

26 September 2017 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 18.09.17



Audit Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Reay
Cllrs. Ball, Clack, Halford, Layland, McArthur, Purves and Searles

Agenda

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

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Audit Committee held on 13 June 2017, as a correct record	(Pages 1 - 4)	
2. Declarations of Interest Any declarations of interest not already registered.		
3. Actions from Previous Meeting	(Pages 5 - 6)	
4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations (if any)		
5. Statement of Accounts 2016/17	(Pages 7 - 172)	Helen Martin Tel: 01732 227483, Adrian Rowbotham Tel: 01732 227153
6. Local Code of Corporate Governance	(Pages 173 - 180)	Martin Goodman Tel: 01732227245
7. Members Allowance Scheme Monitoring	(Pages 181 - 194)	Martin Goodman Tel: 01732227245, Adrian Rowbotham Tel: 01732 227153
8. Internal Audit 2017/18 - 1st Progress Report	(Pages 195 - 214)	Lisa Nyon Tel: 01322 343434, Adrian Rowbotham Tel: 01732 227153

- | | | | |
|-----|---|-------------------|--|
| 9. | Report on Internal Audit Recommendations Outstanding | (Pages 215 - 222) | Lisa Nyon
Tel: 01322 343434,
Adrian Rowbotham
Tel: 01732 227153 |
| 10. | Risk Management Report | (Pages 223 - 236) | Lisa Nyon
Tel: 01322 343434,
Adrian Rowbotham
Tel: 01732 227153 |
| 11. | Draft Strategic Risk Register | (Pages 237 - 256) | Lisa Nyon
Tel: 01322 343434,
Adrian Rowbotham
Tel: 01732 227153 |
| 12. | Work Plan | (Pages 257 - 258) | |

EXEMPT INFORMATION

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

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

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

AUDIT COMMITTEE

Minutes of the meeting held on 13 June 2017 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Reay (Vice Chairman)

Cllrs. Ball, Layland, McArthur, Purves, Reay and Searles

An apology for absence was received from Cllr. Clack

Cllr. Scholey was also present.

1. Minutes

Resolved: That the minutes of the Committee held on 18 April 2017 be agreed and signed as a correct record.

2. Declarations of Interest

There were none.

3. Actions from Previous Meeting

The actions were noted.

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

There were none.

5. External Audit - Statement of Accounts training

Sarah Ironmonger from Grant Thornton gave a 20-minute [training presentation](#) on the Statement of Accounts for Members of the Audit Committee and Members had the opportunity to ask questions. The purpose of the training was to increase Members understanding of the Statement of Accounts and to prepare those who would become part of the Working Group looking at the Statement of Accounts 2016/17.

Resolved: That the information provided be noted.

6. Statement of Accounts 2016/17 - Establishment of Member Working Group

Until 2009/10, it was a requirement of the Accounts and Audit Regulations 2003 that Members' approve the Draft Statutory Statement of Accounts by 30 June

following the financial year-end and that the Audited Statutory Statement of Accounts be approved by 30 September. In 2010/11, these requirements changed and now only the Audited Statutory Statement of Accounts had to be approved by Members by 30 September.

As the Statement of Accounts were very detailed, the Chairman suggested that a small working group be established to review the draft during July and sought volunteers. If approved Officers would arrange the first meeting date. Requests were made for no meetings earlier than 6.00 p.m. and not Mondays.

Resolved: That

- a) a Member Working group be set up to review the 2016/17 Draft Statement of Accounts;
- b) the working group be delegated the authority to recommend changes to the Statement of Accounts ensuring that they still adhered to the statutory regulations, and report back to the September Audit Committee; and
- c) membership of the working group be Councillors Grint (Chairman), Reay (Vice Chairman), Ball, Layland and McArthur with the Portfolio Holder for Finance invited to attend.

7. External Audit - Annual Audit Plan

Sarah Ironmonger from Grant Thornton presented the Audit Plan 2016/17.

Resolved: That the report be noted.

8. Counter-Fraud & Compliance Report 2016/17

The Fraud Manager presented the report which set out the work conducted by the new Counter Fraud & Compliance Team during 2016/17. Members were requested to note the report and the plans for the future. Members discussed the benefits of the new risk-based verification (RBV) process. The Fraud Manager also believed the move from Dartford to being based within the revenues and benefits team, had assisted the process. There would be an article in the Council's InShape magazine on the new scheme of civil penalties.

Resolved: That the work of the Counter Fraud & Compliance Team carried out during the year ended 31 March 2017, be noted.

9. Internal Review of Effectiveness of Internal Audit 2016/17

The Principal Auditor presented the report which gave her opinion that the Council's arrangements in place for Internal Audit, in 2016/17 were substantially compliant with the Public Sector Internal Audit Standards (PSIAS). The Principal

Auditor explained to members that although there are a few areas that are not fully compliant with PSIAS an action plan has been developed to address this.

Resolved: That the conclusion of the Annual Self-assessment Review of the Effectiveness of Internal Audit Service 2016/17, and that the Council had an adequate and effective Internal Audit service, which contributed towards the proper, economic and effective use of resources in achieving its objective, be noted.

10. Internal Audit Annual Report 2016/17

The Principal Auditor presented the report which set out the achievements of the Internal Audit Team for the period 2016/17, and concluded that the Council's arrangements for internal control and risk management were effective. The opinion was based on the work completed by Internal Audit during the year and other available sources of assurance. In response to a question she advised that the better record of implementation of recommendations was down to the team's hard work and her being copied into emails to the relevant service managers enabling her to more readily identify any potential issues.

Resolved: That

- a) the work of the Internal Audit Team for 2016/17 be noted; and
- b) the Principal Auditors opinion that the Council had effective internal controls, risk management and governance arrangements in place for delivering its objectives and the management of its business risks, be supported.

11. Annual Governance Statement 2016/17

The Chief Finance Officer presented the report. The Annual Governance Statement (AGS) was an important corporate document which explained the Council's governance arrangements and the 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, and had been reviewed by the Officers' Risk Group and approved by the Strategic Management Team. The Chief Executive, Chief Officers and Managers were involved in the process and completed a detailed questionnaire to raise any issues that could be included in the AGS.

There were no significant governance issues raised in the AGS and no areas were identified for further enhancement. It therefore, confirmed that the Council had sound systems of internal control and good governance arrangements in place in 2016/17.

Agenda Item 1

Audit Committee - 13 June 2017

Resolved: That the Annual Governance Statement 2016/17, which accompanied the Council's Accounts be agreed for signature by the Leader of the Council.

12. Internal Audit Strategy 2017/18

The Principal Auditor introduced the report which presented the Internal Strategy which was subject to annual review and set out how internal audit resources would be allocated or deployed in order to meet the expectations of key stakeholders, as well as delivering regulatory assurance. It sat side by side with the Internal Audit Charter and was linked to organisational objectives and priorities. It was therefore a key document affecting the effectiveness of Internal Audit. The Audit Committee was required to approve the Strategy, as part of its terms of reference remit, to oversee the effectiveness of the Council's Internal Audit Service.

Resolved: That the contents of the report be noted, and the Internal Audit Strategy 2017/18 approved.

13. Audit Committee Training 05/06/17 - Discussion

Members discussed the external training provided by CIPFA on 5 June 2017 which was jointly held with Dartford Borough Council Audit Board Members, covering: Case study using a standard internal audit report; Roles and responsibilities; Risk Management; and Fraud and Corruption.

Members had thought the training worthwhile but the number of topics covered on the night meant that it may have been better taken in two evening sessions.

Action 1: The Chief Finance Officer to circulate the training presentation.

Resolved: That training continue to be monitored and reviewed.

14. Work Plan

The work plan was considered, with Local Code of Corporate Governance added to the meeting in September 2017.

THE MEETING WAS CONCLUDED AT 8.28 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 13.06.2017

Action	Description	Status and last updated	Contact Officer
ACTION 1	The Chief Finance Officer to circulate the training presentation. (Minute 13)	Emailed to members of the Committee on 5 July 2017.	Adrian Rowbotham Ext. 7153

This page is intentionally left blank

STATEMENT OF ACCOUNTS 2016/17 - OUTCOME OF EXTERNAL AUDIT

Audit Committee - 26 September 2017

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2016/17 accounts.

Portfolio Holder Cllr. Scholey

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Audit Committee that

- a) the Statement of Accounts 2016/17 be approved.
 - b) the letter of representation (Appx B) be approved and signed by the Chairman
-

Introduction and Background

- 1 A draft statement of accounts was reviewed by a working group from the Audit Committee on 1 August 2017.
- 2 The external audit of the accounts began on 3rd 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 2016/17.
- 3 The external auditors, Sarah Ironmonger and Geoffrey Banister from Grant Thornton, will attend the meeting to discuss their report on the 2016/17 audit. The accounts are required to be signed off by the end of September 2017.
- 4 The Audited Statement of Accounts 2016/17 is attached as Appendix C.
- 5 A copy of the letter of representation from the Council to the external auditors is attached as Appendix B.
- 6 The format of the statement is similar to 2015/16 and has been compiled in line with International Financial Reporting Standards (IFRS). Additional information has been included in the accounts relating to the valuation of

Agenda Item 5

our properties following the introduction of IFRS 13. A new note, the Expenditure and Funding Analysis has been included in accordance the Code requirements.

Review by Working Group

- 7 At the meeting of the working group on 1 August, the Head of Finance explained the most important items in the statement and provided answers to detailed questions raised by Members.
- 8 Members examined the Statement of Accounts and the Narrative Statement and the report of the working group is appended to this report as Appendix C

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 No adjustments were identified that affected the Council's reported financial position and no changes were required to the major statements. The audit was completed within the proposed fee of £43,156, and Grant Thornton have reported that the quality of the draft statements presented for audit was good and free of errors..
- 11 The accounting policies, estimates and judgements have been reviewed and all the indicators are green.
- 12 The changes required to the accounts are explained below:
 - a. In Note 12 The total of Trade Creditors was incorrectly shown as £1,379k when the note should have read £2,039k; money owed to other local authorities should have been included as Trade Creditors;
 - b. In Note 17, an amount of £292k of Non Domestic Rates paid in advance had been incorrectly aggregated within the total of Council Tax paid in advance.

Value for Money

- 13 Grant Thornton have issued an unqualified conclusion to our arrangements for Value for Money. They are satisfied that in all significant respects the Authority has put in place proper arrangements for securing economy efficiency and effectiveness in its use of resources for year ended 31 March 2017.
- 14 Grant Thornton consider the Councils risk management arrangements to be adequate and they have noted a good level of challenge and discussion around the level of risk assigned to the Property Investment Strategy.

Summary

- 15 We would like to express our thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee.
- 16 The Finance Team completed the 2016/17 statement one month ahead of the statutory completion date in preparation for the mandatory closure date of May 2018 for the 2017/18 accounts. The Timetable for 2017/18 will be reviewed to ensure that sufficient time is allowed for detailed quality checking for next year.

Key Implications

Financial

There are no financial implications.

Legal Implications and Risk Assessment Statement.

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

Equality Assessment

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

Conclusions

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

Appendices

Appendix A - Grant Thornton Audit Findings Report 2016/17

Appendix B - Letter of Representation

Appendix C - Report from the Working Group

Appendix D - Audited Statement of Accounts 2016/17

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

This page is intentionally left blank

The Audit Findings Sevenoaks District Council

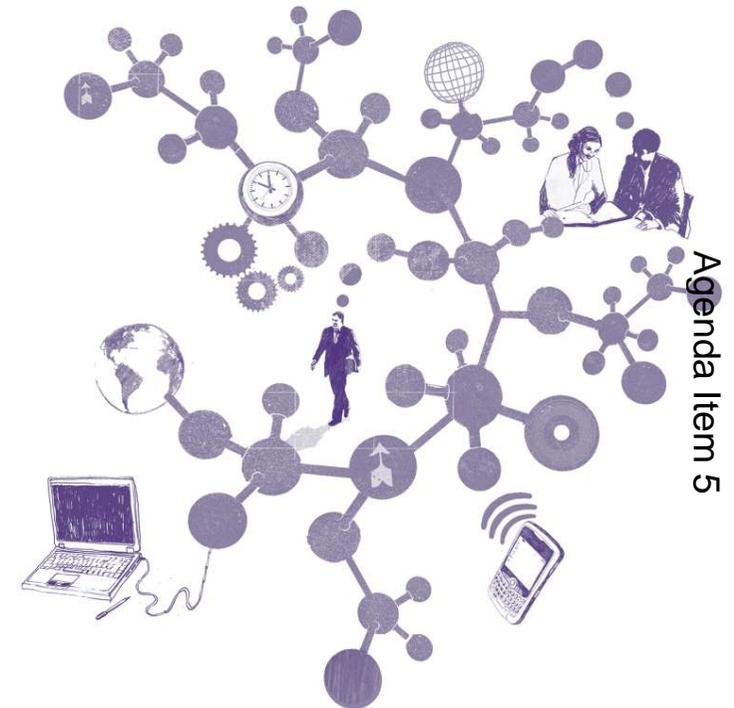
Year ended 31 March 2017

26 September 2017

Page 11

Sarah Ironmonger
Engagement Lead
T (0)129 3554 072
E sarah.i.ironmonger@uk.gt.com

Ade Oyerinde
Manager
T +44 (0)20 7728 3332
E ade.o.oyerinde@uk.gt.com



Sevenoaks District Council
Council Offices, Argyle Road
Sevenoaks, Kent
TN13 1HG

Grant Thornton UK LLP
2nd Floor
St Johns House
Haslett Avenue West
Crawley RH10 1HS
RH10 9GT
T +44 (0)1293 554 130
www.grant-thornton.co.uk

26 September 2017

Dear Committee Members

Audit Findings for Sevenoaks District Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Sevenoaks District Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

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

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

Yours sincerely

Sarah Ironmonger,

Engagement Lead.

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	17
4. Other statutory powers and duties	20
5. Fees, non-audit services and independence	22
6. Communication of audit matters	24

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Sevenoaks District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and the Audit Committee in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

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

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

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

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 13 June 2017.

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

- receipt of investment confirmations
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers on 3 July 2017 in accordance with the agreed timetable.

Key audit and financial reporting summary

Financial statements opinion

The draft financial statements for the year ended 31 March 2017 recorded 'Surplus on the provision of services' of £327k and our work has not resulted in a change to the reported position.

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

- the draft statements was substantially completed 31 May and issued by 30 June 2017,
- the quality of the draft statements presented for audit was good and free of errors;
- from 2017/18, the accounts deadlines move forward and you will be required to present your draft financial statements for audit by 31 May. You have made progress in your preparation and further efficiencies in your accounts preparation and supporting working papers will be needed to ensure you meet the revised deadline of 31 May;
- the finance team responded promptly and comprehensively to audit requests and queries.

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

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

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Narrative Report and Annual Governance Statement (AGS) is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

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

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

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

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

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

Other statutory powers and duties

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

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Audit Committee which is due in January 2018.

The way forward

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

Acknowledgement

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

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

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

As we reported in our Audit Plan, we determined overall materiality to be £1,043k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and the increase in gross revenue within the draft statements led us to revise our overall materiality to £1,062k (being 2% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £54k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have not identified any separate materiality levels.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Sevenoaks District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented the control environment and walkthrough of the system in respect of journal entries; • reviewed the journal entry process and tested selection of unusual journal entries back to supporting documentation; • reviewed accounting estimates, judgements and decisions made by management; • reviewed unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify, nor were made aware of, any unusual significant transactions.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses Page 21	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: <ul style="list-style-type: none"> creditors and accruals understated or not recorded in the correct period. 	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding; reviewed year end account reconciliations; sample testing of operating expenditure during the year; testing of the year end payables; testing for unrecorded liabilities and manual accruals. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: <ul style="list-style-type: none"> employee remuneration accruals understated 	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding; reviewed your year end reconciliations of the payroll to the ledger completed sample testing of payroll transactions during the year; completed directional analytical review using trend analysis. 	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Valuation of pension fund net liability</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 22</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented the controls put in place by management to ensure that the pension fund liability is not materially misstated; reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out; undertook procedures to confirm the reasonableness of the actuarial assumptions made; reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We used an auditor's expert to provide assurance on the Council's actuary's work. Our expert concluded that the assumptions used by the actuary to be reasonable in most cases although in some instances the assumptions fall outside of expected ranges. Looking at the impact of all assumptions holistically, we obtained sufficient assurance that the pension fund liability is not materially misstated.</p>

Agenda Item 5

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements; reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure; reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS); tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work has not identified any significant issues in relation to the disclosure changes.</p>
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate; reviewed the competence, expertise and objectivity of management experts; reviewed the instructions issued to valuation experts and the scope of their work; discussed with valuer the basis on which the valuation is carried out and challenge of the key assumptions; reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; testing of revaluations made during the year to ensure they are input correctly into the Council's asset register; evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Council accounts for activity in the year that it takes place, not simply when cash payments are made or received. Revenue policies set out in Note 1.b include:</p> <ul style="list-style-type: none"> • revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council • revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<p>Your revenue recognition policies are appropriate and in line with the CIPFA Code of Practice on Local Authority Accounting.</p> <p>The Council has significant revenue streams from a number of different sources, principally fees and charges, income from council tax revenues and grant income. We did not identify any issues with how revenue has been recognised from these sources.</p> <p>Accounting policies in respect of revenue recognition are adequately disclosed.</p>	<p> Green</p>
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – pension fund valuations and settlements – revaluations – Impairments – provisions – useful life of capital equipment. 	<p>The critical areas of judgement applied in compiling the Council's financial statements have been explained in the statement of accounts.</p> <p>The Council is advised by external experts in relation to property and pension fund valuations. We have reviewed the work of experts and are satisfied that the experts used by the Council are independent, appropriately skilled and have carried out their work in accordance with professional practices. Where estimates and judgements have been applied by officers we are satisfied they are free from material bias.</p>	<p> Green</p>
Going concern	<p>The Chief Finance Officer, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p> Green</p>
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	<p> Green</p>

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have 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 related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to your banks and investment institutions. This permission was granted and the requests sent and provided. Our review found no issues. To date, we are currently awaiting confirmations from Leeds BS, Royal Bank of Scotland Standard Life, Blackrock Transfer Agency and Insight Investment.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that work is not required as the Council does not exceed the threshold.

