glen Dunlop House, Sevenoaks
Stag Theatre, Sevenoaks
27-37 High Street, Swanley
Black Boy Public House, Sevenoaks
Bus Station Café, Sevenoaks

Community Assets

Bishops Palace, Otford
Bradbourne Lakes, Sevenoaks
The Shambles, High St, Sevenoaks
Bartholemew Way Town Park

* Includes those leased to Parish Councils

During the year the following properties were sold and the sale proceeds taken to the Capital Receipts Reserve:

- 66 London Road
- 27 Pembroke Road
- 12 Knole Way

Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension Defined Benefit Obligation (liability) based on IAS 19 is estimated at £54.8m at 31 March 2014, compared to £52.5m at 31 March 2013.

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

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

The inclusion of the pension liability in the Balance Sheet gives rise to a net asset of £1.692m; if the Pensions Liability were excluded, the total Net Assets would be £56.559M.

Balance Sheet

Here is a summarised balance sheet showing the net asset position of the Council at the end of March 2014

31 March 2013 £m		31 March 2014 £m
	Assets	
21,090	Long Term assets	29,882
30,295	Current Assets	34,409
51,385	Total Assets	64,292
(6,322)	Current Liabilities	(7,103)
(53,247)	Long Term Liabilities	(55,497)
(8,184)	Total Net Assets / (Liabilities)	1,692
	Reserves	
23,037	Usable Reserves	27,918
(31,221)	Unusable Reserves	(26,226)
(8,184)	Total Reserves	1,692

The balance sheet position has changed from a net liability of £8.184m at the end of March 2013 to a net asset of £1,692m at the end of March 2014; the main reason for this change arose because of significant upward valuations in the councils Property,

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Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held some £4.5m of capital receipts which could be used to finance future capital spending. The Council is debt-free.

During the year there were net transfers of £2.0m in to the Earmarked reserves. At the end of the year the total of earmarked reserves was £19.6m. of which £5.3m was in the Budget Stabilisation Reserve.

Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late 2011, the deposits made by local authorities will rank as priority claims. The administrators have now commenced the process of dividend payments and four such payments have been received amounting to approximately 54% of our claim. The latest assumption is that 100% of the Council's investment (and interest up to 22 April 2009) will be recovered.

Impact of Current Economic Climate

Economic downturn has had a major impact on financial performance and financial planning. Several income streams have experienced reduced returns, such as from Car parks and Interest from Investments, whilst there is higher demand for housing benefits for example.

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years.

In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

Material Events After the Reporting Date

No material events have taken place since the reporting date,

Business Rates Retention Scheme

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

From 2013/14, the local government finance regime was changed with the introduction of the retained business rates scheme. The main aim is to give councils a greater incentive to grow businesses in their areas by allowing them to retain a proportion of the total non-domestic rates received. The Sevenoaks share is 40%, with the remainder being paid to precepting authorities and central government. It does, however, also increase the financial risk due to non-collection and the volatility of the non-domestic rateable values. In addition, Councils are expected to finance successful appeals made by ratepayers against their rateable values. As such, Councils are required to make a provision for these amounts which are charged to the Collection Fund and relative shares taken into account by each of the precepting authorities and central government.

The provision for appeals charged to the Collection Fund in 2013/14 has been calculated as £2.267m and the District's share of this provision is £0.907m.

During 2013/14 an adjustment was made specifically for the Business Rate Collection Fund deficit. The deficit occurred as the amount of retained Business Rate income was lower than that previously estimated on 31st January 2013.

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

However compensation for the deficit is also afforded by specific government grants which are also included in the accounts for funding purposes. This has the effect of increasing Usable Reserves "artificially" by £595,000 as, in effect, two adjustments for the lower than estimated income are made. This is a 'teething issue' of the new funding arrangements and will resolve in future years.

The additional income has been transferred into a specific reserve in order to recognise the anomaly.

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

The Chief Executive's Responsibilities

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

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

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

The Chief Executive has also:

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

Chief Executive's Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2014 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL
Chief Executive
30 June 2014

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied Capital Receipts Reserve		Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Financial Year 2012/13	Notes	9				20	
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	3,713	16,097	-	708	20,518	(29,594)	(9,076)
<u>Movement in reserves during 2012/13</u>							
Surplus or (deficit) on the provision of services	852				852		852
Other Comprehensive Income and Expenditure				7	7	32	39
Total Comprehensive Income and Expenditure	853			7	860	32	(892)
Adjustments between accounting basis & funding basis under regulations (note 8)	680			978	1,658	(1,658)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,533			985	2,518	(1,626)	892
Year end balance transferred (to)/ from Budget Stabilisation Reserve	(256)						
Other transfers to/from Earmarked Reserves	(1,277)						
Total transfers (to)/from Earmarked Reserves (note 9)	(1,533)	1,533			-		-
Increase/(Decrease) in 2012/13	-	1,533		985	2,518	(1,626)	892
Balance at 31 March 2013	3,713	17,630	-	1,693	23,037	(31,220)	(8,184)

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Gross Exp Restated	2012/13		Note	2013/14		
	Gross Income Restated	Net Exp Restated		Gross Exp	Gross Income	Net Exp
	£000	£000		£000	£000	£000
9,390	(8,041)	1,349		2,848	(1,471)	1,377
1,019	(57)	962		1,122	(38)	1,084
6,800	(1,371)	5,429		6,698	(1,053)	5,645
3,681	(1,955)	1,726		5,846	(2,224)	3,622
1,233	(2,690)	(1,457)		1,242	(2,832)	(1,590)
32,001	(29,155)	2,845		31,492	(29,092)	2,400
2,494	(22)	2,472		2,339	(27)	2,312
-	-	-		-	-	-
56,618	(43,291)	13,326	24	51,587	(36,737)	14,850
		(687)				(2,192)
		(126)	25			(303)
		3,402				3,322
		4				7
		<u>2,593</u>				<u>834</u>
		(22)	11			(874)
		10				26
		1,554	35			2,203
		(435)				(392)
		<u>1,107</u>				<u>963</u>

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Gross Exp Restated	2012/13 Gross Income Restated	Net Exp Restated	Note		Gross Exp	2013/14 Gross Income	Net Exp
		(28)	29	Capital Grants and Contributions			(852)
		(12,609)		Council Tax			(11,804)
		(4,332)		National Non Domestic Rates Redistribution			(1,862)
		(909)	29	Non Service Related Government Grants			(3,945)
		<u>(17,878)</u>		Taxation and Non Specific Grant Income			<u>(18,463)</u>
		(853)		(Surplus) or Deficit on the Provision of Services			<u>(1,816)</u>
		(2,073)	10	(Surplus) or deficit on the revaluation of property, plant & equipment assets			(8,597)
		2,034	35	Actuarial (gains)/losses on pension assets/liabilities			537
		<u>(892)</u>		Total Comprehensive Income and Expenditure			<u>(9,876)</u>

BALANCE SHEET

31 March 2013 £000	Note		31 March 2014 £000
		Long Term Assets	
17,501	10 & 31	Property, Plant and Equipment	25,689
-	38	Heritage Assets	-
2,735	11	Investment Property	3,462
-		Intangible Assets	-
350	12	Long Term Investments	297
504	14	Long Term Debtors	434
<u>21,090</u>		Total Long Term Assets	<u>29,882</u>
		Current Assets	
17,203	12	Short Term Investments	16,127
995	16	Assets held for sale	-
9,982	15	Cash and Cash Equivalents	16,935
30	13	Inventories	54
1,957	14	Short Term Debtors	1,172
128		Payments in Advance	121
<u>30,295</u>		Total Current Assets	<u>34,409</u>
		Current Liabilities	
(2,459)	17	Receipts in Advance	(3,340)
(3,677)	17	Short Term Creditors	(2,670)
(187)	18	Short Term Provisions	(1,093)
<u>(6,322)</u>		Total Current Liabilities	<u>(7,103)</u>
23,973		Net Current Assets	27,307
		Long Term Liabilities	
(367)	17	Long Term Creditors	(365)
(305)	18	Long Term Provisions	(257)
(52,527)	35	Net Pensions Liability	(54,867)
(48)	29	Capital Grants Receipts in Advance	(8)
<u>(53,247)</u>		Total Long Term Liabilities	<u>(55,497)</u>
<u>(8,184)</u>		Total Net Assets/(Liabilities)	<u>1,692</u>

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31 March 2013	continued from previous page		31 March 2014
£000	Note		£000
	19	Usable Reserves	
1,693	MIRS	Usable Capital Receipts Reserve	4,568
17,631	9	Earmarked Reserves	19,637
3,713		General Fund	3,713
	20	Unusable Reserves	
14,991		Capital Adjustment Account	14,592
6,347		Revaluation Reserve	14,665
(152)		Accumulated Absences Account	(152)
(97)		Collection Fund	(664)
(52,527)	35	Pensions Reserve	(54,867)
217		Deferred Capital Receipts	200
(8,184)		Total Reserves	1,692

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 9 September 2014.

Dr Pav Ramewal
Chief Executive
09 September 2014

COUNCIL APPROVAL

The Audit Committee, at its meeting on 09 September 2014, approved the Statement of Accounts for year ended 31 March 2014 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
10 September 2013

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.

2012/13			2013/14
£000	Note		£000
853		Net (surplus) or deficit on the provision of services	1,816
1,958	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	2,859
(772)	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,538)
2,039		Net Cash flows from Operating Activities	3,137
(834)	22	Investing Activities	3,812
5	23	Financing Activities	5
1,210		Net (increase) or decrease in cash and cash equivalents	6,953
8,772		Cash and Cash Equivalents at the beginning of the reporting period	9,982
9,982	15	Cash and Cash Equivalents at the end of the reporting period	16,935

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NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012, 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments of regular quarterly accounts (e.g., telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do

not give rise to a prior period adjustment.

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

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

e. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

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

f. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

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

Post-employment Benefits

International Accounting Standard 19 has been revised and the new standard will take effect from accounting period starting after 1 January 2013. This standard relates to Pensions and details of the impact of this are recorded in Note 35.