Page 25

Agenda Item 5

Misclassifications and disclosure changes

The table below provides detail of the disclosure change identified during the audit which has been made in the final set of financial statements.

Adjustment type	SoA Value £'000	Account balance	Impact on the financial statements
1 Misclassification	(1,379) 1,018	Note 12 Financial Instruments	Financial Instruments (FI) note was updated to included Trade Payables of £818k and exclude £158k of receivables incorrectly classified as FI to comply with IAS32. This has not resulted in a change to the primary statements.
2 Misclassification	1,206	Creditors and Receipts in Advance (RiA) Note 17	Non Domestic Rate RiA was incorrectly classified as Council Tax Payers RiA. The disclosure has been updated.

Section 3: Value for Money

- Page 27
- 01. Executive summary
 - 02. Audit findings
 - 03. Value for Money**
 - 04. Other statutory powers and duties
 - 05. Fees, non-audit services and independence
 - 06. Communication of audit matters

Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Risk assessment

We carried out an initial risk assessment during March and April 2017. We have not identified any significant risks from our initial risk assessment using the guidance contained in AGN03. We communicated the results of our planning risk assessment to you in our Audit Plan dated 13 June 2017.

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

Significant qualitative aspects

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

Our work has not identify any significant risks since we issued our Audit Plan. In arriving at our conclusion, our main considerations included the following:

- The Council delivered another strong financial performance during 2016/17 achieving a surplus on Provision of Services of £327k against a net revenue budget of £13.7 million. You have arrangements in place that monitors your performance and the reports of key variances to Cabinet quarterly. These variances are properly disclosed to stakeholders in Section 5 of the Narrative Report.
- You have arrangements in place that continuously updates your medium term financial strategy (MTFS). The MTFS is updated annually and the most recent plan covers the 10 year period from 2016/17 and 2026/27. The MTFS sets out your key budget assumptions which were reported to the Cabinet in February 2017 including a 2.5% Council Tax rise in 2017/18 and 2% in subsequent years, 1% pay cost increases and 2.25% non-pay cost increases.
- Along with other districts, you are facing reductions in central government funding and your 10 year budget assumes no government support in respect of Revenue Support Grant and New Homes Bonus. At the time of writing (July 2017), your 2017/18 balanced budget includes contribution of £1.5 million from your stabilisation reserve which stands at £7.2 million as at 31 March 2017. In setting your provisional budgets to 2026/27, you estimate using a total of £3.6 million from the stabilisation reserve. Work is continuing to identify the further medium to longer term savings through a combination of efficiencies and income generation plans such as property acquisitions. During 2016/17, you purchased additional commercial properties for £9.5 million taking the fair value of your investment properties to £20.4 million as at 31 March 2017, increasing your reported rental income as at year end to £0.7 million gross of expenses. Future property acquisitions are expected following the Cabinet approval to set aside a borrowing limit of £25 million in April 2017.

- Your risk management arrangements are adequate. The Audit Committee receives periodic reports on your strategic risks, the last report was presented in September 2016. We observed a good level of challenge and discussion during Committee meetings for example around the level risk assigned to the Property Investment Strategy.

Overall conclusion

Based on the risk assessment work we performed, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none"> We have not identified any matters that would require a public interest report to be issued
2.	Written recommendations	<ul style="list-style-type: none"> We have not made any written recommendations that the Council is required to respond to publicly
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> We have not used this duty
4.	Issue of an advisory notice	<ul style="list-style-type: none"> We have not used this duty
5.	Application for judicial review	<ul style="list-style-type: none"> We have not used this duty

Page 31

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

Fees

	*2016/17 fee £	2015/16 fee £
Council audit	43,156	43,156
Grant certification	**13,845	14,250
Non-audit service – Investment in People	n/a	11,000
Total audit fees (excluding VAT)	57,001	68,406

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. We have not undertaken any other grant work in the year.

* Final fee equals planned fee as set out in the Audit Plan issued 13 June 2017

** Audit of Housing benefit subsidy will be completed by the November 2017 deadline. Fee is indicative and may be subject to change upon completion of work

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 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.

No non-audit or audited related services have been undertaken for the Council.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Agenda Item 5

Appendices

- A. Action Plan
- B. Audit Opinion

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Identify further efficiencies in your accounts preparation and supporting working papers preparation to ensure you meet the revised deadline of 31 May for the 2017/18 year.	Medium	The Statement of Accounts was completed by 31 May 2017 in preparation for the mandatory closure within two months of year end that applies for 2017/18 accounts. The closedown timetable will be reviewed to ensure that time for quality control checking is included.	Implementation date: May 2018 Responsibility: Head of Finance/Deputy s.151

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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 - DRAFT

We have audited the financial statements of Sevenoaks District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Expenditure and Funding Analysis 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

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

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Signature

Sarah Ironmonger

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2nd Floor, St John’s House, 29-35 High Street, Crawley, RH10 1BQ

[Date]



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

Grant Thornton UK LLP
2nd Floor,
St John's House,
29-35 High Street,
Crawley, RH10 1BQ

Direct Line: 01732 227483
Ask for: Miss Helen Martin
Your ref:
My ref:
Email: helen.martin@sevenoaks.gov.uk

Date: 26 September 2017

Dear Sirs

**Sevenoaks District Council
Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the financial statements of Sevenoaks District Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Agenda Item 5

- 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 in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii 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.

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.

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

- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements.

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

xx 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.

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

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

Annual Governance Statement

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

Narrative Report

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

Agenda Item 5

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 26 September 2017.

Yours faithfully

Name Cllr Grint
Position Audit Committee Chair
Date 26th September 2017

Name Adrian Rowbotham
Position Chief Finance Officer
Date 26th September 2017

Signed on behalf of the Council

Appendix C

Report of the Audit Committee Working Group meeting on 1 August 2017

In Attendance:

Members: Cllrs Grint (Chair); Scholey; Layland; McArthur; Ball

Apologies Cllr Reay

1. The Head of Finance provided an update to Members in relation to the external audit that was currently taking place, noting that there had been no change to the balance sheet or to the bottom line position on the Comprehensive Income and Expenditure Statement. The accounts had been open to public inspection from 1st July to 28th July and no objections had been received.

2. Members noted that the current draft document could be considered in 3 parts:
 - The narrative report;
 - The formal document, including the statutory statements (i.e. Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement) and their corresponding notes, as well as a new note for 16/17, an Expenditure and Funding Analysis; and
 - Annual Governance Statement, which had been reviewed and approved by the Audit Committee.

The Chairman commented that he was impressed by the document.

Reserves

3. In response to a question regarding the level of reserves held by the Council, Members were advised that the General Fund balance (£1.5m) represented 10% of net expenditure and was there to be utilised should unexpected events arise. Officers explained that Earmarked Reserves formed part of a review that was considered by Members in February committee meetings and were set aside for more specific projects/uses.

Narrative Report

4. It was noted that a lot of the presentation and information requirements for the main statements and notes were prescribed by the CIPFA Code and accounting practices and as such were limited as to changes that could be made to them; this resulted in more of a focus on the Narrative Report.

Various points were noted on the Narrative Statement leading to the following amendments:

Agenda Item 5

- Page 4 last paragraph – amended to clarify role of the Finance Team;
- Pages 6 & 7 Table split to be rectified to avoid continuation of text over pages;
- Chart layouts to be reviewed;
- Page 9 Chart 2 title – amended to ‘Spending by Frontline Service’
- Add LASAAC to the glossary
- Other minor numbering corrections

Capital Programme

5. It was noted that the recent £25m Property Investment Strategy recently approved by Council was not shown on the table of the capital programme and Officers outlined that this was a table setting out the capital programme for the Council over the period 2017-2020 and had formed part of the 17/18 budget papers that Members had approved.

To improve understanding the following amendments were made to Table 1;

- include reference to the Council meeting where the table had been approved as part of the budget papers.
- Add note after the table to reflect the £25m of funding that has been approved subsequently.

Pensions

6. Members reviewed the information provided about Pensions in the Narrative Report and felt that further explanations were required. Officers explained that the £97.3m included in this paragraph was based on a calculation prescribed by IAS19 and represents an amount required to pay all future pensions in today’s terms. It was explained that, based on the last pension valuation carried out in March 16, the deficit in real cash terms was in the region of £21.6m and that a plan was in place to recover this over a 17 year period.

7. To improve understanding the following amendments were made to the section relating to Pensions

- **Page 12 Pensions** - add further detail to the third paragraph’s final sentence including the value of the deficit at last valuation
- **Page 12 Pensions** - add ‘Under IAS19,’ to the opening sentence of the 2nd paragraph.

Expenditure and Funding Analysis (EFA)

The Group was advised that the expenditure figures in the EFA were the same as would have been provided as part of the outturn management reporting. The figures included in Chart 2 related to Council Tax information and represented costs of frontline services.

Other Statement Queries

8. The Head of Finance provided further background information on the purpose of the Vehicle Insurance Reserve (Note 9) and the MMI provision (Note 18).
9. In response to a query about changes in officers pay levels (Note 27) Members were advised that there had been a reduction in the number of Chief Officers following a recent SCIA and that this had been considered by Members as part of the budget process.
10. Members enquired about the recent loan to Sencio and were advised that the new loan was outside the period covered by the 16/17 Statement of Accounts. The current loan to Sencio is detailed in the Related Party Transactions note (note 30).
11. The Chairman thanked Members for their involvement in the group and it was requested that a short report from the Working Group go back to the Audit Committee.

This page is intentionally left blank

Sevenoaks District Council

Statement of Accounts 2016/17



CONTENTS

Narrative Report	3
Statement of Responsibilities for the Accounts	15
Expenditure and Funding Analysis	16
CORE STATEMENTS	
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	17
MOVEMENT IN RESERVES STATEMENT	19
BALANCE SHEET	22
THE CASH FLOW STATEMENT	24
Notes to the Core Statements	26
1 Accounting Policies	26
2 Accounting Standards that have been issued but not yet adopted.	43
3a Critical Judgements in Applying Accounting Policies	43
3b Prior Period Adjustment	43
4 Assumptions About the Future and Other Major Sources of Estimation Uncertainty	44
5 Material Items of Income and Expense	45
6 Events After the Balance Sheet Date	45
7 Note to the Expenditure and Funding Analysis	46
8 Adjustments Between Accounting Basis and Funding Regulations	49
9 Transfers To/From Usable Reserves	54
10 Property, Plant and Equipment	56
11 Investment Properties	60
12 Financial Instruments	62
13 Inventories	67
14 Debtors	67
15 Cash and Cash Equivalents	68
16 Assets Held for Sale	68
17 Creditors and Receipts in Advance	70
18 Provisions	71
19 Usable Reserves	72

Agenda Item 5

20	<i>Unusable Reserves</i>	72
21	<i>Cash Flow Statement – Operating Activities</i>	77
22	<i>Cash Flow Statement – Investing Activities</i>	78
23	<i>Cash Flow Statement – Financing Activities</i>	78
24	<i>Segmental and Subjective Analysis</i>	79
25	<i>Trading Operations</i>	86
26	<i>Members’ Allowances</i>	88
27	<i>Officers’ Remuneration</i>	88
28	<i>External Audit Fees</i>	91
29	<i>Grant Income</i>	92
30	<i>Related Party Transactions</i>	93
31	<i>Capital Expenditure and Capital Financing</i>	95
32	<i>Leases</i>	96
33	<i>Impairment Losses</i>	98
34	<i>Termination Benefits</i>	98
35	<i>Defined Benefit Pension Schemes</i>	98
36	<i>Contingent Liabilities</i>	105
37	<i>Contingent Assets</i>	105
38	<i>Heritage Assets</i>	105
39	<i>Highway Infrastructure Assets</i>	105
	<i>THE COLLECTION FUND</i>	106
	<i>GLOSSARY OF TERMS</i>	112
	<i>ANNUAL GOVERNANCE STATEMENT 2016/17</i>	116

Narrative Report

This Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information the Council reports externally. It is the purpose of this report to explain the financial facts and performance of the Council. It follows approved accounting standards and where technical or complex language is required a glossary of key terms can be found at the end of this publication.

1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by Chief Officer– which is a new requirement of the Code of Practice for 2016/17. . The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

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

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

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

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

The Supplementary Financial Statements are:

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

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

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

Agenda Item 5

2. Chief Finance Officers' Statement – Adrian Rowbotham

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

Our 10 year budget framework, introduced in 2011, continues to give us strong foundations to invest in our District. Last year we achieved our stated aim of financial self-sufficiency a year ahead of target by setting a budget for 2016/17 that no longer relied on grant funding from Government. Then, as now, we were clear that we would continue to need to make savings but we have continued to invest in assets that help us to generate more of our own income. This year, our property investment portfolio has grown. In accordance with the terms of our Property Investment Strategy the Council has purchased further office accommodation in Sevenoaks town at 26 – 28 Pembroke Road. The purchase of a retail unit at 96 High Street, Sevenoaks will allow for development both above, and at the rear of the premises, allowing us to regenerate an under utilised area of the town centre. Alongside existing acquisitions, our property investments are already generating strong returns, and making a significant contribution to maintain our financial independence.

We continue to be very proud at the recognition we continue to win from our peers regarding the success of our ambition to be financially self-sufficient. This achievement was key to us being awarded "Council of the Year" at the Local Government Chronicle awards this year, and both Public Sector Innovator and Grand Prix Winner at the Annual CIPFA Public Finance Awards.

During 2016/17 we have also begun preparations for the construction of a much needed hotel in the town centre; we have redeveloped an existing car park to take on additional capacity, freeing up a second park to provide the footprint for the new hotel. Our recently restructured Finance Team continue to provide the Council with the financial expertise it requires to meet the challenges ahead of us; our HR team and senior managers will be looking at opportunities to deploy the Apprenticeship Levy, for which we are already liable, together with the public sector duty on employing apprentices.

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

In the coming year we look forward to supporting the Council to make further progress in delivering its Property Investment Strategy, and to meet the challenges that will be ahead for the sector once more clarity is provided both in the terms of leaving the European Union and, at the time of writing, the way forward for the hung parliament. The Finance team aim to provide advice on the most effective way to fund our investments and to provide advice and skills to the Council's newly formed trading company, Quercus 7 Limited. As always we will continue to take great pride in the level of service we provide to our customers and aim to provide high quality and accurate budget monitoring reports and financial statements that meet the needs of all that use them.

3. Council Performance

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

To provide value for money

- In 2016/17 the Council collected 98.4% of the Council Tax and 99.1% of the Business Rates in year and raised additional income through its Property Investment Strategy which contributed £425,000 to the budget. A further £241,000 was raised through other investments.
- Over the year the Council performed strongly, meeting its targets across 76% of all of its performance indicators.

To work in partnership to keep the District of Sevenoaks safe

- Incidents of anti social behaviour were the second lowest in the County at 2,025 reports, a fall from the 2,045 reports the previous year.
- 82% of all of the actions in the Council's Community Safety Action Plan were delivered during the year.

To collect rubbish efficiently and effectively

- The Council continues to provide a weekly collection of all rubbish and recycling to every household in the District. During 2016 the Council's garden waste service was also expanded with the offer of new smaller bins.
- During 2016/17 the Council recycled 35.8% of all household waste collected. This is above the target of 35% and more than last year's performance of 32.4%.
- The Council missed only 8.5 waste collections per 100,000 made during 2016/17; this is below the target level of 10.

To protect the Green Belt

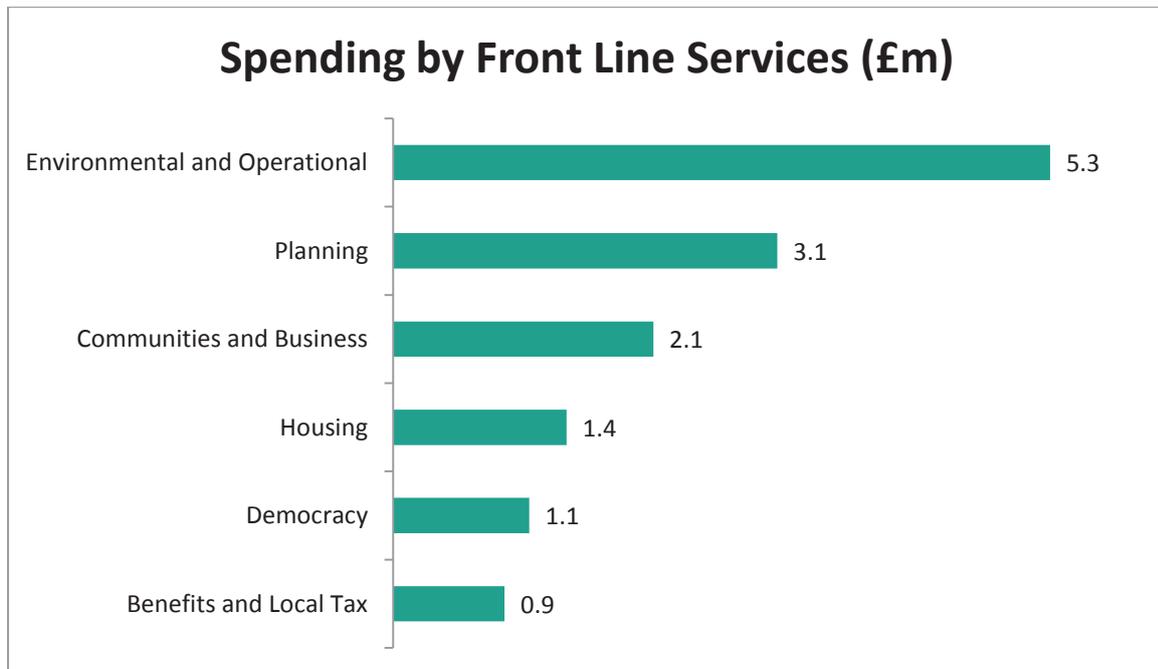
- The 2016 Local Plan Authority Monitoring Report shows that 94% of housing units were built outside of the Green Belt, exceeding the target of 80%. Over half of those built within the Green Belt were replacement units. The remaining units were provided through Change of Use or conversion of existing buildings and were granted in accordance with the Green Belt Policy

To support and develop the local economy

- The number of businesses in the District has increased year on year from a baseline of 6,365 in 2010 to exceed 7,200 in the last year. Of these, 6,340 are micro businesses, which make a significant contribution to the local economy.

Agenda Item 5

- In 2016/17 the Council purchased office accommodation within Sevenoaks at 26–28 Pembroke Road in accordance with its Property Investment Strategy and to preserve office space within the town in support of the aims of its Economic Development Strategy.
- The Council has also significantly extended a major car park in Sevenoaks close to the mainline railway station in order to provide increased capacity for visitors and commuters and in anticipation of the Council's hotel development close by.
- An investment property, Suffolk House, Sevenoaks, has now been extended and the upper floor of office accommodation fully let. This is providing an improved return and it continues to exceed the minimum target return of 6%.
- **Chart 1:** The chart below illustrates where we spent our money, by front line service, in 2016/17



4. Corporate Risk

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

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
Finance Ability to deliver a balanced budget	<ul style="list-style-type: none"> - Poor financial health - Inability to maintain services and deliver Council Vision and Promises - Reputational damage 	20 High	<ul style="list-style-type: none"> - Self sufficient budget position; no reliance on direct government funding - Long term 10 year budget framework - Savings Plan - Property Investment Strategy - Strong financial and scenario planning over the short, medium and long term 	10 Medium
Property Investment Strategy The appetite and ability to invest in appropriate opportunities in accordance with the Council's Property Investment Strategy	<ul style="list-style-type: none"> - Ability to seek appropriate investment opportunities - Appetite for risk within investment strategy to enable the Council to generate target returns - Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy - Appetite to prudentially borrow over the medium to long term 	16 High	<ul style="list-style-type: none"> - Council approved Property Investment Strategy - Governance arrangements defined with appropriate delegations agreed - Qualified and experienced officers in post - Professional, external advisers engaged to support the development of strategies and fill skills gaps - Effective budget setting and financial monitoring processes embedded 	6 Low
Knowledge, capacity & culture Management of the Council's human resources	<ul style="list-style-type: none"> - Employment and retention of high quality staff - Amendments to the Local Government Pension Scheme - Increased demand for services and high levels of work with reduced capacity and resources - Requirement for new 	16 High	<ul style="list-style-type: none"> - 10 year budget minimises the need for short notice changes to the workforce - Human Resources Strategy including workforce development plan, recruitment and retention policies 	8 Medium

Agenda Item 5

Risk	Potential Effects	Gross Risk Rating	Internal Controls	Net Risk Score
	skills to deliver the Council's Corporate Plan promises			
Legal compliance, governance & ethics The ability to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Council from poor practice and mismanagement	<ul style="list-style-type: none"> - Ineffective political and management leadership - Ineffective scrutiny of decision making and performance - Failure to fulfil statutory duties - Failure to maximise any opportunities the changes in legislation may bring 	12 Medium	<ul style="list-style-type: none"> - Dedicated Lexcel accredited Legal team - Council's Constitution - Internal Audit function complies with Public Sector Internal Audit Standards - Risk Management processes embedded 	6 Low

5. Financial Performance

Operating Environment

Since 2010 Sevenoaks District Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This challenging environment is on-going and includes additional uncertainty regarding the detail of the terms of leaving the European Union, and the Government's plans for the UK following the General Election held at short notice in June 2017.

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

The Government had begun consultation on the plan for local government to retain 100% of business rate revenues to fund local services to take effect from April 2021, however that proposed legislation will not proceed but a review of funding distribution is still expected.

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

The prospects for Government funding being able to fund the local services that the Council wishes to provide to meet its residents needs are therefore relatively low. It is for this reason

the Council set out its ambition for financial self-sufficiency, which it achieved last year, and continues to maintain.

Financial conditions also mean that the Council must work hard to retain and recruit the very best people. What can be provided in salary is contained within national terms and conditions. It is increasingly evident that attracting high quality staff will remain a challenge over the medium term. However the Council is committed to being a great place to work, which is underlined by the fact it was the very first public sector organisation anywhere in the world to achieve Platinum through its Investors in People assessment. The Council's focus on its people has never been greater and continuing to maintain this will be critical to the Council's future success.

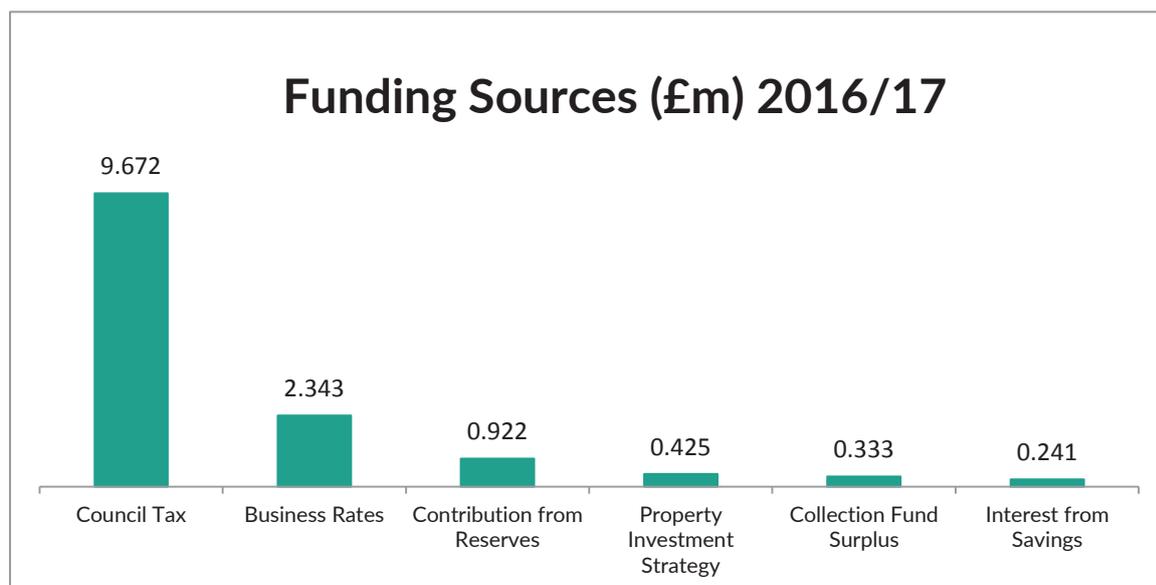
Revenue

Sevenoaks District Council set its budget for 2016/17 at a meeting of the Council on 16 February 2016. Overall, the Council's net revenue budget decreased from £14.3 million in 2015/16 to £13.7 million in 2016/17.

The final outturn position is a surplus of £350,000. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund Reserve. There were no material events after the reporting period.

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

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



Agenda Item 5

Capital & assets

Table 1: The table below shows the net capital budget over the period of 2017 to 2020 by service area. The budget was agreed by Council on 21 February 2017.

Service area & schemes	Funding Source	2016/17		2017/18	2018/19	2019/20
		Budget	Forecast			
		£000	£000	£000	£000	£000
Parish projects	Capital Receipts	61	-	61	-	-
Dunbrik vehicle workshop	Capital Receipts	117	117	-	-	-
Dunbrik vehicle workshop roof	Capital Receipts	20	20	-	-	-
Dunbrik vehicle wash	Capital Receipts	-	-	30	-	-
Commercial vehicle replacements	Vehicle Renewal Reserve	514	514	548	548	549
Disabled facilities grants (gross)	Better Care Fund	534	534	889	889	889
Sennocke hotel	Fin Plan Reserve & Capital Receipts	1,500	-	1,500	6,000	1,000
Bradbourne Car Park	Internal Borrowing	5,300	4,500	800	-	-
Buckhurst 2 Multi Storey Car Park	External Borrowing	4,000	-	3,000	6,000	600
Property Investment Strategy	Prop. Inv. reserve	10,000	9,955	45	-	-
TOTAL		22,046	15,640	6,873	13,437	3,038

Council at the meeting on 25 April 2017 agreed further expenditure of £25 million for the Property Investment strategy.

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

Funding sources	2017/18 £000	2018/19 £000	2019/20 £000
Financial Plan Reserve & Capital Receipts	1,591	6,000	1,000
Vehicle Renewal Reserve	548	548	549
Property Investment Strategy Reserve ***	45	0	0
Better Care Fund (Kent County Council)	889	889	889
Internal Borrowing	800	-	-
External Borrowing	3,000	6,000	600
TOTAL	6,873	13,437	3,038

*** Part will be funded from Capital Receipts

The introduction of the fair value accounting policy has been implemented in the production of the 2016/17 Statement of Accounts.

Further details are provided in Note 1.u of the Notes to the Core Financial Statements.

Borrowing & Investments

As at 31 March 2017 the Council had no external borrowing.

During the 2016/17 year the Council internally borrowed to fund the redevelopment of the Bradbourne car park in Sevenoaks. This has now been completed and is providing increased parking capacity adjacent to Sevenoaks train station whilst also releasing the site of the Sennocke car park for the development of a hotel.

During 2016/17 the Council completed the acquisition of two properties under the terms of its Property Investment Strategy. These are:

- 26 -28 Pembroke Road, Sevenoaks (office accommodation)
- 96 High Street, Sevenoaks (retail space)

Both of these are tenanted and the rents received are assisting to maintain the Council's financial self-sufficiency in response to ongoing reductions in government grant.

Agenda Item 5

The purchase of both premises was funded from the Council's existing earmarked reserves, capital receipts and some internal borrowing.

Cash Flow

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

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

As at 31 March 2017 the Council held £9.5m in cash and cash equivalents.

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

Contingencies

The Council's significant provision relates to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. During 2016/17 the Council made an additional provision of £3.8m towards potential repayments following appeals and, during the year, used £3.9m of its total provision for business rates appeals.

	1 April 2016	31 March 2017
Business rates – valuation appeals provision	£2.536m	£2.469m

Pensions

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

The Council has net pension liabilities of £97.3m at 31 March 2017 compared to £62.1m at 31 March 2016 in the Balance Sheet as calculated under IAS19 (International Accounting Standard 19). This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in 2016 and at that time the District Council's actual share of the deficit was £21.6m.

This page is intentionally blank

Agenda Item 5

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate

The Accounts present a true and fair view of the financial position as at 31 March 2017 and its income and expenditure for the year ended on that date.

ADRIAN ROWBOTHAM
Chief Finance Officer

EXPENDITURE AND FUNDING ANALYSIS (Note to the Accounts)

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

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,377	787	2,164	Communities and Business	1,377	1,201	2,578
2,548	(1,956)	592	Corporate Services	2,736	(2,214)	522
4,007	977	4,984	Environment & Operations	4,586	1,485	6,071
5,011	(1,031)	3,980	Finance	4,231	(793)	3,438
1,521	1,119	2,640	Planning	1,434	1,261	2,695
14,464	(104)	14,360	Net Cost of Services	14,364	940	15,304
(14,741)	(2,101)	(16,842)	Other Income and Expenditure	(14,183)	(1,448)	(15,631)
(277)	(2,205)	(2,482)	(Surplus) or Deficit	181	(508)	(327)
(23,818)			Opening General Fund Balance	(24,095)		
(277)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	181		
(24,095)			Closing General Fund Balance at 31 March	(23,914)		

* General Fund balance including earmarked reserves

Agenda Item 5

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16 (Restated) **			Note	2016/17		
Gross Exp. £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
2,659	(495)	2,164		3,006	(428)	2,578
790	(198)	592		920	(398)	522
11,262	(6,278)	4,984		12,589	(6,518)	6,071
33,759	(29,779)	3,980		32,411	(28,973)	3,438
3,659	(1,019)	2,640		4,169	(1,474)	2,695
52,129	(37,769)	14,360	24	53,095	(37,791)	15,304
		(256)				(1,329)
		(291)	25			(257)
		3,565				3,818
		<u>1</u>				<u>6</u>
		<u>3,019</u>				<u>2,238</u>
		(2,366)	11			469
		-				47
		(538)				(521)
		-				-
		2,208	35			2,180
		<u>(308)</u>				<u>(260)</u>
		<u>(1,004)</u>				<u>1,915</u>

Continued overleaf

2015/16 restated				2016/17			
Gross	Gross	Net Exp	Note	Gross Exp	Gross	Net Exp	
£'000	Income	£'000		£'000	Income	£'000	£'000
		(133)	29	Capital Grants and Contributions		(666)	
		(13,146)		Council Tax		(13,575)	
		(1,496)		Business Rates		(1,940)	
		(4,082)	29	Non Service Related Government Grants		(3,603)	
		<u>(18,857)</u>		Taxation and Non Specific Grant Income		<u>(19,784)</u>	
		(2,482)		(Surplus) or Deficit on the Provision of Services		(327)	
		(1,761)	10	(Surplus) or Deficit on the revaluation of property, plant & equipment assets		(2,524)	
		(8,466)	35	Remeasurement of the net defined benefit liability		33,290	
		<u>(10,227)</u>		Other Comprehensive Income and Expenditure		<u>30,766</u>	
		<u>(12,709)</u>		Total Comprehensive Income and Expenditure		<u>30,439</u>	

** Note 7 explains how this schedule has been restated to meet segmental reporting requirements

Agenda Item 5

MOVEMENT IN RESERVES STATEMENT

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

The CIPFA Code of Local Authority Accounting in 2016/17 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented. The 2015/16 Movement in Reserves statement has been restated to include a Total General Fund Balance.

Financial Year 2015/16 restated								
Notes	General Fund Balance	Earmarked Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		9	*				20	
Balance at 31 March 2015	(1,500)	(22,318)	(23,818)	-	(3,461)	(27,279)	36,813	9,534
Movement in reserves during 2015/16								
(Surplus) or deficit on the provision of services	(2,482)	-	(2,482)	-	-	(2,482)	-	(2,482)
Other Comprehensive Income and Expenditure	-	-	-	-	(1)	(1)	(10,226)	(10,227)
Total Comprehensive Income and Expenditure	(2,482)	-	(2,482)	-	(1)	(2,483)	(10,226)	(12,709)
Adjustments between accounting basis & funding basis under regulations (note 8)	2,205	-	2,205	(133)	3,081	5,153	(5,153)	-
Net (Increase)/Decrease before Transfers to Earmarked reserves	(277)	-	(277)	(133)	3,080	2,670	(15,379)	(12,709)
Year end balance transferred (to)/from Budget Stabilisation Reserve	20	(20)	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	257	(257)	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	277	(277)	-	-	-	-	-	-
(Increase)/Decrease in 2015/16	-	(277)	(277)	(133)	3,080	2,670	(15,379)	(12,709)
Balance at 31 March 2016	(1,500)	(22,595)	(24,095)	(133)	(381)	(24,609)	21,434	(3,175)

* An additional column has been inserted to show the total General Fund balance as this is a Code Presentation requirement.

Agenda Item 5

Financial Year 2016/17								
	General Fund Balance	Earmarked Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Notes	9	*					20	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(1,500)	(22,595)	(24,095)	(133)	(381)	(24,609)	21,434	(3,175)
Movement in reserves during 2016/17								
(Surplus) or deficit on the provision of services	(327)		(327)			(327)	-	(327)
Other Comprehensive Income and Expenditure	-	-	-	-	(1)	(1)	30,767	30,766
Total Comprehensive Income and Expenditure	(327)	-	(327)	-	(1)	(328)	30,767	30,439
Adjustments between accounting basis & funding basis under regulations (note 8)	508	-	508	(666)	239	81	(81)	-
Transfers to Earmarked reserves	181	-	181	(666)	238	(247)	30,686	30,439
Year end balance transferred (to)/from Budget Stabilisation Reserve	350	(350)	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(531)	531	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(181)	181	-	-	-	-	-	-
(Increase)/Decrease in 2016/17	-	181	181	(666)	238	(247)	30,686	30,439
Balance at 31 March 2017	(1,500)	(22,414)	(23,914)	(799)	(143)	(24,856)	52,120	27,264

* An additional column has been inserted to show the total General Fund balance as this is a Code Presentation requirement.