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked 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.
- Liabilities are valued using a discount rate based on corporate bond yields. In previous years the Fund used an annualised yield on the iBoxx AA rating over 15 year corporate bond index. At 31 March the Fund will use the Merrill Lynch AA rate corporate bond curve with consideration of the employer's liabilities.
- The assets of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

A revised IAS19 statement applies for company accounting periods beginning on or after 1 January 2013 and the main changes are:

Removal of the expected return on assets, to be 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 includes what was previously described as 'Current Service Cost' plus the 'Past Service cost' plus and 'Curtailements' plus and 'Settlements'

Administration expenses are now accounted for within the Profit and Loss charge, where previously they were a deduction to the actual and expected return on assets.

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

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

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

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

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

Re-measurement of defined benefit liability – comprising

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

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

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means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

g. Events After the Reporting Period

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

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

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

h. Financial Instruments

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

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

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

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

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

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

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

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

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

i. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or

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contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

j. Intangible Assets

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

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

k. Inventories

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

l. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between

knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

m. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

n. Overheads and Support Services

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

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

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

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Expenditure on Continuing Services.

o. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical costs.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

q. Reserves

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

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

r. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (for example, Disabled Facilities Grants) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure

from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

s. VAT

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

t. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in policy 1.o.

At present the Council has no material heritage assets.

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

IFRS 13 Fair Value Measurement (May 2011)

IAS 32 Financial Instruments : Presentation

Annual Improvements to IFRSs 2009-2011 Cycle

3. Critical Judgements in Applying Accounting Policies

There are no significant critical judgements included in these accounts.

4. Prior Period Adjustment

There are no prior period adjustments.

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

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested in Landsbanki Islands hf at an interest rate of 6.32% and a maturity date of 25 June 2009. Action in the Icelandic courts resulted in a decision that the deposits made by local authorities (including interest up to the bankruptcy reference date of 22 April 2009) rank as priority claims. The latest information from the bank's Winding Up Committee is that the investment and interest will be returned in full by 2019.

6. Material Items of Income and Expense

A government grant of £172,000 for the Business Flood Support Scheme was received in late March 2014. This sum was transferred to an earmarked reserve to meet claims from businesses under the scheme.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Executive on < 9 September 2014 >. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund 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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2012/13

	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	876			(876)
Movements in the market value of Investment Properties	(23)			
Capital grants and contributions applied	(616)			
Non Specific Capital Grants	-			
Revenue expenditure funded from capital under statute	883			
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	(859)	1,046		
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			23
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	(657)			657
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account				
Finance Lease SI454 Income	5			(5)

Adjustments between Accounting basis and Funding Basis under Regulations 2012/13	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(64)		64
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4	(4)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,680			(3,680)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,828)			2,828
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	44			(44)
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	509	978	-	1,487

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Adjustments between Accounting basis and Funding Basis under Regulations 2013/14	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	1,518			(1,518)
Movements in the market value of Investment Properties	(874)			874
Capital grants and contributions applied	(1,293)			1,293
Non Specific Capital Grants	-			-
Revenue expenditure funded from capital under statute	1,471			(1,471)
Amount of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to Comprehensive Income and Expenditure Statement	(2,192)	2,870		678
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	(821)			821
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	-
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease S1454 Income	5			(5)

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

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9. Transfers To/From Earmarked 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 2012/13 and 2013/14.

	Balance at 31Mar 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31Mar 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31Mar 2014 £000
General Fund:							
Budget Stabilisation	2,766	(120)	1,405	4,051	-	1,297	5,348
Financial Plan	5,812	(588)	-	5,224	(580)	-	4,644
Pension Fund	349	-	460	809	-	509	1,318
Housing Benefit Subsidy	1,351	(488)	158	1,021	-	61	1,082
Asset Maintenance	1,000	-	-	1,000	-	-	1,000
First Time Sewage	915	-	-	915	-	-	915
NDR Safety Net	-	-	-	-	-	595	595
Local Plan/LDF	565	(45)	-	520	(89)	97	528
Re-organisation	478	(192)	100	386	(21)	100	465
Community and Business	470	(64)	54	460	(29)	19	450
IT Asset Maintenance	121	-	193	314	-	89	403
Action and Development	295	-	100	395	-	-	395
New Homes Bonus	215	(215)	594	594	(215)	-	379
Vehicle Renewal	292	(273)	489	508	(639)	435	304
Vehicle Insurance	287	(10)	-	277	-	7	284
Homelessness	134	(31)	94	197	(56)	56	197
Carry Forward Items	222	(113)	35	144	(96)	129	177
Flood Support	-	-	-	-	-	173	173
Capital Financing	-	(330)	330	-	(145)	298	153
Rent Deposit / Guarantee	182	(85)	15	112	(10)	-	102
Repayable Housing Grant Assistance	17	0	45	62	-	37	99
District Elections	53	0	17	70	-	17	87
Housing Benefit	66	(5)	25	86	-	-	86
Big Community	103	(63)	70	110	(37)	-	73
Local Strategic Partnerships	82	(6)	-	76	(6)	-	70
Other (Under £70k)	322	(35)	13	300	(7)	17	310
Total	16,097	(2,663)	4,197	17,631	(1,930)	3,936	19,637

The purpose of these earmarked reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan – Funds moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Asset Maintenance – To fund emergency asset maintenance works.
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- NDR Safety Net Deficit - To meet current accounting regulations for deficits in the initial year of the retained business rate system.
- Local Plan / LDF - To help support the Local Plan and Local Development Framework.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Community and Business - To fund ongoing and future projects.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- Homelessness Prevention – For preventing homelessness.
- Carry Forward Items - For specific items agreed by cabinet.
- Flood Support - To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme
- Capital Financing – Annual contributions from revenue to fund some capital projects – not fully used in 2013/14
- Rent Deposit / Guarantee - To support the homeless etc, by providing their initial deposit and guarantee for a property.
- Repayable Housing Assistance – Part of the grant may be repayable when the conditions are no longer met e.g. house sold
- District Elections - To finance local elections.
- Housing Benefit Section – To meet the varying demand of administering Housing Benefits.
- Big Community – To fund to local projects.
- Local Strategic Partnership - Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
- Other - Other small reserves set aside.

10. Property, Plant and Equipment

Movements on Balances

Movements in 2012/13:	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Operational Property for sale £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At 1 April 2012	20,838	7,771	383	-	28,992
Additions	173	281	-	-	454
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	1,692	-	-	-	1,692
- Surplus or Deficit	-	-	-	-	-
Derecognition – Disposals	(37)	(32)	(172)	-	(241)
Derecognition – Other	-	68	-	-	68
Reclassifications	(1,036)	-	-	1,036	-
At 31 March 2013	21,630	8,088	211	1,036	30,965
Accumulated Depreciation and Impairment					
At 1 April 2012	(6,372)	(5,536)	-	-	(11,909)
Depreciation Charge	(170)	(687)	-	(21)	(878)
Depreciation written out to the					
- Revaluation Reserve	381	-	-	-	381
- Surplus/ Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	5	-	-	-	5
Derecognition Other	-	(68)	-	-	(68)
Reclassifications	20	-	-	(20)	-
At 31 March 2013	(6,136)	(6,291)	-	(41)	(12,468)
Net Book Value					
As at 31 March 2012	14,464	2,236	383	-	17,083
As at 31 March 2013	15,494	1,797	211	995	18,497

In April 2013, the Council completed property transactions with Reef Investments for the sale of Pembroke Road car park and lease of 66 London Road and London Road car park. The total consideration was £2.150m. Accounting standards required these properties to be held in the balance sheet at 31 March at their carrying values.

Movements in 2013/14:

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

Depreciation

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

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

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Capital Commitments

At 31 March 2014, there were no significant sums outstanding on capital contracts.

Revaluations

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

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2014, by external independent valuers, I. Dewar FRICS FIRRV MCI Arb, R. Messenger BSc FRICS FIRRV MCI Arb REV, S. Layfield FRICS IRRV and A. Williams Dip BSc (Hons) MRICS FIRRV REV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

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

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

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

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

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

	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	TOTAL
	£000	£000	£000	£000
Carried at historical cost		8,294	211	8,505
Valued at current value in:				
2013/14	12,271			12,271
2012/13	5,673	-	-	5,673
2011/12	1,335			1,335
2010/11	1,226	-	-	1,226
2009/10	9,401	-	-	9,401
Total	29,906	8,294	211	38,411

The rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2013/14	Investment Properties; car parks, public conveniences
2012/13	Depot, Offices, bus station.
2011/12	Amenity Land
2010/11	Leisure Centres, Golf Course, Hollybush
2009/10	Stag Theatre, Parks and woodlands

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.

	2012/13	2013/14
	£000	£000
Rental income from investment property	55	71
Direct operating expenses from investment property	-	-
Net gain/(loss)	55	71

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

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

	2012/13 £000	2013/14 £000
Balance at start of the year	2,835	2,735
Disposals	(122)	(83)
Net Gains/ (losses) from fair value adj	22	874
Transfers from Property, Plant & Equipment	-	(64)
Other Changes	-	-
Balance at end of the year	2,735	3,462

12. Financial Instruments

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

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

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

	Long Term		Current	
	31/03/2013	31/03/2014	31/03/2013	31/03/2014
Loans & Receivables				
Investments	350	297	17,202	16,127
Net trade receivables (within debtors)	504	434	859	688
Cash & cash equivalents	0	0	9,982	16,935
Total Financial Assets	854	731	28,043	33,750
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(367)	(365)	(1,042)	(906)
Total Financial Liabilities	(367)	(365)	(1,042)	(906)

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

Fair value of assets carried at amortised cost

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

- Market rates at 31 March 2014 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	26,575	26,756	31,986	32,053

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

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

These policies are implemented by treasury management officers and the Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial

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institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Minimum long term credit rating for banks, as assessed by Fitch, of A-
- Lending to Building Societies restricted to the top five Societies.
- Maximum investment period of one year for banks, three months for Building Societies with credit ratings lower than A-
- 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 EU country outside of the UK is limited to 15% of the total fund.
- Investment in other foreign countries is no longer permitted.
- No more than £5m (or £6m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £8m per Group.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 1 year and six months respectively. Money Market Funds are also utilised with a maximum deposit of £5m in each.

There was only one small breach of the Council's counterparty criteria during the reporting period. This occurred over a weekend in April 2013, when the total held with Barclays Bank plc amounted to £6.75m, compared with the limit of £6m. This was due to a large capital receipt late in the day and was corrected immediately after the weekend.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £30.0m at 31 March 2014 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

The only historical experience of default relates to the Landsbanki Islands hf investment detailed below. Currently, investments are only being made with UK institutions. In all cases to date, the Government and/or another building society or bank has stepped in to rescue a failing institution, leading to no defaults by UK institutions.

Icelandic Bank Defaults

In October 2008 a number of Icelandic banks went into administration. At that time, the Council had £1m invested with Landsbanki Islands hf as follows:

	Date invested	Maturity date	Amount invested £000	Interest rate %	Carrying amount £000	Impairment £000	Principal default %
Landsbanki	25/6/07	25/6/09	1,000	6.32	372	191	0

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest available information, the Council considers it appropriate to make an impairment adjustment for the deposit and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the decision of the Icelandic Supreme Court to grant Priority status to UK local authorities, the winding up board has made a series of distributions to creditors in a basket of currencies.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is currently earning interest at a rate of 4.17%. This element of the distribution has been retained in Iceland due to currency controls operating there and, as a result, is subject to exchange rate risk, over which the Council has no control. The value of the escrow account, together with accrued interest, has been estimated to be approximately £8,500 as at the balance sheet date.

The current position on estimated future payouts is as shown in the following table and the Council has used these estimates to calculate a likely impairment based on recovering 100p in the £.

Date	Repayment
Received in 2011-12	31.10%
Received in May 2012	12.30%
Received in October 2012	6.20%
Received in Sept 2013	5.20%
December 2014	7.50%
December 2015	7.50%
December 2016	7.50%
December 2017	7.50%
December 2018	7.50%
December 2019	7.70%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

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Recoveries are expressed as a percentage of the Council's claim in administration, which validly includes interest accrued up to the bankruptcy date of 22 April 2009.

The total impairment (principal plus interest not received) in the financial years up to and including 2013/14 has been recognised in the Income and Expenditure Account. As at 31 March 2013 the impairment was £165,000 and at 31 March 2014 this had increased by £26,000 to a total of £191,000. This impairment has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future years' accounts as more information becomes available.

Liquidity Risk

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

The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments.

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

The maturity analysis of financial assets (excluding the Icelandic investment) is as follows:

	31 March 2013	31 March 2014
	£000	£000
Less than 1 year	22,856	33,050
Between 1 and 2 years	4,000	-

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

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

By way of example, if interest rates on fixed deposits had been 1% higher during 2013/14 (with all other variables held constant), the financial effect would have been to increase investment income by £423,000.

Price Risk

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

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, no exposure to loss arising from movements in exchange rates, except in the following instance.

Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki Islands hf. This is being held in Icelandic Kroner in an escrow account due to the imposition of currency controls in Iceland.

The value of the deposit plus interest at 31 March 2014 was £8,464.58 and includes an exchange rate gain of £40.85.

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13. Inventories

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

	2012/13 £000	2013/14 £000
Balance outstanding at start of the year	55	30
Purchases	460	517
Recognised as an expense in the year	(485)	(493)
Balance outstanding at end of the year	30	54

14. Debtors

	31/03/13 £000	31/03/14 £000
Long Term Debtors		
Employee Car Loans	118	85
Loan to Sencio	131	106
Finance lease	196	192
Other	58	51
Total Long Term Debtors	504	434
Short Term Debtors		
Collection Fund (CF)		
NDR	-	(15)
Bad Debt provision	-	(351)
Council Tax Payers	605	600
Bad Debt provision	(419)	(456)
General Fund		
DWP – Housing Benefit Grant	267	88
Housing Benefit Overpayments	1,307	1,519
Partnership working	250	215
NNDR Discretionary Rate Relief	100	-
VAT	51	125
Other	859	679
Bad Debt provision	(1,063)	(1,232)
Total Short term debtors	1,957	1,172

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

15. Cash and Cash Equivalents

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

	31/03/13	31/03/14
	£000	£000
Cash held by the Authority	1	1
Bank current accounts	958	1,373
Short-term deposits with:		
Banks	2,019	7,055
Building Societies	1,001	5,004
Other Local Authorities	2,001	-
Money Market Funds	4,002	3,502
Total Cash and Cash Equivalents	9,982	16,935

16. Assets Held for Sale

	31/03/13	31/03/14
	£000	£000
Assets held for sale		
Operational Property	995	-
Balance outstanding at year end	995	-

At 31 March 2013 the following operational properties were held for sale

- 27 Pembroke Road (car park)
- 66 London Road inc car parking area – leasehold interests

Both properties were sold in 2013/14

17. Creditors and Receipts in Advance.

	31/03/13 £000	31/03/14 £000
Receipts in Advance		
Tax Payers	(214)	(246)
NDR	-	(197)
s.106 receipts	(2,022)	(2,689)
Other Receipts in advance	(223)	(208)
Total Receipts in Advance	(2,459)	(3,340)
Short Term Creditors		
NDR	-	(232)
NDR - Deferrals	-	(139)
Central Government (NDR)	(1,649)	-
Council Tax (Preceptors)	(54)	(581)
Capital	(81)	-
Insurance	(173)	(151)
HMRC	(527)	(522)
Kent County Council	(405)	(289)
Other General Fund	(788)	(756)
Total Short Term Creditors	(3,677)	(2,670)
Long Term Creditors		
Long Term Creditor (Quakers Hall Allotments)	(367)	(365)

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

18. Provisions

The following provisions have been made by the Council:

Short Term	NDR Appeals	MMI	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2013	-	305	152	34	491
Additional Provisions made during year	907	-	-	-	907
Amounts Used during the year	-	(48)	-	-	(48)
Balance at 31 March 2014	907	257	152	34	1,350

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

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

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

Since March 2012, more information has become available following the outcome of a Supreme Court Judgement which has made it more likely that this council will incur additional expenditure. Therefore, a Provision has now been included in the accounts rather than a Contingent Liability.

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

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

19. Usable Reserves

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

20. Unusable Reserves

	31/03/13 Re-stated £000	Movement in Year £000	31/03/14 £000
Capital Adjustment Account	14,990	(398)	14,592
Revaluation Reserve	6,347	8,318	14,665
Accumulated Absences Account	(152)	-	(152)
Collection Fund Adjustment Account	(97)	(567)	(664)
Pensions Reserve	(52,527)	(2,340)	(54,867)
Deferred Capital Receipts Reserve	217	(17)	200
Total Unusable Reserves	(31,222)	4,996	(26,226)

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

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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.

2012/13		2013/14	
£000		£000	£000
15,702	Balance at 1 April		14,991
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		-
(876)	Charges for depreciation and impairment of non current assets	(1,518)	
-	Revaluation Losses on Property, Plant and Equipment	-	
(883)	Revenue expenditure funded from capital under statute	(1,471)	
-	Deferred Capital Receipts movement	-	
(351)	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	(447)	
(2,110)			(3,436)
40	Adjusting Amounts written out of the Revaluation Reserve		49
(2,070)	Net Written out amount of the cost of non current assets consumed in the year		(3,387)
	Capital Financing applied in the year:		
64	Use of the Capital Receipts Reserve to finance new capital expenditure	-	
616	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	1,293	
-	Non-specific capital grant	-	
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
657	Capital Expenditure charged against the General Fund	821	
1,337			2,114
22	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		874
14,991	Balance at 31 March		14,592

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Revaluation Reserve

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

revalued downwards or impaired and the gains are lost.

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

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

2012/13		2013/14	
£000		£000	£000
4,322	Balance at 1 April		6,347
2,065	Upward Revaluation of Assets	8,598	
	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	-	
2,065	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services		8,598
(40)	Difference between fair value depreciation and historical cost depreciation	(49)	
-	Accumulated gains on assets sold or scrapped	(231)	
(40)	Amount written off to the Capital Adjustment Account		(280)
6,347	Balance at 31 March		14,665

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.

2012/13		2013/14	
£000		£000	£000
(152)	Balance at 1 April		(152)
	Settlement or cancellation of accrual made at the end		
-	Amounts accrued at the current year end	-	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-
(152)	Balance at 31 March		(152)

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.

2012/13 £000		2013/14 £000
(54)	Balance at 1 April	(97)
(43)	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	28
	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(595)
(97)	Balance at 31 March	(664)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements or 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.

2012/13 £000		2013/14 £000
(49,641)	Balance at 1 April	(52,527)
(2,034)	Actuarial Gains/(Losses) on pensions assets and liabilities	(537)
(3,680)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,818)
2,828	Employer's pensions contributions and direct payments to pensioners payable in the year	3,015
(52,527)	Balance at 31 March	(54,867)

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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.

2012/13 £000		2013/14 £000
229	Balance at 1 April	217
(5)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(5)
(7)	Transfer to the Capital receipts reserve upon receipt of cash	(12)
217	Balance at 31 March	200

21. Cash Flow Statement – Operating Activities

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

2012/13 £000		2013/14 £000
876	Depreciation	735
51	Impairment and downward valuations	1,566
-	Amortisation	-
-	Increase in impairment provision for bad debts	-
2,127	(Increase)/Decrease in creditors	(126)
19	Increase/(Decrease) in debtors / payments in advance	792
25	Increase/(Decrease) in stock	(24)
852	Pension liability	1,803
(351)	Carrying amount of non-current assets sold	(1,046)
(1,642)	Other non-cash items charged to the net surplus or deficit on the provision of services	(841)
1,957		2,859

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

2012/13 £000		2013/14 £000
-	Purchase of short-term and long-term investments	-
(435)	Proceeds from short-term and long-term investments	(392)
(337)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,146)
(772)		(1,538)

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(353)	Interest received	(295)
-	Interest paid	-
-	Dividends received	-

22. Cash Flow Statement – Investing Activities

2012/13 £000	<u>Investing Activities</u>	2013/14 £000
(454)	Purchase of property, plant & equipment, investment property and intangible assets	(643)
(1,871)	Purchase of short term and long term investments	1,128
-	Other payments for investing activities	-
1,053	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,882
435	Proceeds from sale of short-term and long-term investments	392
3	Other receipts from investing activities	53
(834)	Net Cash Flow from investing activities	3,812

23. Cash Flow Statement – Financing Activities

2012/13 £000	<u>Financing Activities</u>	2013/14 £000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
5	Cash payments for finance leases	5
-	Other payments for financing activities	-
5	Net Cash Flow from Financing activities	5