BALANCE SHEET

31/03/16			31/03/17
£'000	Note		£'000
		Long Term Assets	
25,185	10 & 31	Property, Plant and Equipment	33,017
1,642	10	* Surplus Assets	1,161
-	38	Heritage Assets	-
12,687	11	Investment Property	20,409
-		Intangible Assets	-
3,079	12	Long Term Investments	50
328	14	Long Term Debtors	265
<u>42,921</u>		Total Long Term Assets	<u>54,902</u>
		Current Assets	
18,047	12	Short Term Investments	19,059
2,021	16	Assets held for sale	180
12,483	15	Cash and Cash Equivalents	9,533
50	13	Inventories	48
2,175	14	Short Term Debtors	3,202
203	14	Payments in Advance	288
<u>34,979</u>		Total Current Assets	<u>32,310</u>
		Current Liabilities	
(2,823)	17 & 29	Receipts in Advance	(5,792)
(6,269)	17	Short Term Creditors	(7,975)
(2,782)	18	Short Term Provisions	(2,621)
<u>(11,874)</u>		Total Current Liabilities	<u>(16,388)</u>
23,105		Net Current Assets	15,922
		Long Term Liabilities	
(361)	17	Long Term Creditors	(358)
(288)	18	Long Term Provisions	(257)
(62,149)	35	Net Pensions Liability	(97,257)
(53)	29	Capital Grants Receipts in Adv.	(216)
<u>(62,851)</u>		Total Long Term Liabilities	<u>(98,088)</u>
<u>3,175</u>		Total Net Assets/(Liabilities)	<u>(27,264)</u>
		continued overleaf	

* Surplus Assets were included as Property, Plant and Equipment in the 2015/16 Statement of Accounts

Agenda Item 5

31/03/16	continued from previous page		31/03/17
£'000	Note		£'000
		Usable Reserves	
(381)	MIRS	Usable Capital Receipts Reserve	(143)
(22,595)	9	Earmarked Reserves	(22,414)
(133)	MIRS	Capital Grants Unapplied	(799)
(1,500)	MIRS	General Fund	(1,500)
<u>(24,609)</u>		Subtotal Usable Reserves	<u>(24,856)</u>
		Unusable Reserves	
(23,284)	20	Capital Adjustment Account	(26,567)
(18,347)	20	Revaluation Reserve	(18,649)
152	20	Accumulated Absences Act.	152
947	20	Collection Fund Adj. Account	103
62,149	20 & 35	Pensions Reserve	97,257
(183)	20	Deferred Capital Receipts	(176)
<u>21,434</u>		Subtotal Unusable Reserves	<u>52,120</u>
<u>(3,175)</u>		Total Reserves	<u>27,264</u>

These financial statements replace the unaudited financial statements and were authorised at the meeting of the Audit Committee on 26 September 2017.

Adrian Rowbotham
Chief Finance Officer
27 September 2017

COUNCIL APPROVAL

The Audit Committee at its meeting on 26 September 2017, approved the Statement of Accounts for year ended 31 March 2017 in accordance with the Accounts and Audit Regulations 2011.

Councillor J Grint
Chairman of the Audit Committee
27 September 2017

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.

2015/16			2016/17
£'000	Note		£'000
(2,482)		Net (surplus) or deficit on the provision of services	(327)
(988)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(10,114)
1,101	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	5,458
(2,369)		Net cash flows from operating activities	(4,983)
10,256	22	Investing Activities	8,606
(139)	23	Financing Activities	(673)
7,748		Net (increase) or decrease in cash and cash equivalents	2,950
(20,231)		Cash and cash equivalents at the beginning of the reporting period	(12,483)
(12,483)	15	Cash and Cash Equivalents at the end of the reporting period	(9,533)

Agenda Item 5

This page is intentionally blank

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, 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. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.

Agenda Item 5

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. Cash and Cash Equivalents

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

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

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

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

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

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

e. Charges to Revenue for Non-Current Assets

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

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

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

f. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Agenda Item 5

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

Post-employment Benefits

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

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

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

- The liabilities of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- The liabilities are valued using a discount rate being the annualised yield at the 19 year point on the Merrill Lynch AA-rated Corporate bond yield curve which was chosen to meet the requirements of IAS19 and with consideration of the Employers liabilities.
- The assets of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value.

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

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

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

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

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

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

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

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

Re-measurement of defined benefit liability – comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

Discretionary Benefits

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

Agenda Item 5

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.(i) Financial Instruments

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

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

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

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

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

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

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.

h.(ii) Community Infrastructure Levy

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

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

i. Government Grants and Contributions

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

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

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

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

Agenda Item 5

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.

I. Investment Property

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

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

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

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.

Agenda Item 5

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

n. Overheads and Support Services

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

o. Property, Plant and Equipment

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

Recognition

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

Agenda Item 5

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Agenda Item 5

Depreciation is calculated on the following basis:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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 when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

Agenda Item 5

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 probable 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 transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

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

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

s. VAT

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

t. Heritage Assets

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

At present the Council has no material heritage assets.

u. Fair Value Measurement

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

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

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

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

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

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

v. Group Accounts

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

Agenda Item 5

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

The 2016/17 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year.

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

Note 3. a Critical Judgements in Applying Accounting Policies

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

- There is much uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of any need to close facilities or reduce levels of service provision.
- An assessment has been made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2017. This provision is based on information received from the Valuation Office Agency. Further details are shown within the notes to the Collection Fund.

Note 3.b Prior Period Adjustment

There are no prior period adjustments.

Where the Code of Practice requires analysis on a segmental basis, tables have been re-stated to provide a prior year comparison.

Note 4. Assumptions About the Future and Other Major Sources of Estimation Uncertainty

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

Item	Uncertainty	Effect if actual results differ from Assumptions
Property, Plant and Equipment (£25.7m)	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life.</p> <p>The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of the assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £4k for every year that useful lives had to be reduced.</p>
Pensions Liability (£97.2m)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<p>The effects of net pensions liability of changes in individual assumptions can be measured, Note 35 shows the effect of changes in actuarial assumptions</p>
General Bad Debt Provision (£76k)	<p>The current economic climate makes it uncertain that all monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £51k to be set aside as an allowance.</p>

Agenda Item 5

Note 5 Material Items of Income and Expense

During 2016/17 the Council disposed of the interest in the following property:

- Land adjacent to 12 Knole Way, Sevenoaks
- Land at Timberden Farm, Shoreham
- Land at Croft Road, Westerham

Two investment properties were acquired:

- 96 High Street, Sevenoaks
- 26-28 Pembroke Road, Sevenoaks

The Provision held at 31 March 2016 in respect of claims for Land Charges is no longer required and the balance has been transferred to the Budget Stabilisation Reserve.

Note 6 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 27 September 2017. 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 as at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Notes to the Expenditure and Funding Analysis

Note 7.a Prior Period Restatement of Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that the authorities present expenditure and income on services on the basis of reportable segments. These reportable segments are based on the authorities internal management reporting structures. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £'000s	Adjustments between SERCOP classifications and internal reporting classifications £'000s	As restated 2015/16 £'000s	SDC Segmental Reporting Chief Officer
SERCOP Service Line				Chief Officer
Central Services to the Public	3,353	(2,563)	790	Corporate Services
Cultural and Related Services	675	1,984	2,659	Communities and Business
Environmental and Regulatory	7,133	4,129	11,262	Environmental and Ops.
Planning	5,107	(1,448)	3,659	Planning
Highways and Transport services	1,313	(1,313)	-	
Housing	31,679	(31,679)	-	
Corporate and Democratic Core	2,869	30,890	33,759	Finance
Cost of Services Gross Expenditure	52,129	0	52,129	
SERCOP Service Line				Chief Officer
Central Services to the Public	(1,453)	1,255	(198)	Corporate Services
Cultural and Related Services	(54)	(441)	(495)	Communities and Business
Environmental and Regulatory	(1,326)	(4,952)	(6,278)	Environmental and Ops.
Planning	(1,889)	870	(1,019)	Planning
Highways and Transport services	(3,255)	3,255	-	
Housing	(29,766)	29,766	-	
Corporate and Democratic Core	(26)	(29,753)	(29,779)	Finance
Cost of Services Gross Income	(37,769)	0	(37,769)	
SERCOP Service Line				Chief Officer
Central Services to the Public	1,900	(1,308)	592	Corporate Services
Cultural and Related Services	621	1,543	2,164	Communities and Business
Environmental and Regulatory	5,807	(823)	4,984	Environmental and Ops.
Planning	3,218	(578)	2,640	Planning
Highways and Transport services	(1,942)	1,942	-	
Housing	1,913	(1,913)	-	
Corporate and Democratic Core	2,843	1,137	3,980	Finance
Cost of Services	14,360	0	14,360	

Agenda Item 5

Note 7.b Adjustments between Funding and Accounting Basis 2015/16

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital	Net change for the Pensions adjustments	Other Statutory Adjustments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Communities and Business	(151)	201	-	737	787
Corporate Services	18	65	-	(2,039)	(1,956)
Environmental & Operations	425	545	-	7	977
Financial Services	-	(1,219)	-	188	(1,031)
Planning Services	-	381	-	738	1,119
Net Cost of Services	292	(27)	-	(369)	(104)
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,441)	2,208	1,763	369	(2,101)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(6,149)	2,181	1,763	-	(2,205)

Note 7.c Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital	Net change for the Pensions adjustments	Other Statutory Adjustments	Other Differences	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Communities and Business	107	169	-	925	1,201
Corporate Services	-	46	-	(2,260)	(2,214)
Environmental & Operations	991	454	-	40	1,485
Financial Services	-	(1,344)	-	551	(793)
Planning Services	-	313	-	948	1,261
Net Cost of Services	1,098	(362)	-	204	940
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,580)	2,180	(844)	(204)	(1,448)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(1,482)	1,818	(844)	-	(508)

Note 24 provides further segmental analysis of income and expenditure lines on the EFA.

Agenda Item 5

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16	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	(633)	-	-	633
Movements in the market value of Investment Properties	2,366	-	-	(2,366)
				-
Capital grants and contributions applied	712	-	-	(712)
				-
Non Specific Capital Grants				
				-
Revenue expenditure funded from capital under statute	(868)	-	-	868
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	256	(256)	-	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:	-	-	-	-
Capital expenditure charged against the General Fund Balance	4,191	-	-	(4,191)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	133	-	(133)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Finance Lease Income	(6)	-	-	6

Agenda Item 5

Adjustments between Accounting basis and Funding Basis under Regulations 2015/16 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,335	-	(3,335)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,274)	-	-	5,274
Employer's pensions contributions and direct payments to pensioners payable in the year	3,093	-	-	(3,093)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	283	-	-	(283)
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(2,046)	-	-	2,046
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	2,206	3,080	(133)	(5,153)

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17	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	(654)	-	-	654
Revaluation losses on Property, Plant and Equipment	(911)	-	-	911
Movements in the market value of Investment Properties	(469)	-	-	469
Capital grants and contributions applied	1,072	-	-	(1,072)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(1,102)	-	-	1,102
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	(3,393)	-	-	3,393
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	4,727	(4,727)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	(50)	50	-	-
Capital expenditure charged against the General Fund Balance	1,610	-	-	(1,610)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	666	-	(666)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(7)	-	-	7

Agenda Item 5

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Move-ment 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	-	4,909	-	(4,909)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6)	6	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,015)	-	-	5,015
Employer's pensions contributions and direct payments to pensioners payable in the year	3,197	-	-	(3,197)
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	(249)	-	-	249
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	1,093	-	-	(1,093)
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	238	(666)	(81)

Note 9. Transfers To/From Usable Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16 and 2016/17.

	Balance at 31/05/15 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31/03/16 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31/03/17 £'000
General Fund	(1,500)	131	(131)	(1,500)	-	-	(1,500)
Budget Stabilisation	(6,704)	155	(1,452)	(8,001)	1,373	(610)	(7,238)
Financial Plan	(4,160)	501	-	(3,659)	1,378	(2,901)	(5,182)
Pension Fund	(640)	-	(676)	(1,316)	100	-	(1,216)
Business Rates Retention	-	-	(2,222)	(2,222)	1,093	-	(1,129)
Asset Maintenance	(1,000)	-	-	(1,000)	-	-	(1,000)
Housing Benefit Subsidy	(664)	156	(130)	(638)	23	(108)	(723)
Local Plan/LDF	(634)	28	(106)	(712)	332	(227)	(607)
Corporate Project Support	(200)	86	(119)	(233)	105	(373)	(501)
New Homes Bonus	(379)	-	-	(379)	-	(120)	(499)
IT Asset Maintenance	(244)	-	(102)	(346)	-	(142)	(488)
Vehicle Renewal	(419)	329	(515)	(605)	708	(535)	(432)
Re-organisation	(465)	128	-	(337)	14	(100)	(423)
Capital Financing	(183)	66	(148)	(265)	-	(148)	(413)
Action and Development	(396)	-	-	(396)	-	-	(396)
Community and Business	(383)	1	-	(382)	33	(1)	(350)
First Time Sewerage	(366)	-	-	(366)	50	-	(316)
Vehicle Insurance	(293)	7	(26)	(312)	2	-	(310)
Carry Forward Items	(336)	41	(113)	(408)	173	(75)	(310)
Flood Support	(144)	-	-	(144)	-	-	(144)
Other	(4,708)	4,006	(172)	(874)	510	(373)	(737)
Total	(22,318)	5,504	(5,781)	(22,595)	5,894	(5,713)	(22,414)
Grand Total	(23,818)	5,635	(5,912)	(24,095)	5,894	(5,713)	(23,914)

Agenda Item 5

The purpose of these usable reserves is shown below:

Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.

Financial Plan – Funds that support the 10-year budget strategy. In 2016/17 funding from New Homes Bonus was transferred to this reserve.

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

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

Asset Maintenance – To fund emergency asset maintenance works.

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

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

Corporate Project Support - To support use of external expertise in investigating proposed Corporate Projects.

New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate as part of the 10 year Financial Plan.

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

Vehicle Renewal - Funding for future commercial vehicle replacements.

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

Capital Financing – Annual contributions from revenue to fund some capital projects – not fully used in 2016/17.

Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.

Community and Business - To fund ongoing and future projects.

First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.

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

Carry Forward Items - For specific items agreed by Cabinet.

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

Other - Other small reserves set aside. 2015/16 Opening balance included Property Investment Reserve of £3.731m; the majority of that reserve was utilised in 15/16 for acquisition of property.

Note 10 Property, Plant and Equipment

Movements on Balances

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

Agenda Item 5

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2016/17:						
Cost or Valuation						
At 1 April 2016	23,965	5,074	211	1,642	-	30,892
Additions	527	708	-	134	5,309	6,678
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	2,117	-	-	47	-	2,164
- Surplus or Deficit	(284)	-	-	(662)	-	(946)
Derecognition – Disposals	(110)	(660)	-	-	-	(770)
Derecognition – Other	-	-	-	-	-	-
Reclassifications in PPE	(1,755)	-	-	-	1,755	-
Reclassifications other	(146)	-	-	-	-	(146)
At 31 March 2017	24,314	5,122	211	1,161	7,064	37,872
Accumulated Depreciation and Impairment						
At 1 April 2016	(427)	(3,638)	-	-	-	(4,065)
Depreciation Charge	(147)	(506)	-	-	-	(653)
Depreciation written out to the						
- Revaluation Reserve	358	-	-	-	-	358
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	6	660	-	-	-	666
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2017	(210)	(3,484)	-	-	-	(3,694)
Net Book Value						
As at 31 March 2016	23,538	1,436	211	1,642	-	26,827
As at 31 March 2017	24,104	1,638	211	1,161	7,064	34,178

Capital Commitments

A contract was signed on 19th July 2016 for £7.3m for the Sennocke Hotel.

A pre-contract agreement was signed with Willmott Dixon on 6 March 2017 for the Buckhurst Car Park.

Surplus Assets

Details of the authority's Surplus Assets and information about the fair value hierarchy at 31 March 2017 are as follows:

	Quoted Prices in active market for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un-observable inputs (Level 3) £'000	Fair value as at 31st March 2017 £'000
Surplus Operational Properties	-	1,161	-	1,161
Total	-	1,161	-	1,161

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

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

The assets which include the site of the Working Mans Club and property in the High Street are surplus to operational needs and are being held pending redevelopment of the site at Swanley.

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

Agenda Item 5

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 2017, by external independent valuers, I. Dewar FRICS FIRR V MCI Arb, R. Messenger BSc FRICS FIRR V MCI Arb REV, A. Williams Dip BSc (Hons) MRICS FIRR V REV, W A Minting BA (Hons) MSc and G Harbord MA MRICS IRR V (Hons) of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

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

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

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

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

The regular rolling programme of asset valuation is as follows:

Year of Valuation	Class of asset valued in year
2016/17	Investment Properties; Amenity Land
2015/16	Investment Properties; Leisure Centres, Golf Course, Hollybush Depot, premises and grounds*
2014/15	Investment Properties, Stag Theatre, Parks and Woodlands*
2013/14	Investment Properties; car parks, public conveniences*
2012/13	Investment Properties; Depot, Offices, bus station. *

* By exception properties in these groups were also revalued in 2016/17.

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

	Land & Buildings	Vehicles, Plant & Equip-ment	Comm-unity Assets	Assets Held for Sale	Assets Under Con-struction	Surplus Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:		5,120	211	-	-	-	5,331
Valued at current value in:							
2016/17	23,782	-	-	180	7,064	1,161	32,187
2015/16	226	-	-	-	-	-	226
2014/15	58	-	-	-	-	-	58
2013/14	248	-	-	-	-	-	248
2012/13	-	-	-	-	-	-	-
Total	24,314	5,120	211	180	7,064	1,161	38,050

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.

	2015/16	2016/17
	£'000	£'000
Rental income from investment property	(538)	(725)
Direct operating expenses from investment property	-	203
Net income from Investment Properties	(538)	(522)

Agenda Item 5

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

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

	2015/16 £'000	2016/17 £'000
Balance at start of the year	4,769	12,687
Purchases	6,739	9,459
Disposals	-	(1,268)
Net Gains/ (losses) from fair value adjustment	2,366	(469)
Transfers from Property, Plant & Equipment	90	-
Transfers to Property, Plant & Equipment (inc Surplus)	(1,277)	-
	<u>12,687</u>	<u>20,409</u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2017 are as follows:

	Quoted Prices in active market for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un-observable inputs (Level 3) £'000	Fair value as at 31st March 2017 £'000
Existing properties generating rental income		2,427		2,427
Property Investment Strategy		17,982		17,982
Total		<u>20,409</u>	-	<u>20,409</u>

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

Properties are subject to leases with varying review dates.