24. Amounts Reported for Resource Allocation Decisions

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

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

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

<u>Chief Officers Income and Expenditure 2012/13</u>								
	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(288)	(678)	(4,729)	(212)	(1,834)	(321)	(363)	(8,424)
Government Grants	(38)	-	-	(92)	(34,949)	-	(13)	(35,093)
Total Income	(326)	(678)	(4,729)	(304)	(36,783)	(321)	(377)	(43,517)
Employee Expenses	503	1,806	2,202	775	2,658	814	1,280	10,038
Other Service Expenses	789	133	5,591	387	38,711	989	458	47,058
Total Expenditure	1,292	1,939	7,793	1,162	41,369	1,803	1,738	57,096
Net Expenditure	966	1,261	3,064	858	4,586	1,482	1,361	13,579

<u>Chief Officer Income and Expenditure 2013/14</u>								
	Communities and Business	Planning	Environmental and Operations	Housing	Finance	Corporate Support	Legal & Governance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(277)	(817)	(5,432)	(135)	(1,399)	(649)	(176)	(8,885)
Government Grants	(207)	-	-	(101)	(28,785)	(7)	(7)	(29,107)
Total Income	(484)	(817)	(5,432)	(236)	(30,184)	(656)	(183)	(37,992)
Employee Expenses	519	1,810	2,256	708	2,654	1,552	458	9,958
Other Service Expenses	954	323	5,964	306	31,842	2,303	273	41,963
Total Expenditure	1,473	2,133	8,220	1,014	34,495	3,855	731	51,921
Net Expenditure	989	1,315	2788	778	4,312	3199	548	13,929

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Reconciliation of Directorate 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.

	2012/13 £000	2013/14 £000
Net Expenditure in Directorate Analysis	13,579	13,929
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(252)	921
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	13,327	14,850

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.

2012/13	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,424)			(8,424)		(8,424)
Interest and Investment Income					(435)	(435)
Income from Council Tax and NDR					(16,941)	(16,941)
Government Grants and Contributions	(35,093)			(35,093)	(1,525)	(36,618)
Total Income	(43,517)	-	-	(43,517)	(18,901)	(62,418)
Employee Expenses	10,038	-		10,038		10,038
Other Service Expenses	47,058	335		47,393	1,428	48,821
Support service recharges						-
Depreciation, amortisation and Impairment					(22)	(22)
Interest Payments & similar payments					10	10
Precepts & Levies					3,402	3,402
Payments to Housing Capital Receipts Pool					4	4
Gain or loss on disposal of non-current assets					(859)	(859)
Total Expenditure	57,096	335	-	57,431	3,963	61,394
(Surplus) or deficit on the provision of services	13,579	335	-	13,914	(14,938)	(1,024)

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Reconciliation to Subjective Analysis 2013/14	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,885)			(8,885)		(8,885)
Interest and Investment Income					(392)	(392)
Income from Council Tax and NDR					(18,205)	(18,205)
Government Grants and Contributions	(29,107)			(29,107)	(852)	(29,959)
Total Income	(37,992)	-	-	(37,992)	(19,449)	(57,441)
Employee Expenses	9,958	-		9,958		9,958
Other Service Expenses	41,963	921		42,884	1,900	44,784
Support service recharges						-
Depreciation, amortisation and Impairment					(874)	(874)
Interest Payments & simil: payments					26	26
Precepts & Levies					3,322	3,322
Payments to Housing Capital Receipts Pool					7	7
Gain or loss on disposal of non-current assets					(2,192)	(2,192)
Total Expenditure	51,921	921	-	52,842	2,189	55,031
(Surplus) or deficit on the provision of services	13,929	921	-	14,850	(17,260)	(2,410)

25. Trading Operations

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

The following table sets out the financial trading accounts for 2013/14:

2012/13		Income	Expenditure	(Surplus)/Deficit
£000		£000	£000	2013/14
				£000
	Direct Services			
(26)	Refuse Collection	(2,225)	2,171	(54)
67	Street Cleansing	(1,168)	1,179	11
(140)	Other Operational Accts	(1,994)	1,739	(255)
(27)	Overhead Accounts	(1,097)	1,092	(5)
(126)		(6,484)	6,181	(303)

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

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

2012/13		Income	Expenditure	(Surplus)/Deficit
£000		£000	£000	2013/14
				£000
	Direct Services			
4	Refuse Collection	(2,225)	2,205	(20)
67	Street Cleansing	(1,168)	1,209	41
(117)	Other Operational Accounts	(1,994)	1,746	(248)
(27)	Overhead Accounts	(1,097)	1,094	(3)
(73)		(6,484)	6,254	(230)

26. Members' Allowances

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

	2012/13	2013/14
	£000	£000
Allowances	328	343
Expenses	18	16
Total	346	359

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27. Officers' Remuneration

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

2012/13	Salary	Bonuses	Expenses	Pension Contribution	Other Benefits/ Payments	Total
	£	£	£	£	£	£
Chief Executive (Hales, R)	133,683	3,192	203	16,866	(4,575)	149,369
Director of Community & Planning Services	112,300	2,680	376	14,686		130,042
Director of Corp Resources	112,300	2,680	188	14,686		129,854
Monitoring Officer	70,494	1,664	66	9,347		81,571

2013/2014	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol- uments	Total
Chief Executive (Robin Hales) To 31 August 13	56,983	3,192	134	-	8,411	3,751	72,471
Chief Executive (P Ramewal) from 01.September.13	78,726	-	197	-	10,851	478	90,252
Director Of Community and Planning Services To 5 April 13	1,559	2,680	2	60,722	571	4,699	70,233
Director of Corporate Resources To 31 August 13	47,238	2,680	88	-	6,068	-	56,074
Monitoring Officer to 31 August 2013; Chief Officer Legal and Governance from September 2013	72,523	2,414	45	-	9,722		84,704
Chief Housing Officer from 01 September 13	39,097	-	23	-	5,356	-	44,477
Chief Finance Officer from 01 September 13	39,097	-	98	-	5,356		44,551

2013/2014							
	Salary	Bonuses	Expenses	Compensation Loss of employment	Pension	Other Emol- uments	Total
Chief Officer Corporate Support from 01 September 13	39,097	-	-	-	5,356		44,453
Chief Officer Communities and Regeneration from 01 September 13	39,097	-	135	-	5,356		44,588
Chief Planning Officer from 01 September 13	41,892	-	-	-	5,739		47,631
Chief Officer Environmental and Operations from 01 September 13	42,872	-	63	-	5,874		48,809
Head of Strategy and Transformation from 01 September 13	28,889	-	-	-	3,958		32,846
Head of Human Resources from 01 September 13	32,222	-	10	-	4,414		36,646

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

The Chief Executive declined his appraisal bonus in 2013/14.

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

Remuneration Band	Number of Employees	
	2012/13	2013/14
£50,000 - £54,999	5	4
£55,000 - £59,999	6	4
£60,000 - £64,999	3	2
£65,000 - £69,999	-	-
£70,000 - £74,999	1	-
£75,000 - £79,999	-	-

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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	
	12/13	13/14	12/13	13/14	12/13	13/14	12/13 £000	13/14 £000
£0 - £20,000	1	3	1	3	2	6	18	59
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,000	-	-	1	-	1	-	180	-
Total	1	3	2	3	3	6	198	59

28. External Audit Fees

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

	2012/13 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	58	59
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	51	21
Fees payable in respect of other services provided by external auditors during the year	-	-
Refund from Audit Commission	(6)	(8)
Total	103	72

29. Grant Income

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

	2012/13 £000	2013/14 £000
	Restated *	
<u>Credited to Taxation and Non Specific Grant Income</u>		
Non-Domestic Business Rates (CLG)	(4,332)	-
Revenue Support Grant (CLG)	(84)	(2,952)
New Homes Bonus (CLG)	(594)	(993)
Council Tax Freeze (CLG)	(231)	-
Community Facility Improvements *	(28)	(852)
S31 Small Business Rate Reduction	-	(374)
Total	(5,269)	(5,171)
<u>Credited to Services</u>		
Benefit Subsidy (DWP)	(34,220)	(28,024)
Housing Benefit Administration (DWP)	(593)	(542)
Choosing Health PCT (West Kent PCT)	(122)	-
Flood Support (CLG)	-	(173)
Choosing Health PCT (KCC) (1)	-	(138)
Disabled Facilities (CLG)*	(588)	(401)
Homelessness (CLG)	(92)	(92)
New Burdens (CLG)	(84)	(65)
Communities against Drugs (KCC)	(61)	(60)
Youth Support (KCC)	(36)	-
Regional Housing Fund (CLG)	-	(40)
Other	(50)	(54)
Total	(35,846)	(29,589)

(1) Grant now received KCC

The authority receives grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2012/13 £000	2013/14 £000
<u>Capital Grants Receipts in Advance</u>		
Regional Housing Pot (CLG)	(48)	(8)
Total	(48)	(8)

30. Related Party Transactions

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 26. During 2013/14 the Council paid a grant totalling £500 to a voluntary organisation in which 2 members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grant. The Register of Members' Interests is open to public inspection.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the following organisations:

- Sevenoaks Leisure Limited – management fee of £80,950. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31 March 2018 and interest of 7% per year.
- Sevenoaks Town Council – management and service fees of £75,000 for the Stag Theatre. These fees are for the operation of the building and related services, community provision and youth outreach. Five SDC members are also members of Sevenoaks Town Council, and four members are trustees of Sevenoaks Community Arts Centre Limited which operates the lease of the Stag Theatre. The grant was made with proper consideration of declarations of interest and the relevant members did not take part in decisions relating to that grant.

31. Capital Expenditure and Capital Financing

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

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	454	643
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	883	1,471
	<u>1,337</u>	<u>2,114</u>
Sources of Finance:		
Capital Receipts	(64)	-
Government Grants and other contributions	(670)	1,290
Sums set aside from revenue	(603)	824
	<u>(1,337)</u>	<u>(2,114)</u>
Closing Capital Financing Requirement	-	-

32. Leases

Authority as Lessee

Payments under operating leases during the year amounted to £3,640 (£46,000 in 2012/13). Payments under operating leases in 2013/14 related to leased cars.

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

A three year operating lease for multi-functional printing devices commenced in March 2010 and ended in 2012/13. Lease payments were £32,000 per annum.

	Minimum Lease Payments	
	31/03/13 £000	31/03/14 £000
Not later than one year	4	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>4</u>	<u>-</u>

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The authority does not hold any 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.

	31/03/13	31/03/14
	£000	£000
Gross Investment in the Lease	354	328
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	190	184
Unearned Finance Income	164	144

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

	31/03/13	31/03/14
	£000	£000
Not later than one year	24	24
Later than one year and not later than 5 years	120	118
Later than 5 years	210	185
Total	354	328

33. Impairment Losses

During 2013/14, the Authority recognised impairment losses of £76,563 to its operational property and £706,039 to its Investment property.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £59,000 (£198,000 in 2012/13) – see note 27 for the number of exit packages and total cost per band. Two of these were as a result of the budget savings agreed by Council on 16 December 2010.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

The Authority participates in the Local Government Pensions Scheme, administered by Kent County Council. This is a funded defined benefit final salary schema, 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's 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 Funds liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficit 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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	2012/13	2013/14
Comprehensive Income and Expenditure Statement	£000	£000
Cost of Services		
Service cost comprising:		
Current Service cost	2,126	2,355
Past Service costs	-	205
Net Interest Expense	1,554	2,258
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,680	4,818
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)	(5,692)	(2,501)
Actuarial gains and losses arising on change in demographic assumptions	-	2,655
Actuarial gains and losses arising on changes in financial assumptions	6,942,	2,419
Other	68	(2,036)
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	1,318	537
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	3,680	4,818
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	2,449	3,015

Pensions Assets and Liabilities recognised in the Balance Sheet

	2012/13 £000	2013/14 £000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(115,866)	(120,362)
Present Value of Unfunded Liabilities	(2,209)	(2,274)
Total Pensions Liability	(118,075)	(122,636)
Fair Value of plan assets (at bid value)	65,548	67,769
Net liability arising from the defined benefit obligation	(52,527)	(54,867)

Reconciliation of movements in the fair value of scheme assets	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	57,847	65,548
Interest on assets	2,648	2,803
Return on assets less interest	5,692	2,501
Other actuarial gains/losses	-	(2,285)
Administration expense	(51)	(55)
Contributions from employer	2,828	3,015
Contributions from scheme participants	579	585
Estimated benefits paid plus unfunded net of transfers in	(3,995)	(4,343)
Closing Value of scheme assets	65,548	67,769

Reconciliation of the movements in defined benefit obligation	2012/13 £000	2013/14 £000
Opening Defined Benefit Obligation	107,488	118,075
Current Service Cost	2,126	2,355
Interest Cost	4,867	5,006
Change in Financial Assumptions	6,942	2,419
Change in Demographic assumptions	-	2,655
Experience loss/gain on defined benefit obligation	68	(4,321)
Estimated benefits paid net of transfers in	(3,792)	(4,143)
Past service costs including curtailments	-	205
Contributions by scheme participants	579	585
Unfunded pension payments	(203)	(200)
Closing Defined Benefit Obligation	118,075	122,636

Scheme Assets

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

	31/03/13 %	31/03/14 %
Equity investments	71	71
Gilts	0	1
Bonds	13	11
Property	8	10
Cash	4	3
Target return portfolio	4	4
Total	100	100

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The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 8%. The actual return on Fund assets over the year may be different.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	2012/13	2013/14
Expected return for year (see note below)	5.8%	8.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	20.1	22.7
Women	24.1	25.1
Longevity at 65 for future pensioners		
Men	22.1	24.9
Women	26.0	27.4
Rate of Inflation (CPI)	2.5%	2.8%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.3%	4.4%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

Return on Assets

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

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of total obligation of £122.6m.

	£000 Increase of +0.1%	£000 Decrease of 0.1%
Adjustment to discount rate	2,208	2,309
Adjustment to long term salary increase	2,258	2,258
Adjustment to pensions increases and deferred revaluation	2,310	2,207
Adjustment to mortality age rating assumptions	2,181	2,336

Projected Pension Expense for the year to 31 March 2015

	2014/15 Projection £000
Service Cost	2,258
Net interest on the defined liability	2,355
Administration expense	57
Total	4,670
Employer Contributions	2,708

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

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

36. Contingent Liabilities

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

The Council has made a provision for its share of NDR appeals based on its best estimates of the actual liability as at the year end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office, so there is a risk to the Council that these may have a future impact on the accounts.

37. Contingent Assets

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

38. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 1o.

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

**THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2013/14**

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

2012/13				2013/14		
Council Tax £000	NNDR £000		Note	Council Tax £000	NDR £000	Total £000
<u>Income</u>						
70,024		Billed to Council Tax Payers	1	71,919		71,919
6,655		Council Tax Benefits				
	34,692	Income from Business Ratepayers	2		35,178	35,178
176		Reduction in Bad Debts Provision		293		293
76,855	34,692			72,212	35,178	107,390
<u>Expenditure</u>						
Precepts & Demands:						
53,290		Kent County Council		49,301	3,031	52,332
7,053		Police & Crime Commissioner for Kent		6,656		6,656
3,456		Kent & Medway Fire & Rescue Authority		3,197	337	3,534
9,251		Sevenoaks District Council		8,728	13,471	22,199
3,402		Town & Parish Councils		3,322		3,322
Business Rates:						
	34,520	Payments to National Pool			16,838	16,838
	172	Payments to Government			170	170
		Cost of Collection Allowance			53	53
		Transitional Protection				
Bad and Doubtful Debts:						
349		Provision for Non Payment		501	54	555
		Provision for Appeals			2,267	2,267
306		Write Offs		339	443	782
-		Contribution towards Previous Year's estimated Collection Fund surplus	3	-	-	-
77,107	34,692			72,044	36,664	108,708
(252)	-	(DEFICIT)/SURPLUS FOR YEAR	3		(1,486)	(1,318)
COLLECTION FUND BALANCE						
(324)	-	Balance at beginning of year		(576)	-	(576)
(252)	-	(Deficit)/Surplus for year		168	(1,486)	(1,318)
(576)	-	BALANCE AT END OF YEAR	4	(408)	(1,486)	(1,894)

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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 2013/14 was approved by Cabinet in January 2013 as follows:

Band	2012/13			2013/14		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	1.50	5/9ths	0.83	1.50	5/9ths	0.83
A	1,305.95	6/9ths	870.63	956.50	6/9ths	637.52
B	2,534.50	7/9ths	1,971.28	1,722.00	7/9ths	1,339.10
C	9,241.75	8/9ths	8,214.89	7,539.50	8/9ths	6,701.93
D	10,510.60	9/9ths	10,510.60	9,481.50	9/9ths	9,481.01
E	6,565.85	11/9ths	8,024.93	6,330.75	11/9ths	7,737.68
F	5,324.85	13/9ths	7,691.45	5,250.25	13/9ths	7,583.20
G	6,885.05	15/9ths	11,475.08	6,918.00	15/9ths	11,530.36
H	<u>1,170.10</u>	18/9ths	<u>2,340.20</u>	<u>1,186.50</u>	18/9ths	<u>2,372.94</u>
	<u>43,540.15</u>		51,099.89	<u>39,386.50</u>		47,384.57
Collection rate adjustment			99.5%			99.3%
Council Tax Base			50,860.03			47,052.88

This reduction between financial years is as a result of the Government's Council Tax Localisation changes which changed the way Central Government pays Council Tax benefit compensation to the Council. In 2013/14, the local government finance regime was revised and Council Tax Benefit grant is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority and reflected in its tax base.

The tax rate for a band D property in 2013/14 was £1,442.69, excluding Town and Parish Council taxes (2012/13 = £1,436.30).

	2012/13	2013/14
	£	£
Kent County Council	1,047.78	1,047.78
Police & Crime Commissioner for Kent	138.68	141.47
Kent & Medway Fire & Rescue Authority	67.95	67.95
Sevenoaks District Council	181.89	185.49
	<hr/>	<hr/>
	1,436.30	1,442.69
Town & Parish Councils (Average)	66.89	70.61
TOTAL (including an average town & parish rate)	<hr/>	<hr/>
	1,503.19	1,513.30

Note 2 National Non-Domestic Rates (NDR)

NDR is organised on a national basis. For 2013/14, the Government specified a standard rate in the pound of 47.1p (45.8p in 2012/13) for large businesses and 46.2p (45.0p in 2012/13) for small businesses. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Sevenoaks the local share is 40%. The remainder is distributed to precepting authorities and in the case of Sevenoaks these are Central Government (50%), Kent County Council (9%) and Kent & Medway Fire & Rescue Authority (1%). When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding.

According to the rating list, the total non-domestic rateable value at 31 March 2014 was £89,285,806 (31 March 2013 = £90,350,904).

Note 3 Contributions to Collection Fund surpluses and deficits

In January each year the Council must estimate the amount of the surplus or deficit expected to arise on the Collection Fund for the coming 31 March in respect of council tax and, from the financial year 2013/14 onwards, in respect of NDR. The estimated surplus or deficit is then shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, Central Government and the District Council as appropriate.

In January 2013, the estimated balance at 31 March 2013 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

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the Collection Fund in 2012/13 and taken into account by the respective authorities in the calculation of their council taxes for 2013/14. The actual position at 31 March 2013 was a deficit of approximately £576,000.

The actual deficit of £408,000 at 31 March 2014 in respect of council tax and the actual deficit of £1,486,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2014/15.

Note 4 Allocation of arrears, prepayments and other balances

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

		KCC £000	PCC £000	KMFRA £000	Gov't £000	SDC £000	Total £000
2012/13	Council Tax:						
	Arrears	2,400	324	156		587	3,467
	Provision for Bad Debts	(1,715)	(232)	(111)		(419)	(2,477)
	Prepayments & Refunds	(1,095)	(148)	(71)		(268)	(1,582)
	Cash	11	2	1		3	17
	(Surplus)/Deficit	399	54	26		97	576
	NNDR:						
	Central Pool				(1,791)		
	Arrears				1,759		
	Provision for Bad Debts				(823)		
	Prepayments & Refunds				(793)		
	Cash				1,648		
	Total	0	0	0	0	0	0
	2013/14	Council Tax:					
Arrears		2,400	324	156		590	3,470
Provision for Bad Debts		(1,857)	(251)	(121)		(456)	(2,685)
Prepayments & Refunds		(1,257)	(170)	(81)		(309)	(1,817)
Cash		432	58	28		106	624
(Surplus)/Deficit		282	38	19		69	408
NDR:							
Arrears		147		16	817	653	1,633
Provision for Bad Debts		(79)		(9)	(438)	(351)	(877)
Provision for Appeals		(204)		(23)	(1,133)	(907)	(2,267)
Prepayments & Refunds		(96)		(11)	(536)	(429)	(1,072)
Cash		99		11	548	439	1,097
(Surplus)/Deficit		134		15	743	595	1,486
Total		0	0	0	0	0	0

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

CLG. Department for Communities and Local Government

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and payments to the non-domestic rates pool.