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

Note 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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Loans & Receivables				
Investments	3,079	50	18,047	19,059
Net trade receivables (within debtors)	328	265	756	1,020
Cash & cash equivalents	-	-	12,483	9,533
Total Financial Assets	3,407	315	31,286	29,612
Financial Liabilities at amortised cost				
Trade payables (within Creditors)	(361)	(358)	(635)	(2,039)
Total Financial Liabilities	(361)	(358)	(635)	(2,039)

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

Net trade receivables also include sums owed by our partnership councils as at 31 March 2017.

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 2017 for comparable instruments with the same duration.

	31/03/2016		31/03/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	33,164	33,194	28,112	28,122

Agenda Item 5

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

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

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Investment in Municipal Bonds Agency	-	-	50	50
Deposits with Banks, B'lding Societies and other Local Authorities		23,072	-	23,072
Deposits in Money Market Funds	5,000	-	-	5,000
Other	-	-	-	-
	<u>5,000</u>	<u>23,072</u>	<u>50</u>	<u>28,122</u>

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

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

- 1) No early repayment or impairment is recognised.
- 2) Estimated range of interest rates at 31 March 2017 of 0.15% to 0.55%, obtained from the market, using bid prices where applicable.

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

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

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

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Maximum investment period of two years.
- Lending to Building Societies restricted to the top five Societies ranked by assets with a maximum investment period of 100 days if the Society does not satisfy the creditworthiness modelling approach.
- No more than £6m (or £7m including call accounts) per counterparty with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is £10m per Group. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £2m if it doesn't.

Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies, with the exception of the Lloyds Banking Group and Royal Bank of Scotland Group where the limit is 30%.

Total investments in any one country outside of the UK, is limited to 15% of the total fund.

Investment in non-UK banks is subject to prior approval by Committee.

Agenda Item 5

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

The full investment strategy for 2016/17 was approved by Council on 16 February 2016.

There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £23.3m at 31 March 2017 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 2017 that this was likely to crystallise.

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

Liquidity Risk

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

The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments. The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets is as follows:

	31/03/16	31/03/17
	£'000	£'000
Less than 1 year	31,420	29,320
Between 1 and 2 years	3,000	-

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

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

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

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

By way of example, if interest rates on fixed deposits had been 1% higher during 2016/17 (with all other variables held constant), the financial effect would have been to increase investment income by £671,000.

Price Risk

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

Foreign Exchange Risk

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

Agenda Item 5

Note 13 Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and, from 2016/17, wood stocks at Farningham Woods.

	2015/16	2016/17
	£'000	£'000
Balance outstanding at start of the year	47	50
Purchases	391	461
Recognised as an expense in the year	(388)	(463)
Balance outstanding at end of the year	50	48

Note 14 Debtors

Short Term Debtors

	31/03/16	31/03/17
	£'000	£'000
	restated	
Central Government Bodies	190	1,023
Other Local Authorities	584	825
Council Tax Payers	287	313
Non Domestic Rate	430	380
Other entities and individuals	887	949
Total	2,378	3,490

Balances incorporate pre-payments of £288k as follows

Other local authorities	-	26
Other entities	203	262
	203	288

Long Term Debtors

	31/03/16	31/03/17
	£'000	£'000
Other entities and individuals	328	265
Total	328	265

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

Note 15 Cash and Cash Equivalents

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

	31/03/16	31/03/17
	£'000	£'000
Cash held by the Authority	9	4
Bank current accounts	435	525
Short-term deposits with:		
Banks	4,033	3,001
Building Societies	3,003	1,001
Other Local Authorities	-	-
Money Market Funds	5,003	5,002
Total Cash and Cash Equivalents	12,483	9,533

Note 16 Assets Held for Sale

	2015/16	2016/17
	£'000	£'000
Balance at start of the year	-	2,021
Purchases	-	-
Disposals	-	(2,021)
Net Gains/ (losses) from fair value adjustment	-	35
Assets newly classified as held for sale	2,021	145
Asset de-classified as held for sale	-	-
	2,021	180

Agenda Item 5

Assets Held for Sale are carried at the lower of their carrying value or their fair value less costs to sell. Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2017 are as follows:

	Carrying Value £'000	Fair Value £'000	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets held for Sale	180	528	-	528	-
Total	180	528	-	528	-

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

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

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

Note 17 Creditors and Receipts in Advance

Short Term Creditors

	31/03/16	31/03/17
	£'000	£'000
	restated	
Central Government Bodies	(334)	(577)
Other Local Authorities	(539)	(876)
Council Tax Payers	(2,039)	(909)
Non Domestic Rate	(2,730)	(4,392)
Other entities and individuals	(627)	(1,221)
Total	(6,269)	(7,975)

Long Term Creditors

	31/03/16	31/03/17
	£'000	£'000
Other Local Authorities	(361)	(358)
Total	(361)	(358)

Short Term Receipts in Advance

	31/03/16	31/03/17
	£'000	£'000
	restated*	
Central Government Bodies	(46)	(32)
Other Local Authorities	(227)	(398)
Council Tax Payers	(499)	(304)
Non Domestic Rate	-	(292)
Other entities and individuals	(77)	(180)
Total	(849)	(1,206)

* See note 29 for Revenue Grants received in advance; previously included within this note but now shown within the Code as Grant Income. The items previously included here were:

Section 106 receipts	(1,899)
Historic England	(75)
	<u>(1,974)</u>

Agenda Item 5

Note 18 Provisions

The following provisions have been made by the Council:

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

	Long Term		Short Term		Total Short Term
	MMI	Accumulated Absences	NDR Appeals	Other Provisions	
	£'000	£'000	£'000	£'000	
Balance at 1 April 2016	289	152	2,536	93	2,781
Additional Provisions made during year	-	-	3,804	-	3,804
Amounts Used during the year	(32)	-	(3,871)	(15)	(3,886)
Amounts reversed as not required	-	-	-	(78)	(78)
Balance at 31 March 2017	<u>257</u>	<u>152</u>	<u>2,469</u>	-	<u>2,621</u>

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

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

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2017.

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

Other Provisions: The Personal Search Provision was in respect of potential restitutionary claims in relation to personal search fees of the land register. The case was settled and final legal fees paid in 2016/17; the remainder of the Provision is not required.

Note 19 Usable Reserves

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

Note 20 Unusable Reserves

	31/03/16	Move- ment in Year	31/03/17
	£'000	£'000	£'000
Capital Adjustment Account	(23,284)	(3,283)	(26,567)
Revaluation Reserve	(18,347)	(302)	(18,649)
Accumulated Absences Account	152	-	152
Collection Fund Adjustment Account	948	(845)	103
Pensions Reserve	62,149	35,108	97,257
Deferred Capital Receipts Reserve	(183)	7	(176)
Total Unusable Reserves	21,435	30,685	52,120

Capital Adjustment Account

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

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

Agenda Item 5

2015/16		2016/17
£'000		£'000
(14,092)	Balance at 1 April	(23,284)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
633	Charges for depreciation and impairment of non current assets	654
-	Revaluation Losses on Property, Plant and Equipment	911
868	Revenue expenditure funded from capital under statute	1,102
-	Deferred Capital Receipts movement	-
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
-		3,393
1,501		6,060
(89)	Adjusting Amounts written out of the Revaluation Reserve	(2,221)
1,412	Net Written out amount of the cost of non current assets consumed in the year	3,839
	Capital Financing applied in the year:	
(3,335)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,910)
(712)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(1,072)
-	Non-specific capital grant	-
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-
(4,191)	Capital Expenditure charged against the General Fund	(1,610)
(8,238)		(7,592)
(2,366)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	470
(23,284)	Balance at 31 March	(26,567)

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.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		(16,676)		(18,347)
Upward Revaluation of Assets	(1,988)		(2,920)	
Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	228		397	
Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(1,760)	(1,760)	(2,523)	(2,523)
Difference between fair value depreciation and historical cost depreciation		89		96
Accumulated gains on assets sold or scrapped		-		2,125
Balance at 31 March		(18,347)		(18,649)

Agenda Item 5

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.

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	152	152
Settlement or cancellation of accrual made at the end of previous year	-	-
Amounts accrued at the current year end	-	-
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-
Balance at 31 March	152	152

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	(815)	948
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(283)	249
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	2,046	(1,094)
Balance at 31 March	948	103

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	68,434	62,149
Actuarial Gains/(Losses) on pensions assets and liabilities	(8,466)	33,290
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	5,274	5,015
Employer’s pensions contributions and direct payments to pensioners payable in the year	(3,093)	(3,197)
Balance at 31 March	62,149	97,257

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.

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	(190)	(183)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	6	7
Transfer to the Capital receipts reserve upon receipt of cash	1	1
Balance at 31 March	(183)	(175)

Agenda Item 5

Note 21 Cash Flow Statement – Operating Activities

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

	2015/16 £'000	2016/17 £'000
Depreciation	(672)	(654)
Impairment and downward valuations	39	(1,380)
Amortisation	-	-
(Increase)/Decrease in impairment provision for bad debts	(93)	143
(Increase)/Decrease in creditors	210	(2,063)
Increase/(Decrease) in debtors / payments in advance	(6)	968
Increase/(Decrease) in stock	3	(2)
Pension liability	(2,181)	(1,818)
Carrying amount of non-current assets sold	-	(3,393)
Other non-cash items charged to the net surplus or deficit on the provision of services	1,712	(1,915)
	<u>(988)</u>	<u>(10,114)</u>

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

2015/16 £'000		2016/17 £'000
-	Purchase of short-term and long-term investments	-
845	Proceeds from short-term and long-term investments	780
256	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,678
<u>1,101</u>		<u>5,458</u>

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(308)	Interest received	(260)
-	Dividends received	-

Note 22 Cash Flow Statement – Investing Activities

2015/16		2016/17
£'000		£'000
7,380	Purchase of property, plant & equipment, investment property and intangible assets	16,136
4,018	Purchase of short term and long term investments	-
-	Other payments for investing activities	-
(257)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,677)
(846)	Proceeds from sale of short-term and long-term investments	(2,847)
(39)	Other receipts from investing activities	(6)
<u>10,256</u>	Net Cash Flow from investing activities	<u>8,606</u>

Note 23 Cash Flow Statement – Financing Activities

2015/16		2016/17
£'000		£'000
	Net increase / (decrease) in short- and long term deposits	
(133)	Other receipts from financing activities	(666)
(6)	Cash payments for finance leases	(7)
-	Other payments for financing activities	-
<u>(139)</u>	Net Cash Flow from Financing activities	<u>(673)</u>

Agenda Item 5

Note 24 Segmental Reporting and Reconciliation to Subjective Analysis

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

Note 24.a Subjective Reporting by Chief Officer segments

	Communities & Business	Corporate	Environmental & Operations	Finance	Planning	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Officer Income and Expenditure 2015/16 (restated)						
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(442)	(304)	(6,790)	(1,784)	(793)	(10,113)
Government Grants	(91)	(48)	(112)	(28,638)	-	(28,889)
Total Income	(533)	(352)	(6,902)	(30,422)	(793)	(39,002)
Employee Expenses	972	1,602	3,122	2,883	1,892	10,471
Other Service Expenses	935	1,295	7,954	32,526	285	42,995
Total Expenditure	1,907	2,897	11,076	35,409	2,177	53,466
Net Expenditure	1,374	2,545	4,174	4,987	1,384	14,464
Chief Officer Income and Expenditure 2016/17						
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(285)	(533)	(6,492)	(1,621)	(583)	(9,514)
Government Grants	(163)	(23)	(632)	(28,072)	(457)	(29,347)
Total Income	(448)	(556)	(7,124)	(29,693)	(1,040)	(38,861)
Employee Expenses	1,038	1,739	3,215	3,125	1,915	11,032
Other Service Expenses	787	1,553	8,496	30,799	558	42,193
Total Expenditure	1,825	3,292	11,711	33,924	2,473	53,225
Net Expenditure	1,377	2,736	4,587	4,231	1,433	14,364

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

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

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

	2015/16	2016/17
	£'000	£'000
Net Expenditure in Chief Officer Analysis	14,464	14,364
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(104)	940
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	<u>14,360</u>	<u>15,304</u>

Agenda Item 5

Note 24.c Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2015/16 Restated	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(10,114)	(712)	-	(10,826)	-	(10,826)
Interest Income *	-	-	-	-	(288)	(288)
Investment Income*	-	-	-	-	(558)	(558)
Income from Council Tax and NDR	-	-	-	-	(14,643)	(14,643)
Government Grants and Contributions	(28,888)	-	-	(28,888)	(4,082)	(32,970)
Total Income	(39,002)	(712)	-	(39,714)	(19,571)	(59,285)
Employee Expenses	10,472	-	-	10,472	2,208	12,680
Other Service Expenses	42,994	608	-	43,602	(291)	43,311
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	(2,366)	(2,366)
Interest Payments & similar payments	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	3,565	3,565
Payments to Housing Capital Receipts Pool	-	-	-	-	1	1
Gain or loss on disposal of non current assets	-	-	-	-	(255)	(255)
Capital Grants and Contributions	-	-	-	-	(133)	(133)
Total Expenditure	53,466	608	-	54,074	2,729	56,803
(Surplus) or deficit on the provision of services	14,464	(104)	-	14,360	(16,842)	(2,482)

* Previously shown as a combined total

Reconciliation to Subjective Analysis 2016/17	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(9,514)	(975)	-	(10,489)	(258)	(10,747)
Interest Income	-	-	-	-	(259)	(259)
Investment Income	-	-	-	-	(730)	(730)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(1,329)	(1,329)
Income from Council Tax and NDR	-	-	-	-	(15,514)	(15,514)
Government Grants and Contributions	(29,347)	-	-	(29,347)	(3,603)	(32,950)
Capital Grants and Contributions	-	-	-	-	(666)	(666)
Total Income	(38,861)	(975)	-	(39,836)	(22,359)	(62,195)
Employee Expenses	11,032	(362)	-	10,670	2,180	12,850
Other Service Expenses	42,193	1,182	-	43,375	677	44,052
Support service recharges	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	1,068	-	1,068	-	1,068
Interest Payments & similar payments	-	27	-	27	-	27
Precepts & Levies	-	-	-	-	3,818	3,818
Payments to Housing Capital Receipts Pool	-	-	-	-	6	6
Gain or loss on disposal of non current assets	-	-	-	-	47	47
Capital Grants and Contributions	-	-	-	-	-	-
Total Expenditure	53,225	1,915	-	55,140	6,728	61,868
(Surplus) or deficit on the provision of services	14,364	940	-	15,304	(15,631)	(327)

Agenda Item 5

Note 24.d Expenditure and Income analysed by nature

2015/16	Expenditure and Income analysed by nature	2016/17
restated	Expenditure	
12,680	Employee Benefit Expenses	12,850
43,288	Other Service Expenses	44,052
(2,366)	Depreciation, amortisation and impairment	1,068
-	Loss on Disposal of non current assets	47
23 *	Interest payments	27
3,565	Precepts and levies	3,818
1	Payment to Housing Capital Receipts Pool	6
<u>57,191</u>	Total Expenditure	<u>61,868</u>
	Income	
(10,826)	Fees and Charges and other service income	(10,747)
(14,643)	Income from Council Tax and Business Rates	(15,514)
(32,970)	Government Grants and contributions	(32,950)
(846)	Interest and Investment income	(989)
(255)	Gain on disposal of non current assets	(1,329)
(133)	Capital Grants and Contributions	(666)
<u>(59,673)</u>	Total Income	<u>(62,195)</u>
<u>(2,482)</u>	Net Service cost/income	<u>(327)</u>
* Included within other service expenses in 2015/16 Statement		

Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis						
2015/16	Comm-unities & Business	Corporate Services	Environ-mental & Opnl	Finance	Planning	Total
Expenditure						
Employee Benefit Expenses	1,173	1,667	3,667	3,872	2,273	12,652
Other Service Expenses	1,672	(741)	8,322	30,503	1,386	41,142
Depreciation, amortisation & impairment	(186)	18	304	-	-	136
Interest payments	-	-	-	27	-	27
Total Segmental Expenditure	2,659	944	12,293	34,402	3,659	53,957
Income						
Fees and Charges and other service income	(404)	(304)	(7,198)	(1,784)	(1,019)	(10,709)
Benefits and other Gov. grants	(91)	(48)	(112)	(28,637)	-	(28,888)
Total Segmental Income	(495)	(352)	(7,310)	(30,421)	(1,019)	(39,597)
Net Segmental Expenditure	2,164	592	4,983	3,981	2,640	14,360
Reconciliation to CIES						
Other Income and Expenditure not segmentally reported						(16,841)
Net Service Expenditure						(2,481)

Agenda Item 5

Income and expenditure on a segmental basis						
2016/17	Comm-unities & Business	Corporate Services	Environ-mental & Opnl	Finance	Planning	Total
Expenditure						
Employee Benefit Expenses	1,208	1,784	3,669	3,961	2,228	12,850
Other Service Expenses	1,707	(864)	7,944	28,833	1,940	39,560
Depreciation, amortisation & impairment	92	-	976	-	-	1,068
Interest payments	-	-	-	27	-	27
Total Segmental Expenditure	3,007	920	12,589	32,821	4,168	53,505
Income						
Fees and Charges and other service income	(265)	(376)	(6,517)	(1,310)	(1,017)	(9,485)
Benefits and other Gov. grants	(163)	(23)	-	(28,073)	(456)	(28,715)
Total Segmental Income	(428)	(399)	(6,517)	(29,383)	(1,473)	(38,200)
Net Segmental Expenditure	2,579	521	6,072	3,438	2,695	15,305
Reconciliation to CIES						
Other Income and Expenditure not segmentally reported						(15,631)
Net Service Expenditure						(326)