Contingent Liabilities. Contingent liabilities are either:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation’s control, or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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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.

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

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

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

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

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

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

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

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to

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

MBC. Maidstone Borough Council.

Non-Domestic Rate (NDR). (2012/13 NNDR National Non Domestic Rate) Non-domestic rates are levied on business properties based on the rateable value of the property multiplied by a rate in the pound set nationally by the Government. Local authorities retain a proportion of the total collectable rates. In the case of Sevenoaks, the District Council retains 40%, Kent County Council 9% and Kent & Medway Fire & Rescue Authority 1%. The other 50% is passed to Central Government.

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

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

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

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

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

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

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

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

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

Supplies and Services. Includes expenditure on equipment and materials.

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

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TWBC. Tunbridge Wells Borough Council.

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

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

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

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – 9 September 2014

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, Ext.7236

Recommendation to Audit Committee: That Members note the contents of the report and the progress made by the audit team in delivering the 2014/15 Annual Internal Audit Plan

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

Introduction

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2014/15 and outcomes of final internal audit reports issued since the meeting of the committee in June 2014.
- 2 The internal audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit Manager, is required to report to the Audit Committee on the progress made in delivering the internal audit plan in meeting the Council's assurance requirements, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2014/15 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2014. Members may note that Nine planned reviews are in progress. This is equivalent to 45% of the original plan.

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- 4 Members are advised that two reviews have been requested by Senior Management to be deferred, due to operational reasons. They are set out in Appendix A of this report.
- 5 Appendix B sets out details of the final reports which were issued since the last meeting of this committee and provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements, which are required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to members of this committee on request.

Internal Audit Resources

- 6 Internal audit resources have been under capacity during the period, due to two staffing vacancies, equivalent to 42% of auditor resources. One of which impacts on the key role of Principal Auditor. This has consequently put some strain on delivery of the plan and overall effectiveness. However, this would be mitigated to some extent, by the use of agency staff in the short term.

New Public Sector Internal Audit Standards

- 7 Members were previously advised at their last meeting in June 2014, of the proposed action plan required to implement the new Internal Audit Standards, which came into effect in April 2013. One of the requirements of the standards is to undertake an external review of Internal Audit. In view of the above, senior management has requested a delay in recruitment of the current vacancies, pending the outcome of the external review, details of which are currently being discussed with our shared services partner. It is hoped that the outcome of the review would provide a clear focus on how the service could be strengthened going forward.

Key Implications

Financial

7. Not Applicable.

Legal Implications and Risk Assessment Statement.

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

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

Equality Impacts

9.

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Sustainability Checklist

10. Not Applicable.

Conclusions

11. This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2014/15 and provides a summary of final reports issued since the meeting of the Audit Committee in June 2014. The team is currently under capacity as a result of two staffing vacancies. The temporary arrangement of using agency staff provides some relief in the short term, but is a less effective solution.

Appendices

- Appendix A – Progress Against 2014/15 Plan
- Appendix B - Summary of Final Reports Issued
- Appendix C - Audit Opinions - Definitions

Background Papers:

- [Internal Audit Annual Plan for 2014/15](#)
- New Public Sector Internal Audit Standards 2013
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>
- [Audit Committee Report 10 June 2014](#)
- Accounts and Audit Regulations 2011
<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

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PROGRESS AGAINST 2014/15 INTERNAL AUDIT PLAN					Status at 22/8/14		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel
1	Key Financial Systems						
2	Insurance Arrangements				x		
3	Council Tax/NDR						
4	Council Tax Support & Housing Benefit						
5	New Cash Till Arrangements						x
6	Payroll						x
7	Procurement & Contracting						
8	Corporate Governance & AGS			x			
9	Senior Management & Organisational Changes			x			
10	Risk Management						
11	Performance Management			x			
12	Markets				x		
13	Council's Electoral Process					x	
14	Data Protection & Records Man			x			
15	Disabled Facilities Grants						
16	Arrangements for Imp CIL						
17	Agency Staff & Contracting Including Contracting				x		
18	Building Control					x	
19	Dunbrik						
20	Repair & Maintenance Arrangements						
	Total			4	3	2	2

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Review of IT Security 2013/14**Issued 20 June 2014**

Opinion: Control Framework – Good (Previous year - Satisfactory)
Compliance with Framework – Satisfactory (Previous year - Unsatisfactory)

The purpose of the review was to provide an assurance regarding the effectiveness of the arrangements in place for IT Governance and Security, as well as the effectiveness of service delivery and fitness for purpose.

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

- 1) Risk that the Council may not have a well-defined IT Governance framework in place, leading to ineffective management control and non-compliance with statutory obligations.
- 2) Risk that the Council may not have adequate control over data security leading to unauthorised access.
- 3) Risk that lack of implementation of recommendations leading to non-compliance with pertinent legislation.
- 4) Risk that IT arrangements may hamper the efficient delivery of shared services.
- 5) Risk that IT Assets may not be adequately protected leading to misappropriation and fraud.
- 6) Risk that IT risks may not be fully considered and evaluated resulting in unauthorised access, error and fraud.

Audit testing results indicated that controls were fully met in two of the aspects examined, whilst four aspects were partially met in relation to compliance (Risks 2, 3, 4 and 6).

The opinion of the auditor was that the framework of controls for the IT Security system was “good”. Compliance with the framework was found to be “satisfactory”. This meant that a high level of control framework was in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. There was evidence that occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

The following four recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 2, 3, 4 and 6.

- Consideration needs to be given as to how access controls can be monitored for temporary/contract staff. Also consideration needs to be given to current physical access controls and whether access to certain areas should be fully restricted to IT only. An external review of environmental controls must be undertaken.
- The IT Service Manager needs to ensure that the Disaster Recovery plan is completed with links to the Corporate Plan.

- In terms of ensuring responsibilities and reporting lines are clear to both IT staff and customers, Operation Level Agreements (OLAs) should be drawn up between the SDC and DBC IT Teams with Service Level Agreements (SLAs) between both IT Services and relevant customers.
- The IT Service Manager reviews existing arrangements and ensure that they are effective to reduce IT related risks. This would include
 - Examination of the current Strategic Risk Register and Operational Risk Register and identifying any gaps.
 - Examination of internet access over the public wireless network

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

Review of Planning & Development Control 2013/14

Issued 1 August 2014

Opinion: Control Framework – Satisfactory (Previous audit - Satisfactory)
Compliance with Framework – Satisfactory (Previous audit - Satisfactory)

The purpose of the review was to provide an assurance regarding the effectiveness of the arrangements in place for the management of the Planning & Development Control operations in meeting its service objectives. There have been some substantial changes within the team in recent months since the previous review in 2010/11.

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

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that legislation and regulation changes may not be addressed or complied with.
- 3) Risk that the validation process may not be sufficiently robust or consistently applied.
- 4) Risk that planning enforcement may not be appropriate, expedient or consistently applied.
- 5) Risk that planning decisions could be overturned after an appeal and costs may be incurred.
- 6) Risk that timetables, deadlines and milestones may not be met.
- 7) Risk that the scheme of delegation and delegated powers may not be correctly applied.
- 8) Risk of fraud and/or corruption.
- 9) Risk that opportunities to demonstrate efficiency or VFM may not be maximised.
- 10) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in four of the aspects examined, whilst six aspects were partially met in relation to compliance. (Risks 3, 4, 5, 6, 7 and 8). However, the impact of non-compliance was relatively minor and in the main, there were compensating controls in place.

The opinion of the auditor was that the framework of controls for the Planning and Development system was “satisfactory”. Additionally, compliance with the framework was also found to be “satisfactory”. This meant that controls exist to enable the achievement of service objectives, obtain good corporate governance and mitigate against significant foreseeable risks. Occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.

Nineteen recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 3,4,5,6 and 7. Most of the recommendations have already been implemented following management feedback. The outstanding key recommendations are set out below:

- Introduce procedures to review and update public Council website pages. A quick and easy way to highlight website pages that could be out of date or in need of review would be to ask IT to produce a webpage hit rate report. The pages with the lowest number of views could then be reviewed periodically to ensure they were still current and up to date as the low hit rate might be indicative of the page being out of date or needing to be deleted.
- Case Officers must sign and date the Green Validation Checklist prior to processing a case to evidence they agree the fees are correct and validation checks undertaken by the Validation Officer are complete and correct.
- Officers’ delegation letters should include financial limits and clear referral instructions to obtain higher levels of approval if these financial limits are exceeded related to their delegated responsibilities. This should also include the Chief Planning Officer where very large cases are involved even though these cases would likely go to other senior officers, Development Control Committee and likely involve Council/Cabinet.
- Relevant findings and recommendations within this report should be addressed and built into the departmental Procedures Manual review currently being redrafted together with other associated departmental documentation to ensure controls and procedures are improved and risks mitigated

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

Review of Cash & Bank Reconciliations 2013/14

Issued 1 August 2014

Opinion: Control Framework – Good (Previous year - Good)
Compliance with Framework – Good (Previous year - Good)

The purpose of the review was to provide an assurance regarding the effectiveness of the reconciliation process, which ensures the accuracy of the Council's accounting records as required by statute. Key areas examined, in addition to the reconciliation process, were timeliness and the promptness of actions taken to address unexplained variances.

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

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that appropriate records are not kept to support the reconciliation process.
- 3) Risk that reconciliations between the Council's bank statement and financial systems may not be accurate, independent, up-to date or reviewed by a senior officer.
- 4) Risk that reconciliations may not be completed on a timely basis.
- 5) Risk that the Council may not have an accurate view of its cash flow or financial position.
- 6) Risk of fraud and/or corruption.
- 7) Risk that opportunities to demonstrate efficiency or VFM may not be maximised.
- 8) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in all of the aspects examined. One aspect of control was identified in relation to risk 3 where further enhancement would be beneficial. This is set out below.