Income and Expenditure for the Trading Account is shown in Note 25

Note 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 2016/17

(Surplus)/ Deficit		Income	Expend.	(Surplus)/ Deficit
2015/16			2016/17	
£'000		£'000	£'000	£'000
	Direct Services			
(178)	Refuse Collection	(2,417)	2,338	(79)
-	Street Cleansing	(1,289)	1,278	(11)
(89)	Other Operational Accounts	(2,162)	2,020	(142)
(26)	Overhead Accounts	(1,302)	1,277	(25)
<u>(293)</u>		<u>(7,170)</u>	<u>6,913</u>	<u>(257)</u>

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

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

(Surplus) /Deficit		Income	Expend.	(Surplus) /Deficit
2015/16			2016/17	
£'000		£'000	£'000	£'000
	Direct Services			
(143)	Refuse Collection	(2,417)	2,374	(43)
11	Street Cleansing	(1,289)	1,289	-
(78)	Other Operational Accounts	(2,162)	2,029	(133)
(23)	Overhead Accounts	(1,302)	1,280	(22)
<u>(233)</u>		<u>(7,170)</u>	<u>6,972</u>	<u>(198)</u>

Agenda Item 5

Subjective Analysis for the Trading Operation

2015/16		2016/17
£'000		£'000
(1,409)	Revenues from External Customers	(1,428)
(5,438)	Income from Internal Customers	(5,742)
(6,847)	Total Income	(7,170)
3,029	Employee Expenses (inc Agency staff)	3,235
497	Depreciation	498
3,088	Other Service Expenditure	3,239
6,614	Total Expenditure	6,972
(233)	Net Trading Income	(198)

Note 26 Members' Allowances

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

	2015/16	2016/17
	£'000	£'000
Allowances	367	373
Expenses	11	14
Total	378	387

Note 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:

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

Agenda Item 5

2016/2017	Salary £	Bonuses £	Expenses £	Com- pen- sation Loss of employ- ment £	Pension £	Other Emol- uments £	Total £
Chief Executive (P Ramewal)	149,929	3,598	186	-	21,801	1,421	176,935
Chief Housing Officer (part year)	12,333	-	-	398	1,751	-	14,482
Chief Finance Officer	88,830	500	190	-	12,685	-	102,205
Chief Officer Corporate Services	88,830	500	45	-	12,685	-	102,060
Chief Officer Communities and Business	88,830	500	217	-	12,685	-	102,232
Chief Planning Officer	88,830	500	-	-	12,685	-	102,015
Chief Officer Environmental and Operations	88,830	500	209	-	12,685	-	102,224
Chief Officer Legal (part year)	13,534	-	213	439	1,922	-	16,108
Head of Strategy and Transformation	56,940	500	-	-	8,156	-	65,596
Head of Legal and Democratic Services (part year)	43,501	250	10	-	6,213	-	49,974

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

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

Remuneration Band	Number of Employees	
	2015/16	2016/17
£50,000 - £54,999	9	4
£55,000 - £59,999	1	6
£60,000 - £64,999	4	-
£65,000 - £69,999	-	3
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	15/16	16/17	15/16	16/17	15/16	16/17	15/16	16/17
							£'000	£'000
£0 - £20,000	8	4	3	-	11	4	114	24
£20,001 - £40,000	3	-	-	-	3	-	113	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100k	-	-	-	-	-	-	-	-
Total	11	4	3	-	14	4	227	24

Liabilities for exit packages for four staff from Finance and two Chief Officers, in connection with internal re-structuring taking place in 2016/17, were included as 2015/16 because the decisions were taken before 31 March 2016.

Agenda Item 5

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.

	2015/16	2016/17
	£'000	£'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	50	43
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	18	14
Fees payable in respect of other services provided by external auditors during the year	-	-
Total	68	57

Note 29 Grant income

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

	2015/16	2016/17
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus (DCLG)	(1,828)	(2,207)
Community Infrastructure Levy	(133)	(666)
Revenue Support Grant (DCLG)	(1,516)	(633)
S31 Small Business Rate Reduction	(734)	(605)
Transitional Grant (DCLG)	-	(152)
S31 Council Tax Flood / Family Annexes	(4)	(6)
Total	(4,215)	(4,269)
Credited to Services		
Benefit Subsidy (DWP)	(27,991)	(27,560)
Better Care Fund (was Disabled Facilities Grant) (KCC)	(487)	(632)
Housing Benefit Administration (DWP)	(454)	(409)
Community Facility Improvements	(216)	(430)
Choosing Health PCT (KCC)	(121)	(121)
New Burdens (DCLG)	(76)	(105)
Homelessness (DCLG)	(91)	-
Local Land Charges (DCLG)	(65)	-
Individual Electoral Registration (CO)	(48)	(23)
Communities against Drugs (KCC)	(31)	(31)
Community Sports (Sports England)	(29)	-
Other	(74)	(36)
Total	(29,683)	(29,347)

Agenda Item 5

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

	2015/16	2016/17
	£'000	£'000
Capital Grants Receipts in Advance		
Better Care Fund (KCC)	-	(119)
Regional Housing Pot (DCLG/KCC)	(34)	(73)
Community Infrastructure Levy	(19)	(24)
Total	(53)	(216)

Revenue Grants Receipts in advance were previously included within Note 17

	2015/16	2016/17
	£'000	£'000
Revenue Grants Receipts in Advance		
Section 106 receipts	(1,899)	(4,518)
Historic England	(75)	(68)
Total	(1,974)	(4,586)

Note 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.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 26. Returns were obtained from Members in respect of the 2016/17 financial year requesting details of any transactions that had taken place between them or close family members and the Council. During 2016/17 the Council awarded a Discretionary Housing Improvement Grant to a member in relation to their role as landlord of a property in the District; the grant formed a contribution towards the costs of energy efficiency works and totalled £1,416. The grant was made with proper consideration of declarations of interest. The relevant member did not take part in any discussion or decision relating to the approval of that grant. There were no other transactions considered of material significance to warrant separate disclosure in the statement of accounts.

The Council appointed a Member as a representative on the Arts Council which received a grant of £4,250 from the Council. The Council appointed representatives to two Citizens Advice Bureaux covering the local area; Sevenoaks and Swanley CAB received a grant of £72,697 and Edenbridge and Westerham received a grant of £25,843.

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

Senior Officers

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2017 are shown in note 29.

Kent County Council pension fund – see note 35.

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

Sevenoaks Leisure Limited – management fee of £80,950 and a Development Fee of £20,000. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31 March 2018 and interest of 7% per year.

Quercus 7 Limited

Council on 31 March 2015 authorised the incorporation of a company and this was incorporated on 31 December 2015 (Quercus7 Limited Number 09933195). Three Chief Officers were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company will be overseen by the Cabinet. The Articles of Association state that there can only be one shareholder and is defined as all the Members of SDC. The liability of the Council is limited to the nominal of its share of £1.

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

The company has not traded and has no assets and therefore there is no requirement to produce group accounts. Work undertaken by officers on company business will be charged to the company. During the year the company were given credit facilities for business expenses totalling £43,097.

In accordance with Section 479A of the Companies Act 2006, the subsidiary company Quercus 7 Limited (Company Number: 09933195) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of guarantee provided by Sevenoaks District Council.

Shared Services

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

Agenda Item 5

Note 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.

	2015/16	2016/17
	£'000	£'000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	640	6,544
Intangible Assets	-	-
Surplus Assets	-	134
Investment Properties	6,740	9,459
Revenue Expenditure Funded from Capital under Statute	868	1,102
	8,248	17,239
Sources of Finance:		
Capital Receipts	(3,335)	(4,910)
Government Grants and other contributions	(722)	(1,072)
Sums set aside from revenue	(4,191)	(1,615)
	(8,248)	(7,597)
Closing Capital Financing Requirement	-	(9,642)

Note 32 Leases

Operating Leases

Authority as Lessee

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

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

Payments under operating leases for the car park and vending equipment during the year amounted to £31,734 (£42,422 in 2015/16).

	2015/16	2016/17
	£'000	£'000
Minimum Lease Payments		
Not later than one year	46	47
Later than one year and not later than five years	189	192
Later than five years	374	324
Total	609	563

Authority as Lessor

The leased company car scheme has ceased with the last payments made in 2013/14; there were no payments under operating leases for company cars payable in 2016/17.

The council purchased 96 High Street Sevenoaks and 26-28 Pembroke Road Sevenoaks in 2016/17 in addition to Suffolk House and the Petrol Filling Station purchased in 2015/16. The future income receivable under non-cancellable leases is detailed below:-

	31/03/16	31/03/17
	£'000	£'000
Not later than one year	377	740
Later than one year and not later than five years	1,177	2,949
Later than five years	997	1,585
	2,551	5,274

Agenda Item 5

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

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

Finance Leases

Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

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

	2015/16	2016/17
	£'000	£'000
Gross Investment in the Lease	277	251
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	170	163
Unearned Finance Income	106	88
The gross investment in the lease will be received over the following periods.		
Not later than one year	24	23
Later than one year and not later than 5 years	117	116
Later than 5 years	136	112
Total	277	251

Note 33 Impairment Losses

During 2016/17 there were no impairment losses on the Council's property assets.

Note 34 Termination Benefits

The Authority terminated the contracts of a number of employees in 2016/17, incurring liabilities of £24,000 (£227,000 in 2015/16) – see note 27 for the number of exit packages and total cost per band.

Note 35 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

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

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

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

Agenda Item 5

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:

	2015/16	2016/17
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current Service cost	3,015	2,782
Past Service costs	-	5
Net Interest Expense (includes administration expense)	2,259	2,228
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,274	5,015
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)	1,646	(12,903)
Other actuarial (gains)/losses on assets	-	(217)
Actuarial (gains) and losses arising on change in demographic assumptions	-	(5,521)
Actuarial (gains) and losses arising on changes in financial assumptions	(10,066)	36,646
Other	(46)	15,285
Total post employment benefits charged to the Comprehensive Income and Expenditure statement	(8,466)	33,290
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	5,274	5,015
Actual Amount charged against the General Fund balance for pensions in the year		
Employers contributions payable to the scheme	3,093	3,197

Pensions Assets and Liabilities recognised in the Balance Sheet

	2015/16	2016/17
	£'000	£'000
Present value of the Defined Obligations		
Present value of Funded Liabilities	(134,901)	(185,220)
Present Value of Unfunded Liabilities	(2,102)	(2,078)
Total Defined Benefit Obligation	(137,003)	(187,298)
Fair Value of plan assets (at bid value)	74,854	90,041
	(62,149)	(97,257)

Reconciliation of movements in the fair value of scheme assets

	2015/16	2016/17
	£'000	£'000
Opening fair value of scheme assets	74,566	74,854
Interest on assets	2,453	2,685
Return on assets less interest	(1,646)	12,903
Other actuarial gains/(losses)	-	217
Administration expense	(51)	(48)
Contributions from employer	3,093	3,197
Contributions from scheme participants	667	687
Estimated benefits paid plus unfunded net of transfers in	(4,228)	(4,454)
Closing Value of scheme assets	74,854	90,041

Agenda Item 5

Reconciliation of the movements in defined benefit obligation

	2015/16	2016/17
	£'000	£'000
Opening Defined Benefit Obligation	143,000	137,003
Current Service Cost	3,015	2,782
Interest Cost	4,661	4,865
Change in Financial Assumptions	(10,066)	36,646
Change in Demographic assumptions	-	(5,521)
Experience loss/(gain) on defined benefit obligation	(46)	15,285
Estimated benefits paid net of transfers in	(4,038)	(4,274)
Past service costs including curtailments	-	5
Contributions by scheme participants	667	687
Unfunded pension payments	(190)	(180)
Closing Defined Benefit Obligation	137,003	187,298

Scheme Assets

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

	31/03/16	31/03/17
	%	%
Equity investments	66	70
Gilts	1	1
Bonds	11	10
Property	15	12
Cash	3	3
Absolute Return Fund	4	4
Total	100	100

Note: The extract from the actuaries report contains roundings.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21% (2015/16 was 1%). 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 2016.

The principal assumptions used by the actuary have been:

	2015/16	2016/17
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	23	23
Women	25	25
Longevity at 65 for future pensioners		
Men	25	25
Women	28	27
Financial Assumptions		
Rate of Inflation (CPI)	2.3%	2.7%
Rate of increase in salaries	4.1%	4.2%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	3.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

Agenda Item 5

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

Return on Assets

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

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of total obligation of £187.3m.

	Increase of 0.1% £'000	Decrease of 0.1% £'000
Adjustment to discount rate		
Present value of total obligation	183,952	190,708
Projected Service Cost	3,839	4,019
Adjustment to long term salary increase		
Present value of total obligation	187,681	186,917
Projected Service Cost	3,928	3,928
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	190,321	184,329
Projected Service Cost	4,019	3,839
Adjustment to mortality age rating assumptions	Increase 1 year	Decrease 1 year
Present value of total obligation	194,610	180,268
Projected Service Cost	4,053	3,807

Projected Pension Expense for the year to 31 March 2018

	2017/18 Projection £'000
Service Cost	3,928
Net interest on the defined liability	2,583
Administration expense	58
Total	<u>6,569</u>
Employer Contributions	3,068

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

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

Agenda Item 5

Note 36 Contingent Liabilities

Planning

A claim has been made against the Council on an enforcement matter. Proceedings began in 2016/17 but have been stayed until 10th August 2017. The claim is not expected to exceed £285,000 including the litigant's costs.

Note 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.

Note 38 Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 10.

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

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

Note 39 Highway Infrastructure Assets (Transport Infrastructure Assets Code)

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

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2016/17

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.

2015/16				2016/17		
Council Tax	NDR		Note	Council Tax	NDR	Total
£000	£000			£000	£000	£000
<u>Income</u>						
76,920	-	Billed to Council Tax Payers	1	80,725	-	80,725
-	36,298	Income from Business Ratepayers	2	-	36,323	36,323
1,442	92	Reduction in Bad Debts Provision		585	25	610
-	-	Reduction in Provision for Appeals		-	716	716
-	-	Reimbursement of previous year's estimated Collection Fund deficit	3	-	3,367	3,367
78,362	36,390			81,310	40,431	121,741
<u>Expenditure</u>						
Precepts & Demands:						
52,547	3,182	Kent County Council		55,426	3,306	58,732
7,094	-	Police & Crime Commissioner for Kent		7,439	-	7,439
3,406	354	Kent & Medway Fire & Rescue Authority		3,520	367	3,887
9,298	14,143	Sevenoaks District Council		9,672	14,694	24,366
3,565	-	Town & Parish Councils		3,818	-	3,818
Business Rates:						
-	17,678	Payments to Government		-	18,368	18,368
-	167	Cost of Collection Allowance		-	165	165
-	138	Transitional Protection		-	31	31
Bad and Doubtful Debts:						
537	-	Provision for Non Payment		482	-	482
-	1,830	Provision for Appeals		-	548	548
242	155	Write Offs		449	220	669
-	3,858	Contribution towards previous year's estimated Collection Fund surplus	3	1,968	-	1,968
76,689	41,505			82,774	37,699	120,473
1,673	(5,115)	(DEFICIT)/SURPLUS FOR YEAR	3	(1,464)	2,732	1,268
COLLECTION FUND BALANCE						
299	1,911	Balance at beginning of year		1,972	(3,204)	(1,232)
1,673	(5,115)	(Deficit)/Surplus for year		(1,464)	2,732	1,268
1,972	(3,204)	BALANCE AT END OF YEAR	4	508	(472)	36

Agenda Item 5

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 2016/17 was approved by Cabinet in January 2016 as follows:

Band	2015/16			2016/17		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	2.25	5/9ths	1.30	2.25	5/9ths	1.30
A	968.38	6/9ths	645.60	960.71	6/9ths	640.50
B	1,816.24	7/9ths	1,412.60	1,861.46	7/9ths	1,447.80
C	7,868.01	8/9ths	6,993.80	8,063.46	8/9ths	7,167.50
D	9,633.37	9/9ths	9,633.40	9,770.01	9/9ths	9,770.00
E	6,492.26	11/9ths	7,935.00	6,544.57	11/9ths	7,998.90
F	5,300.97	13/9ths	7,657.00	5,347.87	13/9ths	7,724.70
G	7,053.54	15/9ths	11,755.90	7,117.77	15/9ths	11,863.00
H	1,250.31	18/9ths	2,500.60	1,281.49	18/9ths	2,563.00
	<u>40,385.33</u>		<u>48,535.20</u>	<u>40,949.59</u>		<u>49,176.70</u>
Contributions in lieu for Crown property			13.10			13.40
			<u>48,548.30</u>			<u>49,190.10</u>
Collection rate adjustment			99.30%			99.40%
Council Tax Base			<u>48,209.05</u>			<u>48,895.68</u>

The tax rate for a band D property in 2016/17 was £1,555.52, excluding Town and Parish Council taxes (2015/16 = £1,500.66).

Agenda Item 5

	2015/16	2016/17
	£	£
Kent County Council	1,089.99	1,133.55
Police & Crime Commissioner for Kent	147.15	152.15
Kent & Medway Fire & Rescue Authority	70.65	72.00
Sevenoaks District Council	192.87	197.82
	<hr/>	<hr/>
	1,500.66	1,555.52
Town & Parish Councils (Average)	73.95	78.08
	<hr/>	<hr/>
TOTAL (including an average town & parish rate)	1,574.61	1,633.60

Note 2 Non-Domestic Rates (NDR)

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

According to the rating list, the total non-domestic rateable value at 31 March 2017 was £88,552,764 (31 March 2016 = £88,946,014).

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 2016, the estimated balance at 31 March 2016 in respect of council tax transactions was a surplus of

Agenda Item 5

£1,967,800. It was shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2015/16 and taken into account by the respective authorities in the calculation of their council taxes for 2016/17. The actual position at 31 March 2016 was a surplus of approximately £1,972,000.

The actual surplus of £508,000 at 31 March 2017 in respect of council tax and the actual deficit of £472,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2017/18.

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
2015/16	Council Tax:						
	Arrears	2,624	352	167	-	638	3,781
	Provision for Bad Debts	(1,360)	(183)	(86)	-	(331)	(1,960)
	Prepayments & Refunds	(1,522)	(204)	(97)	-	(371)	(2,194)
	Cash	1,624	219	105	-	397	2,345
	(Surplus)/Deficit	(1,365)	(184)	(89)	-	(334)	(1,972)
	NDR:						
	Arrears	170	-	19	944	755	1,888
	Provision for Bad Debts	(73)	-	(8)	(406)	(325)	(812)
	Provision for Appeals	(571)	-	(63)	(3,170)	(2,535)	(6,339)
	Prepayments & Refunds	(123)	-	(14)	(683)	(547)	(1,367)
	Cash	308	-	34	1,713	1,371	3,426
(Surplus)/Deficit	288	-	32	1,602	1,282	3,204	
Total	-	-	-	-	-	-	
2016/17	Council Tax:						
	Arrears	2,690	358	167	-	648	3,863
	Provision for Bad Debts	(1,293)	(172)	(80)	-	(312)	(1,857)
	Prepayments & Refunds	(1,713)	(228)	(107)	-	(412)	(2,460)
	Cash	669	89	42	-	161	961
	(Surplus)/Deficit	(354)	(47)	(22)	-	(85)	(508)
	NDR:						
	Arrears	157	-	17	868	695	1,737
	Provision for Bad Debts	(71)	-	(8)	(393)	(315)	(787)
	Provision for Appeals	(555)	-	(62)	(3,086)	(2,469)	(6,172)
	Prepayments & Refunds	(136)	-	(15)	(758)	(606)	(1,515)
	Cash	563	-	63	3,133	2,506	6,265
(Surplus)/Deficit	42	-	5	236	189	472	
Total	-	-	-	-	-	-	

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) This specifies the principles and practices of accounting required to prepare a Statement of Accounts which represents a ‘true and fair view’ of the financial position and transactions of the Council.

CIPFA Chartered Institute of Public Finance and Accountancy

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

Contingent Liabilities. Contingent liabilities are either:

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

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

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

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

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

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

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

DCLG. Department for Communities and Local Government

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

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

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

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

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.

Agenda Item 5

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

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

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

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

KMFRA Kent and Medway Fire and Rescue Authority

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

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

MBC. Maidstone Borough Council.

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

PCC Police and Crime Commissioner

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

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

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

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

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

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

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

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

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

Revenue Support Grant (RSG). The general Government grant to 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.

SDC Sevenoaks District Council

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

Supplies and Services. Includes expenditure on equipment and materials.

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

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

TMBC. Tonbridge and Malling Borough Council

TWBC. Tunbridge Wells Borough Council.

Agenda Item 5

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

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

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

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Background

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

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

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

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

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

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service,

Agenda Item 5

the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

2. Scope of Responsibility

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

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

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

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Internal Audit Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of

its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

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

- The Council's vision and promises for the period ending in March 2017 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three-year action plan is agreed with partners at each review point, with the action plan covering the period from 2016 to 2019. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year.
- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continue to operate well during the year and also includes an Audit Committee, whose terms of reference is consistent with CIPFA standards. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.
- Policy and decision-making is facilitated through reports from Officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each

Agenda Item 5

portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to ‘call-in’ the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council’s Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council’s business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) Internal Audit

During 2016-17, the Council’s internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Public Sector Internal Audit Standards (PSIAS) 2016

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager’s overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year.

The review of the effectiveness of Internal Audit was assessed in 2016/17 and it was concluded that the Council had an adequate and effective Internal Audit service that contributes towards the proper, economic and effective use of resources in achieving its objective.

b) External Audit

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

Unqualified opinions were issued in relation to both financial statements and value for money for 2015-16.

c) Financial Management

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

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

d) Performance Management

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

e) Arrangements for Partnerships

The Council enhances value for money in service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits, Internal Audit, Environmental Health and Building Control.

f) Risk Management

The Council's risk management processes are reviewed by the Officers Risk Management Group and reported to the Audit Committee as appropriate.

Strategic risk is aligned to corporate priorities and reports are produced for Strategic Management Team and the Audit Committee.

g) Relationships and Ethics

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

Agenda Item 5

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, conferred by an external inspection regime in January 2016. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures. The Council has designed, delivered and developed bespoke training courses. Firstly the Leadership Masterclass, a programme for Managers of all levels within the organisation. The programme consisted of 38 modules delivered covering key aspects of modern day management, empowering managers to manage, support and develop their staff to the best of their ability. Secondly, Personal Best which is available to all staff and aims to help them identify and achieve personal breakthrough goals.

i) Monitoring Officer

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

j) Anti-Fraud and Corruption

The Council has an Anti-Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Chief Finance Officer during 2016/17.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2016/17, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Review of Effectiveness

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

6.2 The External Auditor concluded that, for 2015/16, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the Principal Auditor acting as Audit Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The opinion for 2016/17 indicates that the Council's control environment is effective.

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

6.5 There were no significant governance issues raised in last year's AGS.

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

Certification

Signed:

Signed:

Dr. Pav Ramewal

Cllr Peter Fleming

Chief Executive

Leader of the Council

Date:

Date:

This page is intentionally left blank

LOCAL CODE OF CORPORATE GOVERNANCE

Audit Committee - 26 September 2017

Report of	Monitoring Officer
Status	For consideration
Key Decision	No
Portfolio Holder	Cllr. John Scholey
Contact Officer	Martin Goodman, ext. 7245

Recommendation to Audit Committee:

- (a) That the amended Local Code of Corporate Governance set out in the Appendix be adopted;
- (b) That the Monitoring Officer be authorised to maintain and amend the Local Code of Corporate Governance in line with good practice.

Reason for recommendation: The Local Code of Corporate Governance requires updating in line with guidance.

Introduction and Background

- 1 On 16 May 2017 an Internal Audit Review of Corporate Governance recommended that the Local Code of Corporate Governance ('Local Code') be updated to reflect current best practice. The Local Code of Corporate Governance in force at the time of the Audit recommendation dated from 24 June 2008.
- 2 It was further recommended that the Local Code be approved at the appropriate level and thereafter kept under review. Responsibility for the Local Code of Corporate Governance has been delegated to the Monitoring Officer.

The Framework

- 3 International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance in the following way: *Governance comprises the arrangements put in place to ensure that intended outcomes for stakeholders are defined and achieved.*
- 4 It is recommended that authorities should test their governance structures and partnerships against the principles contained in the 'The Framework'

Agenda Item 6

(Delivering Good Governance in Local Government: Framework (2016) (CIPFA/SOLACE, 2016)) by developing and maintaining a Local Code of Corporate Governance including arrangements for ensuring ongoing effectiveness.

- 5 A review and revision of the Local Code has now taken place in the light of The Framework. It is this amended and updated version which is now before Members for adoption. From time-to-time it will be necessary for the Local Code to be amended in line with best practice and it is accordingly recommended that the Monitoring Officer be authorised to undertake such revisions as necessary.

Other Options Considered and/or Rejected

No other options were considered as the Code was in need of revision and the relatively simple step of amending and updating the existing version was clearly required in the light of the recommendations of Internal Audit.

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement.

It is recognised that the Local Code need not necessarily be represented in one single document and could instead be made up of a number of codes or documents. To that end a named and adopted Local Code in the form presented in the Appendix is not legally required. However, the reputational risks and risk to good governance of not updating the Local Code in the light of the Internal Audit recommendations are considered significant enough to require this report. There is a low risk to adopting the Local Code set out in the Appendix.

Equality Assessment

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

Conclusions

The amended Local Code should be adopted and the Monitoring Officer given the authority to keep it up to date.

Appendices

Local Code of Corporate Governance

Background Papers

None.

Martin Goodman
Monitoring Officer

Local Code of Corporate Governance

1.0 Introduction

1.1 Sevenoaks District Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance. Therefore this document sets out and describes the Council's commitment to corporate governance. It identifies the arrangements that have been made and will continue to be made, to ensure its effective implementation and application in all aspects of the Council's work.

2.0 Corporate Governance?

2.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance in the following way: *Governance comprises the arrangements put in place to ensure that intended outcomes for stakeholders are defined and achieved.*

2.3 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.

2.4 The Council recognises that effective local government relies upon the public establishing and maintaining a level of confidence with both elected Members and Officers of the Council.

2.5 Setting high standards of self-governance provides a clear and demonstrable lead to both our existing and potential partners.

3.0 The 'Governing Body'

3.1 The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. In England, the Local Government Act 2000 introduced new governing structures for all local councils, clarifying responsibility for making decisions and establishing a scrutiny role. The Localism Act 2011 amended the provisions relating to Executive Arrangements and allowed local authorities to return to decision-making by committees if they so resolved.

Agenda Item 6

- 3.2 Executive arrangements must include one or more overview and scrutiny committees through which non-executive councillors can question and challenge the policy and performance of the executive and promote public debate. Local authorities also have the General Power of Competence empowering them to act as an individual generally may.
- 3.3 Elected Members are collectively responsible for the governance of the council.

The full council's responsibilities include:

- agreeing the council's constitution comprising the key governance documents including the executive arrangements and making major changes to reflect best practice;
- agreeing the policy framework including the community strategy and other key strategies;
- agreeing the budget.

The executive is responsible for:

- proposing the policy framework and key strategies;
 - proposing the budget;
 - implementing the policy framework and key strategies.
- 3.4 The Chief Executive advises councillors on policy and necessary procedures to drive the aims and objectives of the authority. The Chief Executive is Head of Paid Service and leads a management team consisting of senior managers. The Chief Financial Officer (who is s.151 officer), Monitoring Officer and other senior managers are responsible for advising Members on all relevant issues including legislative, financial and policy considerations.
 - 3.5 Sevenoaks District Council currently consists of 54 elected Members. The Council operates a Leader and Cabinet system with seven Cabinet Members. Members carry their own portfolios in line with the Council's key aims. In addition there is a statutory Scrutiny Committee along with , a number of statutory and regulatory committees (such as the Development Control Committee, Licensing Committee and Standards Committee). The Council's Governance Committee has terms of reference generally relating to the good governance of the Council, for example it is required to advise on amendments to the Constitution.
 - 3.6 The Council has appointed an Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2015. It is established to do this in compliance with Regulations 3 and 6 of the Accounts and Audit Regulations 2015. It has a wide auditing remit including approval of the Annual Governance Statement.

3.7 The Cabinet is advised by a number of Advisory Committees which have no executive power.

4.0 The Principles of Corporate Governance

4.1 The District Council positively recognises and accepts the following seven core principles of good governance, as identified in Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016):

- *Core principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;*
- *Core principle 2 - Ensuring openness and comprehensive stakeholder engagement;*
- *Core principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits;*
- *Core principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes;*
- *Core principle 5 - Developing the entity's capacity, including the capability of its leadership and the individuals within it;*
- *Core principle 6 - Managing risks and performance through robust internal control and strong public financial management;*
- *Core principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.*

4.2 The Council accepts that in order to comply with these principles, it must undertake to ensure that systems and processes are continually monitored and reviewed and are kept up to date.

4.3 The Council accepts that good corporate governance can only be achieved if effective leadership is demonstrated through the Council providing a vision for its community and leading by example in its decision making and other processes and actions. Members and Officers must at all times also conduct themselves in accordance with high standards of conduct.

5.0 Corporate Plan

5.1 The Council is determined to ensure Sevenoaks District Council is an organisation that each and every one of its residents and businesses can be proud of.

5.2 The Council's Vision is:

- 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; and

Agenda Item 6

- To support and develop the local economy.
- 5.3 Central to the Council's success is its belief in customer service and the empowerment of its staff. 'The customer is anyone who isn't me' is everyday language and known by all of the staff.
- 5.4 The Council trusts staff to take decisions, to take informed risks and to innovate. It does not look to blame, but instead focus on what can be done differently next time. This approach has allowed the Council to reduce its budgets and workforce whilst seeing improvements in productivity, performance and satisfaction with services.
- 6.0 Openness and Reporting**
- 6.1 The Council reaffirms its commitments in the Local Code of Corporate Governance (2008) to:
- (a) Ensure that the Local Code of Corporate Governance is made available and communicated to all Members and Officers and is available for inspection by the public;
 - (b) Designate a senior Officer as responsible for overseeing, implementing, monitoring and reviewing the operation of the Local Code of Corporate Governance;
 - (c) Report annually in the Annual Governance Statement on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness. This will include any recommendations made by recognised external bodies such as external auditors;
 - (d) Where appropriate develop an Action Plan to identify and review areas of the Code where further work is required, and make the necessary arrangements to ensure it is undertaken.
 - (e) Provide annual statements in key corporate documents on how the Council is complying with the Code, including how it has maintained the effectiveness of its corporate governance arrangements during the year and any planned changes for the forthcoming year.
 - (f) Ensure that actions identified in any Corporate Governance Action Plan which is developed will receive full consideration within the budget setting process.
- 7.0 Commitments**
- 7.1 The Council also reaffirms its previous commitment to ensure that the principles of corporate governance will be applied in all aspects of its corporate activities and in particular:

- Sevenoaks District Council will welcome constructive challenge as an opportunity to learn and improve performance. It may come from a variety of forms - external audit, regulatory, inspection, peer review, commissioned consultants or input from other high-performing authorities;
- Sevenoaks District Council will support good practice for political parties to identify the future skills base and type of representation needed for politicians and, using appropriate selection methods, to take steps to fill these gaps when seeking candidates for election and for succession planning;
- Sevenoaks District Council will support good practice for new chief executive and leader pairings to consider how best to establish and maintain effective communication.
- Sevenoaks District Council will support good practice for Members and Officers to reject offers of hospitality, such as invitations to sporting events, from firms that the authority is contracting with, or may contract with in the future;
- Although scrutiny generally looks at issues and policies once they are in place scrutiny should also take place at the policy development stage. Sevenoaks District Council will aim to achieve this;
- Sevenoaks District Council will support good practice for political parties to appraise the performance of those that are elected and put in place training and development programmes to fill any skills gaps and also for future politicians;
- Sevenoaks District Council will support good practice for appraisals of the Chief Executive's performance to be externally validated;
- Sevenoaks District Council, as a local authority, is well placed to understand and respond to particular challenges within the local community. By bringing together key representatives from community, religious and political groups they can encourage debate on such issues as integration and policing and focus on shared values.

8.0 Compliance with the Principles

- 8.1 The Council may choose to adopt and adhere to an Action Plan which sets out the extent to which the Council is complying with the principles of Good Governance and provides for areas of improvement.
- 8.2 Such a document is to be based on the principles and sub principles set out in the Framework.

This page is intentionally left blank

MEMBERS' ALLOWANCE SCHEME MONITORING 2016/2017

Audit Committee - 26 September 2017

Report of Head of Legal and Democratic Services

Status For Consideration

Key Decision No

Portfolio Holder Cllr. John Scholey

Contact Officer Martin Goodman, Ext. 7245

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

Introduction and Background

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

Members' Allowance Scheme - 2016/17

- 3 Members' allowances for 2016/17 were made public during the summer and can be viewed online here:
https://www.sevenoaks.gov.uk/downloads/download/32/councillor_allowance_and_expense_payments
- 4 Basic allowances were paid to all Members but one asked not to receive the full amount. It should be noted that allowances were paid to 55 Members as there was a by-election during the year.
- 5 Travel expenses were claimed by 24 out of 55 Members (44%).
- 6 The IT allowance was claimed by 41 out of 55 Members (75%).
- 7 Appendix G from the Constitution of Sevenoaks District Council containing the Members' Allowance Scheme (2016/17) is attached as this report's Appendix. It should be noted that the scheme in operation for 2017/18 has

Agenda Item 7

been updated from this in line with the National Joint Council for Local Government Services pay award for the year.

- 8 Furthermore, during the year 2016/17 Members voted to increase the list of approved activities to include attendance at meetings, training or other events where the Member is an official Council representative or requested to attend by the Leader, relevant Cabinet Member or Chief Officer. This is reflected in the 2016/17 scheme appended to this report.
- 9 All Members' expenses claims are checked by Democratic Services. In the event of any question of interpretation, the Chief Executive or the Monitoring Officer will decide. No issues were found during the year.

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement.

There are no legal implications for this report.

Equality Assessment

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

Appendices 2016/2017 Members' Allowances Scheme.

Background Papers None.

Martin Goodman

Head of Legal and Democratic Services

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

1. INTRODUCTION

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

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

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

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

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

2. STATUTORY MEMBERS' ALLOWANCES SCHEME

2.1 Basic Allowance

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

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

2.2 Special Responsibility Allowances

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

2.3 Child and Dependant Carer's Allowance

Members may claim an allowance in respect of expenses necessarily incurred in relation to the provision of care for their children and other dependants while

Agenda Item 7

carrying out approved duties. Approved duties are listed in a separate section below. Claims should be made monthly in arrears, by attaching the receipt(s) to the submitted Member's claim form and entering the amount claimed on the form. Claims will not be paid without documented receipts.

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

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

2.4 Pensionable Allowances

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

2.5 Renunciation of Allowances

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

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

2.6 Publicising Allowances and Expenses Paid

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

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

2.7 Suspension of Allowances

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

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

2.8 Annual Updating

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

3. **PAYMENT OF EXPENSES**

3.1 Approved Duties

Members/Co-optee members may claim reimbursement of travel, subsistence, Child and Dependent Carer's Allowance and conference expenses incurred whilst undertaking an approved duty. No expenses claimed more than three months after they were incurred will be paid.