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

The following recommendations were agreed with Management to address the areas where controls enhancements could be made. This relates to risk 3.

Agresso:

- I. The number of 'super users' should be reviewed and reduced to a more appropriate level subject to the departmental operational needs.

- II. Internal IT and external remote 'super user' profiles to be deactivated and only reactivated for the short duration of specific projects
- III. Tandridge District Council 'super users' profiles to be restricted to Tandridge data only to prevent unauthorised access to Sevenoaks data.
- IV. Activity reports to be produced regularly for all 'super user' profiles to monitor unusual or unexpected activity such as profile access set up, password changes, profile changes, system activity outside of expected 'day to day' role responsibilities to mitigate and reduce the risks of unauthorised activity.

TASK:

Bearing the above in mind for TASK there needs to be additional 'Super user' access in the event that the Finance and Admin Manager – Direct Services leaves at short notice, or is incapacitated for any length of time at short notice which would compromise day to day operations or activities. The IT team should be given a formal 'super user' profile so they can access the system and to monitor audit trails. We would also recommend that activity reports are produced and reviewed regularly as per IV) above.

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

Review of Main Accounting 2013/14

Issued 1 August 2014

Opinion: Control Framework – Good (Previous year - Good)
Compliance with Framework – Good (Previous year - Good)

The purpose of the review was to provide an assurance regarding the effectiveness of the controls over entries to the main accounting system. Key areas examined were the completion of data processing; accuracy and authentication of data.

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

- 1) Risk that the Council may not comply with relevant legislation, policy or good practice.
- 2) Risk that relevant records of transactions may not be current, accurate or complete.
- 3) Risk that transactions may not be allocated to their correct cost centres or accounts.
- 4) Risk that miscodings or variations may not be identified or appropriately reported.
- 5) Risk that financial data may not be presented in a way that is clear for non-financial managers to understand.
- 6) Risk of fraud and/or corruption.
- 7) Risk that opportunities to demonstrate efficiency or VFM may not be maximised.

- 8) Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in all of the aspects examined. One control that came under risk 8 has been highlighted where enhancements can be made.

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

The following recommendations were agreed with Management to address the areas where controls enhancements could be made. This relates to risk 8.

Agresso:

- I. The number of ‘super users’ should be reviewed and reduced to a more appropriate level subject to the departmental operational needs.
- II. Internal IT and external remote ‘super user’ profiles to be deactivated and only reactivated for the short duration of specific projects
- III. Tandridge District Council ‘super users’ profiles to be restricted to Tandridge data only to prevent access to Sevenoaks data.
- IV. Activity reports to be produced regularly for all ‘super user’ profiles to monitor unusual or unexpected activity such as profile access set up, password changes, profile changes, system activity outside of expected ‘day to day’ role responsibilities to mitigate and reduce the risks of unauthorised activity.

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

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DEFINITIONS OF AUDIT OPINIONS

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

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

INVESTMENT STRATEGY - RISK REGISTER

Audit Committee – 9 September 2014

Report of Chief Finance Officer

Status: For Information

Key Decision: No

This report supports the Key Aim of providing Value for Money

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Andrew Robson Ext. 7209

Recommendation to Audit Committee:

Review the Risk Register associated with the recently approved Investment Strategy and make recommendations for any further amendments or additions to the register.

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

Introduction and Background

- 1 It is a requirement of the Audit Committee's Terms of Reference to maintain an overview of the effective development and operation of risk management in the Council.
- 2 At the request of the Chairman of the Audit Committee this report has been drafted to consider the Risk Management associated with the Investment Strategy approved by Cabinet on 10 April 2014, followed by Council approval for the allocation of £5M of funding on 22 July 2014.
- 3 The intention of the approved Investment Strategy is to invest in property / infrastructure assets, with the intention of increasing revenue returns to the Council, contributing towards the ambition of becoming more financial self sufficient.
- 4 This report provides Members with the opportunity to review and comment on the Investment Strategy Risk Register. The Risk Register has been developed by Officers, taking in the views of the relevant Service Managers and Chief Officers. It sets out those risks that Officers believe should be considered when investing the

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Councils money in property / infrastructure Assets rather than it remaining in financial investments.

- 5 The consideration of the Investment Strategy Risk Register by the Audit Committee provides an opportunity for Members to input their views and provides for a more robust assessment of the risks faced by the Council.

Investment Strategy Risk Register

- 6 Provided as Appendix A to this report is the Council's Investment Strategy Risk Register, which has been expanded to demonstrate the risks of investing the Councils funds in Property Assets.
- 7 The Investment Strategy Risk Register sets out 11 risks that Officers consider to have the potential to influence the achievement of the aim to increase revenue income and therefore financial self sufficiency as stated within the Corporate Plan. For each risk Officers have set out those factors that could cause the risk to occur and the potential effect that these events could have.
- 8 Members are asked to consider the Investment Strategy Risk Register and provide any suggestions for improvements or changes that can be incorporated in to it. Officers will review the comments of the Audit Committee and include them within a revised and updated register as appropriate. Any additional actions that are required to be taken to better mitigate or manage each risk faced will also be documented once the feedback from the Audit Committee has been taken in to account.
- 9 It should be noted that the Council has for many years owned a successful property investment in the Black Boy Public House, Sevenoaks. This property was acquired as part of the Sevenoaks Town Centre Regeneration and has since been retained as an investment for income purposes and has performed very well over the time.
- 10 The proposed ownership of properties for investment purposes is not to be confused with properties owned by the Council for 'Community' benefit. Members have experienced dealings with this type of property such as Cobden Road, Sevenoaks and Meeting Point in the High Street, Swanley. The aims of holding these properties were to support the charities that occupied them to deliver their services. The properties were generally let on terms that were not commercial i.e. low rents, minimal tenant maintenance etc and the council met these cost.

Key Implications

Financial

Effective risk management reduces the risk of financial loss and better allows the Council to maximise the financial benefit of opportunities to increase income over placing money in financial investments.

Legal Implications and Risk Assessment Statement.

A robust risk management framework enhances the Council’s ability to minimise cost and enhance income.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

The Council’s Investment Strategy Risk Register has been drafted to ensure that risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the aims of the Investment Strategy, which supports the Vision and Promises sets out in its Corporate Plan.

The risks of investing in property are greater than placing money in financial investments cash on deposit, however, there is a balance to be struck between the increased levels of risk and the additional income that can be derived from owning this kind of investment.

Members are asked to review the Investment Strategy Risk Register and suggest any amendments.

Appendices

Appendix A – Investment Strategy Risk Register

Background Papers:

Investment Strategy

<http://cds.sevenoaks.gov.uk/documents/s18842/12a%20Investment%20Strategy%20OPEN.pdf>

**Adrian Rowbotham
Chief Finance Officer**

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Appendix A – Risk Analysis

Risk	Risk Areas	Likelihood 1(low)- 5(High)	Impact 1(low)- 5(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets	2	3	6	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Annual Valuation
Upturn in property market	Purchase cost of potential assets increases	4	4	16	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Annual Valuation
Increase in interest rates (borrowing)	Cost of borrowing increases with detrimental impact on income	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential treasury management income	4	1	4	Consider revising income return criteria upwards. Consider disposal of assets for re-investment
Available opportunities	Market opportunities meeting investment criteria not available.	4	4	16	Identify opportunities early and move swiftly to acquire
Changes in Tenant Demand	Certain types of property may become less favourable with tenants – ie Shops	3	3	9	Construct a varied portfolio by use, i.e. mixture of shops, offices, industrial, residential etc
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out	3	4	12	Ensure Full Repairing and Insuring Leases are in place via pre purchase due diligence. Have building surveys undertaken to

					establish condition of building.
Tenant default	Loss of rental income, increased costs incurred	2	4	8	Undertake financial due diligence of tenants pre purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider Multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc Costs of re-letting	2	4	8	Monitoring tenancies as described above. Move quickly to appoint letting agents should a void appear likely. Act expediently in concluding legal process of letting.
Government Legislation - Energy Performance	In 2018, it is expected that legislation will be introduced, prohibiting the letting of buildings which have an EPC rating of E or below.	4	4	16	Undertake appropriate pre purchase due diligence to establish what the EPC rating of a property is and purchase accordingly. Identify if opportunities exist to increase the EPC rating appropriately.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	3	3	9	Ensure that increased holding costs are factored into purchase valuations Appoint external professionals to manage landlord and tenant processes Ensure that tenant deposits are taken

REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee – 9 September 2014

Report of the: Chief Finance Officer

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole Ext. 7236

Recommendation to Audit Committee: That Members:

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

Introduction

- 1 Members agreed at the meeting on 18 March 2014 to include in the meeting agenda of the Committee, a report on the implementation of Internal Audit recommendations. This report is to update Members on progress of the implementation of recommendations agreed with management, and to report on outstanding recommendations due for implementation by 31 July 2014.
- 2 The report also informs the Committee where implementation dates have been revised, or where agreed recommendations have not been implemented.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which relevant management had agreed recommendation implementation dates for the period to 31 July 2014. Internal Audit has obtained the current status from the responsible managers, but it should be noted that, where implementation has been confirmed, Internal Audit has not yet undertaken any additional testing to verify this. Implementation checks will be carried out in due course, usually between 3 to 6 months of the agreed implementation date.
- 4 Appendix B provides details of recommendations where management have advised Internal Audit that implementation of agreed actions has initially been delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major

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concerns arising as a result of the change in implementation date. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

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

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

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

Value for Money and Asset Management

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

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Conclusions

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

Appendices

Appendix A – Summary of recommendations followed up

Appendix B – 'Overdue' recommendations where implementation delayed

Background Papers:

None

**Adrian Rowbotham
Chief Finance Officer**

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SUMMARY OF RECOMMENDATIONS FOLLOWED UP

Audit (Number of Recommendations originally accepted)	Date final report issued	Number of recommendations where implementation not yet due	Number of recommendations where implementation now confirmed by management	Number of recommendations where management advise that implementation delayed (Appendix B)	Number of recommendations where management advise that implementation is no longer intended (Appendix C)	Number of recommendations where implementation not confirmed or alternative date not provided
Emergency Planning Arrangements 2011/12 (10)	8/5/12	9	1	0	0	0
Council Tax/NNDR 2012/13 (4)	24/6/13	1	3	0	0	0
Safeguarding 2013/14 (7)	23/8/13	0	4	3	0	0
Payroll 2013/14 (4)	30/8/13	0	2	2	0	0
Housing 2013/14 (3)	17/12/13	0	3	0	0	0
Section 106 Agreement 2013/13 (5)	19/12/13	1	4	0	0	0
Purchasing & Creditors 2013/14 (2)	18/2/14	1	1	0	0	0
Contract Management 2013/14 (1)	18/2/14	0	0	1	0	0
Council Tax/NNDR 2013/14 (2)	26/2/14	2	0	0	0	0
IT Security 2013/14 (4)	21/7/14	4	0	0	0	0

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED

Audit: Safeguarding Arrangements 2013/14

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. The Chief Officer Communities & Business should ensure that the revised SDC Safeguarding policy includes any recent amendments (April 2013) and that all legislative points are covered.</p> <p>The revised policy should be made available on the intranet and the SDC website as soon as it has been agreed by full Council.</p> <p>The SDC website should be used to promote the policy and to encourage communication and engagement with stakeholders.</p>	<p>Medium</p>	<p>Agreed Action: As above</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	<p>The Safeguarding Strategy has been approved by Cabinet on 8/5/14. It includes recent legislation, but will need to be looked at again in the Autumn when new legislation regarding older people will come into place. The Chief Officer, Communities & Business has requested the policy to be published on the Council’s website and InSite. She has also had a meeting with the County Safeguarding Lead in order to address her concerns regarding the cancellation of the District Safeguarding Board, which have impacted on ongoing liaison meetings. She intends to meet the lead in the next few weeks to discuss the issue.</p> <p>Community Planning & Projects Officer – 24/6/14</p> <p>Audit Manager Comment: The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in January 2015.</p>

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>2. The revised child protection policy must be put on the intranet and the SDC website as soon as it has been agreed.</p> <p>The policy should be reviewed every 2 years</p>		<p>Following approval of revised policy</p>	<p>See above</p>
<p>4. The Chief Officer Communities and Business should liaise with the Heads of Service appropriately trained to ensure: -</p> <ul style="list-style-type: none"> • Where necessary job descriptions and person specification should detail the safeguarding policy. Compliance with the latest policy should form part of the post key activities. • Application forms to mention the latest Safeguarding and Child protection • Starter pack should contain a copy of the latest Councils safeguarding policy 	<p>Medium</p>	<p>Agreed Action: As Above</p> <p>Action Already taken: Heads of Service have already been trained in identifying which staff posts should be subject to safeguarding arrangements. HR holds a list of these posts and arranges regular three yearly DBS check.</p> <p>Responsible Officer: Chief Officer Communities & Business</p> <p>Recommendation Implementation Date: Following approval of revised policy</p>	<p>The Chief Officer, Communities & Business has requested HR to look at the items listed under the recommendation and how they can become standard practice.</p> <p>Community Planning & Projects Officer – 24/6/14</p> <p><u>Audit Manager Comment:</u> The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in January 2015.</p>

Audit: Payroll 2013/14

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>1. There should be a regular programme of review for all HR policies. Documents should be updated with the last review date to ensure that the most current version is issued to new employees and is available to all staff on SiMON.</p> <p>The Employee Code of Conduct should be included in this review to ensure that it reflects the Council's policy on Whistleblowing and Anti-Fraud.</p> <p>Appropriate arrangements should also be made to ensure that all relevant policies, required for new starters, are identified and that the most updated versions are included in the joining instructions.</p>	<p>Medium</p>	<p>Agreed Action: Agreed</p> <p>A task group is being put into place from September 2013 onwards to review all HR Policies.</p> <p>Responsible Officer: Head of HR</p> <p>Recommendation Implementation Date: 28 February 2014</p>	<p>We do now have the IT security policy through Net consent that is read by all new starters before logging on to SDC systems.</p> <p>Other HR policies are currently being reviewed by Unison and the staff consultative group, and we hope to be publishing these later this year. The Employee Code of Conduct is included as an appendix in the Disciplinary Policy.</p> <p>Head of HR - 27/2/14</p>	<p>The policies are still under review with UNISON and the Staff Consultative Group, it is hoped this will be completed by October 2014.</p> <p>Human Resources Manager – 5/8/14.</p> <p>Audit Manager Comment: The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in January 2015.</p>

Recommendation	Priority/ ranking	Original response	Previous response	Latest position + (source)
<p>2. To ensure that the most update polices are sent out to new starters, it is recommended that HR liaises with relevant data/policy owners to agree a process which would ensure that all changes and updates are sent to HR on a routine basis.</p>		<p>Agreed Action: Agreed</p> <p>New Netconsent software is currently being introduced by IT which will ensure that all staff, logging on to the system, in Argyle Road and at Dunbrik Depot, are automatically directed to any policies they have not previously seen and signed up to. This way all staff, new and existing, will be up to date with all current policies, including any amendments and changes.</p> <p>Responsible Officer: Head of HR</p> <p>Recommendation Implementation Date: 31 December 2013</p>	<p>We are designing some information to go out on Net consent that new starters will receive when they first turn on their PC's.</p> <p>Head of HR - 10/1/14</p>	<p>IT is currently working on some technical issues regarding Netconsent. Once resolved the Health and Safety Policy will also be rolled out.</p> <p>Human Resources Manager - 5/8/14.</p> <p><u>Audit Manager Comment:</u> The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in January 2015.</p>

Audit: Contract Management Arrangements 2013/14

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>1. The Principal Legal Executive should request the appropriate officers place the standard clauses on the Procurement internet page.</p> <p>Review of the Contracts Procedure Rules should be a joint project between Legal Services and the Audit & Risk team, to provide input from both areas of expertise into the revised Procedure Rules.</p>	<p>Low</p>	<p>Agreed Action: As above. The review of the CPRs is currently in progress.</p> <p>Responsible Officer: Graham Grove – Principal Legal Executive Bami Cole – Audit, Risk and Anti-Fraud Manager</p> <p>Recommendation Implementation Date: 31st May 2014</p>	<p>The Suggested amendments to the Contract Procedure Rules have now been approved by the Chief Officer of Legal and Governance and instructions have been given to Democratic Services to incorporate them into the Contract Standing orders. The Officer’s Guide which replaces the Procurement Guide can now be drafted. Suggested new implementation date – end of September 2014.</p> <p>Principal Legal Executive – 6/8/14</p> <p><u>Audit Manager Comment:</u> The Audit Committee will be kept informed of developments regarding this recommendation at the meeting in January 2015.</p>

RISK MANAGEMENT PRESENTATION

Audit Committee – 09 September 2014

Report of Chief Finance Officer

Status: For Information

Key Decision: No

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

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, ext.7236

Recommendation to Audit Committee: That Members attend the presentation and seek further clarity as they deem necessary.

Reason for recommendation: Risk management is a key indicator of effective management. The Audit Committee is required to consider, approve and monitor the Council's approach to the management of business risks, in compliance with its terms of reference. It is therefore important that Members understand the Council's approach to risk management.

Introduction

- 1 As part of overall governance of the Council, the Audit Committee is required to fulfil its terms of reference in order to facilitate effective internal controls, risk management and good governance. To facilitate this process, Committee Members have identified relevant aspects of their remit, where they would benefit from further training, or development. A key aspect of this process is risk management training.
- 2 A presentation on risk management was included in the Committee's work plan to take place at the meeting in September 2014. This reports sets out the key areas which the presentation will cover.

Details of Presentation

- 3 The presentation is proposed to cover the following key aspects, but will incorporate some flexibility to deal with any other relevant issues, or further aspects that Members may consider relevant, or are interested in.
 - Introduction
 - The Committee's Responsibilities in Relation to Risk Management

Agenda Item 9

- Definitions – Risk and Risk Management
- Why is Effective Risk Management Important/What makes the process effective
- The Council’s Approach to Risk Management
- The Strategic and Operational Risk Registers
- Effective Oversight of the Process
- Conclusions
- Questions and Answer
- Close

4 Members of the Audit Committee are requested to attend and participate in the process.

Key Implications

Financial

5 None

Community Impact and Outcomes

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

Legal Implications and Risk Assessment Statement.

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

A robust risk management framework enhances the Council’s ability to minimise waste and improve efficiency and to deliver better services and outcomes for the community. The revised risk policy statement sets out the Council’s position on risk management and the importance the Council attached to effective overall governance and sound internal control.

Resource (non-financial)

8 None

Value For Money

9. A robust risk management process will enhance the Council’s ability to minimise waste and inefficiencies whilst maximising value for money.

Equality

10

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Sustainability Checklist

11 Not applicable.

Conclusions

12 The report sets out the Council’s arrangements to deliver risk management training to Members of the Audit Committee and the contents of the presentation. The training will enable Members to fulfil their remit more effectively.

Appendices None

Background Papers: None.

Contact Officer(s): Bami Cole, Audit, Risk & Anti-Fraud Manager.
Phone: 01732-227236

Adrian Rowbotham

Chief Finance Officer

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Audit Committee 2014/15 –Work Plan

	9 September 2014	13 January 2015	17 March 2015	June 2015
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2014/15 – 1 st Progress Report Implementation of Audit Recommendations	Internal Audit 2014/15 – 2 nd Progress Report Implementation of Audit Recommendations	Internal Audit 2013/14 – 3 rd Progress Report Internal Audit Plan Implementation of Audit Recommendations	Internal Audit 2014/15 - Annual Report Implementation of Audit Recommendations New Audit Standards – Full Report
Risk Management	Risk Management Training		Risk Management Strategy	Risk Management Plan including Strategic Risk Register
Accounts and External Audit	Statement of Accounts 2013/14	External Audit – Annual Audit Letter External Audit – Housing Benefit Grant 2013/14		Statement of Accounts 2013/14 – set up Member Working Group External Audit - Annual Audit Plan External Audit – Audit Committee Update

	9 September 2014	13 January 2015	17 March 2015	June 2015
Other		CIL Update report	Review of the Effectiveness of the Audit Committee / Annual Report to Council	Annual Fraud report Annual Governance Statement Audit Committee Terms of Reference