Attendance at any of the following is an approved duty:

- (a) The attendance at a meeting of the District Council or of any committee or sub-committee or Working Group of the District Council, or of any body to which the Council make appointments or nominations, or any committee or sub-committee of such a body (If the outside organisation will pay travel and/or subsistence costs, then the Member should claim against that organisation and cannot claim from the District Council.);
- (b) The attendance at any meeting, the holding of which is authorised by the District Council, or a committee or sub-committee of the District Council, or a joint committee of the District Council and one or more local authority within the meaning of section 279(1) of the 1972 Act, or a sub-committee of such a joint committee provided that:-
 - (i) where the authority is divided into two or more political groups, it is a meeting to which members of at least two groups have been invited, or
 - (ii) if the authority is not so divided, it is a meeting to which at least two members of the authority have been invited;
- (c) the attendance at a meeting of any association of authorities of which the District Council is a member

Agenda Item 7

- (d) the attendance at a meeting of the executive (Cabinet) or a meeting of any of its committees;
- (e) the attendance at pre-meeting briefings by Chairmen and Vice-Chairmen of Committees;
- (f) the performance of any duty in pursuance of any standing order made under section 135 of the 1972 Act requiring a Member or Members to be present while tender documents are being opened;
- (g) the performance of any duty in connection with the discharge of any function of the District Council by or under any enactment and empowering or requiring the District Council to inspect or authorise the inspection of premises (including site visits for planning matters); and
- (h) the attendance of any pre-arranged meetings with Officers relating to issues within the Members' responsibilities. This would encompass Portfolio Holder briefings etc. In the event of any question of interpretation, the Chief Executive, or, in his absence, the Monitoring Officer, will decide.
- (i) The attendance at meetings, training or other events where the Member is an official Council representative or requested to attend by the Leader, relevant Cabinet Member or Chief Officer.

Further Clarification of Approved Duties:

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

Conferences or seminars arranged by a Chief Officer.

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

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

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

3.2 Travelling, Subsistence and other Expenses

Travelling Allowances

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

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

Bicycles:

20 pence per mile tax free as per HMRC’s maximum tax free allowance for claims.

Motorcycles:

24 pence per mile tax free as per HMRC’s tax free allowance for claims.

Public Transport:

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

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

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

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

3.3 Subsistence Expenses and Council Refreshments

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

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

Subsistence type	Details	Payment amount
Lunch allowance	Covers the period from 12 noon to 2 p.m.	£9.86

Agenda Item 7

Evening meal allowance	For a period of absence ending after 7 p.m.	£12.21
Absence overnight	To cover hotel and associated expenses - but note that, in these cases, the Council will book and pay for hotel accommodation directly (see 'conferences' at separate section below)	£79.82 (increased to a maximum of £91.04 in certain circumstances, e.g. for meetings in London and for LGA meetings)

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

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

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

3.6 Child and dependant carer's allowances

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

3.7 ICT and other equipment

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

- (a) an allowance of up to £124 per annum is available to councillors paid on a yearly basis and separately from the Basic and other allowances. This allowance is available to Members who use their own IT resources to undertake their council duties;
- (b) In exceptional circumstances where a Member is unable to afford the purchase cost of a suitable computer the Council would consider assisting the Member by advancing a lump sum which would then be recovered via repayments from this allowance;

- (c) where a Member has been provided with a Council funded computer, no allowance will be paid; and
- (d) all such allowances are subject to tax along with Basic and Special Responsibility Allowances in the normal way.

3.8 Claims procedure

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

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

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

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

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

4. GUIDANCE FOR OFFICERS IN RESPECT OF PAYMENT TO MEMBERS

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

Agenda Item 7

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

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

When a department arranges any seminar, conference, course or visit which will incur costs on behalf of a Member, the lead officer must liaise with the Chief Finance Officer to ensure that only permitted expenditure is incurred. The lead Officer of the event should keep a list of Members attending an approved event, and forward it immediately afterwards to the Head of Legal and Democratic Services or Democratic Services Team Leader and the Finance Team to ensure that any subsequent Member claims for travelling and/or subsistence can be verified.

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

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

Schedule 1**Members' Allowances Scheme (2016/17)**

Description of Allowance	2015/16 Allowance per Member (£)	2016/17 Allowance per Member £
Basic Allowance (all Members)	5,253	5,306
<u>Special Responsibility Allowances:</u>		
Opposition Group Leaders:		
Liberal Democrat (2 Members)	1,305	1,318
UKIP (2 Members)		1,318
Cabinet Chairman (Council Leader)	15,761	15,919
Cabinet members	6,567	6,633
Deputy Cabinet Members	657	664
<u>Chairmen</u>		
Advisory Committees (x7)	2,102	2,123
Audit	2,102	2,123
Development Control	3,153	3,185
Governance	2,102	2,123
Health Liaison Board	2,102	2,123
Licensing	2,102	2,123
Scrutiny	2,102	2,123
Sevenoaks Joint Transportation Board	2,102	2,123
Standards	1,052	1,063
<u>Vice-Chairmen</u>		
Advisory Committees (x7)	525	530
Audit	525	530
Development Control	788	796
Governance	525	530
Health Liaison Board	525	530
Licensing	525	530
Scrutiny	525	530
Sevenoaks Joint Transportation Board	525	530
Standards	263	266

Agenda Item 7

Committee Members

Development Control members	263	266
Licensing Committee members	132	133
Childcare Allowance	Up to £6.19 per hour per Member	Up to £6.19 per hour per Member
Dependent Carers Allowance	£16.00 per hour per Member	£16.00 per hour per Member
Travel and Subsistence Expenses	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award	Reimbursed in line with the scheme in force for staff of the Council the National Joint Council for Local Government Services pay award
I.T. Allowance	123	124
Ancillary Expenses (broadband)	Nil	Nil
Special Responsibility Allowance	Only one allowed	Only one allowed
Pensions	Nil	Nil

Schedule 2

Members' Allowance Scheme - Approved Duties Specific Examples

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

This page is intentionally left blank

INTERNAL AUDIT 2017/18 - FIRST PROGRESS REPORT

Audit Committee - 26 September 2017

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. Scholey

Contact Officer(s) Lisa Nyon Ext. 3004

Recommendation to Audit Committee:

That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2017/18 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 2017/18 and outcomes of final Internal Audit reports issued since the meeting of the committee in June 2017.
- 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 her duty and responsibilities, the Acting Audit, Risk and Anti-Fraud Manager, is required to report the progress made in delivering the assurance requirements to the Audit Committee, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2017/18 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in April 2017. Members may

Agenda Item 8

note that thirteen reviews have commenced, six have been finalised and the remaining seven are in progress.

- 4 Appendix B sets out details of the final reports which have been issued since the last meeting of this committee. It also provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to Members of this Committee on request.
- 5 The definition of the standard Internal Audit opinions are detailed in Appendix C, where a single opinion will be given, which will either be: Full Assurance; Substantial Assurance; Limited Assurance or No Assurance.

Internal Audit Resources

- 6 The Audit, Risk and Anti-Fraud Manager post is now vacant and as a result the Principal Auditor has stepped up into the role of Acting Audit Manager as well as fulfilling her duties as Principal Auditor. There remains an auditor vacancy within the team due to a resignation last year, however this, is being filled by a member of staff on a temporary contract.

Progress of Internal Audit Improvement Plan

- 7 Members may also be pleased to note that the TeamMate electronic audit management software is progressing well and all audits for the year 2017/18 are being recorded and completed using this software.

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its arrangements for Internal Audit, in order to ensure fitness for purpose and taking into account the Public Sector Internal Audit Standards and professional guidance. Training and development needs have been identified, to enable all staff to be equipped with the relevant skills required to perform their roles effectively.

Equality Assessment

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

Conclusion

This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2017/18 and provides a summary of final reports issued since the meeting of the Audit Committee in April 2017.

Appendices Appendix A - Progress Against 2017/18 Plan
 Appendix B - Summary of Final Reports Issued
 Appendix C - Audit Opinions - Definitions 2016/17 onwards

Background Papers: [Internal Audit Annual Plan for 2017/18](#)
 New Public Sector Internal Audit Standards
 <http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>
 Accounts and Audit Regulations 2011
 <http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer

This page is intentionally left blank

PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN					Status at 07/09/17		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Removed from 17/18 plan
1	Community Infrastructure Levy						
2	IT Acquisitions	x					
3	NDR (Business Rates)					x	
4	Licensing	x					
5	Key Financial Systems						
6	Housing Benefit & Council Tax Reduction				x		
7	Property Investment Strategy					x	
8	Discretionary Housing Payments	x					
9	Insurances			x			
10	HERO Project	x					
11	Private Sector Letting Scheme						
12	Homelessness Prevention						
13	Safeguarding			x			
14	Disabled Facilities Grants	x					
15	Vehicle Procurement (Dunbrik)						
16	Health & Safety						
17	Environmental Health						
18	Project - Environmental Health						
19	Members Expenses						
20	Payroll						
21	Operational Changes (Planning)						
22	Print Studio						
23	Quercus7						
24	Channel Shift (Phase 1)						
25	Physical Data Security*	x					
26	Financial Systems at SDC*				x		
27	Tree Preservation Orders*					x	
	Total	6	0	2	2	3	0
	COMPARATIVE POSITION September 2016	3	0	1	1	1	0

*Reviews additional to the 2017/18 Internal Audit Plan.

This page is intentionally left blank

FINAL AUDIT REPORTS ISSUED SINCE LAST MEETING

	Audit Title	Date Issued	Opinion
1	Asset Management 2016/17*	11.04.17	Substantial Assurance
2	Cash Income 2016/17*	12.04.17	Substantial Assurance
3	Car Park Income 2016/17*	11.05.17	Full Assurance
4	New Anti-Fraud Arrangements 2016/17*	18.05.17	Substantial Assurance
5	Licensing 2017/18	22.06.17	Position Statement no opinion provided
6	IT Acquisitions 2017/18	28.06.17	Substantial Assurance
7	Physical Data Security 2017/18	30.06.07	Limited Assurance
8	Discretionary Housing Payments 2017/18	05.07.17	Full Assurance
9	HERO Service 2017/18	22.08.17	Limited Assurance
10	Disabled Facilities Grants 2017/18	07.09.17	Full Assurance

*Although these reports were issued prior to the June 2017 meeting of the Committee, summaries were not provided in the annual report.

Review of Asset Management 2016/17

Issued 11 April 2017

Opinion: Substantial Assurance

Previous Review: No previous review

The purpose of this review was to provide an assurance regarding the effectiveness of the arrangements in place to manage and record the Council's physical assets. This included an assessment of the accuracy and monitoring of the asset register to ensure that arrangements in place are fit-for-purpose to deliver service objectives and comply with Council procedures. This review also included a cursory review of the Asset Management Strategy.

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

1. Risk that the Council may not comply with relevant legislation, policies or good practice, such as the national asset register.
2. Risk that the Council may not have an effective asset management strategy in place.
3. Risk that the asset register may not be accurate.
4. Risk that additions and deletions to the register may not be timely.
5. Risk that responsibility for the asset register may not be specified.
6. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example the asset register may not be easily accessible.
7. Risk that fraud and corruption may be undetected, for example unauthorised changes to the register.
8. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

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

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

Appendix B

The following three recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 3 and 4 above.

- The Asset Register should report current assets only. The records that have been listed as expired/obsolete or disposed should be archived and reported separately.
- Asset sign off forms should be correctly completed and authorised so that there is a record kept of why the asset was disposed of. This could be important as items could go unaccounted for and included/excluded from insurance schedules.
- The guidance should be reviewed and updated annually if necessary to reflect current working practice so that there is an accurate and up to date point of reference for officers.

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

Review of Cash Income 2016/17

Issued 12 April 2017

Opinion: Substantial Assurance

Previous Review: No previous review

The purpose of this audit review is to ascertain all the areas within the Council that receive physical cash, in order to provide an assurance regarding probity of the arrangements in place, including security and accountability of cash received. This review does not cover parking income, which is audited separately.

To this effect the following risks were examined:

1. Risk that the Council may not comply with the policies, procedures and legislation (such as Proceeds of Crime Act 2002).
2. Risk that no physical security measures exist to protect both employees and the cash.
3. Risk that an audit trail in relation to the collection, receipt and recording of cash is not in place.
4. Risk that no robust cash reconciliation procedures are in place, which include the treatment of any suspense accounts used.
5. Risk that fraud and corruption may be undetected.
6. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
7. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were substantially met. Overall there are robust controls and processes in place for the receipt of cash income. There are comprehensive procedures in place, which provide assurance regarding the security and accountability of cash received.

However, there are two areas regarding operational risks involving the receipt of cash outside of the building by the dog warden and recorded kiosk controls, which require enhancement.

The following recommendations have been agreed with Management to address the above

- Consideration should be given as to where cash should be stored (by the dog warden) whilst off the premises and whether this is adequately addressed in the Environmental Health operational risk register as well as health and safety register.
- Consideration should be given to the enhancement of the internal controls currently recorded in the Financial Services operational risk register in relation to the risk that there is a cash income shortage (from the kiosk).

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

Review of Car Park Income 2016/17

Issued 12 May 2017

Opinion: Full Assurance

Previous Review: Good (Framework & Compliance)

The purpose of this audit review was to provide reasonable assurance to Senior Management, on the processes in place to ensure the safety and security of Car Parking Income and compliance with Council procedures and good practice.

To this effect the following risks were examined:-

1. Risk that all parking income due to the Council is not being received
2. Risk that parking income may not be collected and recorded correctly
3. Risk that parking income is not banked promptly
4. Risk that fees for car parking season tickets, and on street parking permits may not be accounted for correctly
5. Risk that parking fines may not be collected promptly and recovery action may be ineffective and not in accordance with legislation. (in depth analysis)

of debt levels and recovery of parking fines was not covered during this review)

From the audit testing results we found the framework of controls in place were sound, to ensure the safety and security of car park income. For example:

- Good security arrangements in place for the physical collection of cash from pay and display (P&D) machines.
- There are good arrangements in place for the security management of individual P & D machines.
- Regular reconciliations of parking income with bank statements.
- The prompt and timely banking of cash from P&D machines.
- All sources of parking income accounted for in the main accounting system.
- Stocks of unused permits/tickets are secured with restricted access.
- A formal process in place for the recovery of late/unpaid Penalty Charge Notices (PCN's).
- Audit tickets from individual P&D machines following a cash collection are retained and secured in the Parking Office.

The overall opinion was Full Assurance, so no further recommendations were made in this review.

Review of New Anti-Fraud Arrangements 2016/17

Issued 18 May 2017

Opinion: Substantial Assurance

Previous Review: No previous review

The purpose of this review was to provide an assurance regarding the effectiveness of the joint service new anti -fraud arrangements for both authorities and to ensure that these arrangements are fit-for-purpose to deliver service objectives and to achieve income targets.

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

1. Risk that the Council may not comply with relevant legislation, policies or good practice, such as The Local Government Anti- Fraud Strategy
2. Risk that good governance arrangements could be compromised.
3. Risk that inappropriate or insufficient resources are in place to deliver an effective anti-fraud service.

4. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example recovered income targets for the anti-fraud section are not achieved.
5. Risk that fraud and corruption may be undetected during investigation.
6. Risk that Operational and Strategic risk assessments may not be undertaken in accordance with Council policy and risks not adequately managed.

Audit testing results indicated that controls were fully met in five of the aspects examined, whilst one aspect was partially met in relation to compliance. (Risk 4).

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

The following recommendation was agreed with Management to address the area where control was partially met. This relates to risk 4.

- The counter fraud team's existing working practices should be tailored to ensure deadlines are met to address requests from DWP but not to provide information more promptly than the service level agreement requires.

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

Review of Licensing 2017/18

Issued 22 June 2017

Opinion: Positon Statement - No opinion given

The purpose of this review was to provide an assurance regarding compliance with legislation, Council policies and procedures and the effectiveness in delivering service objectives and to see how the new partner is embedding into the partnership.

Due to the very sad circumstances surrounding the service at the time of the review, it was agreed that it would be appropriate to postpone the audit. The auditor was in the early stages of the review with some initial findings recorded. As a result this brief report has been produced which might be helpful for the service going forward.

Review of IT Acquisitions 2017/18

Issued 28 June 2017

Opinion: Substantial Assurance**Previous Review:** No previous review

The purpose of this audit review is to provide reasonable assurance to Senior Management, on the Council's IT acquisition arrangements and that such activity is in accordance with the Council's procurement procedures, financial regulations, standing orders, IT Strategy, IT Security policy and the relevant EU procurement directives and guidelines.

To this effect the following risks were examined:-

1. Risk that IT acquisitions is not compliant with the overall corporate/service objectives, strategy, policies, procedures, relevant legislation/regulations and good practice
2. Risk that there is no formal approval process for IT acquisitions
3. Risk that the IT Services have no formal input/consultation on any possible IT related risks during the acquisitions process
4. Risk that assets acquired outside of the approved framework of acquisitions is not managed
5. Risk that opportunities to achieve or demonstrate efficiency or value for money may not be maximised, for example cost/benefit analysis in line with the Council's overall financial strategy
6. Risk that fraud and corruption may be undetected, for example inappropriate staff/Council business relations with Vendors
7. Risk that risk assessments (IT Services and other services) may not be undertaken in accordance with Council policy and risks not adequately managed.

From the audit testing results we generally found that, IT Services had an adequate control framework in place to manage the procurement of IT equipment in accordance with Council procedures. The IT service does assist other services to procure IT equipment in line with their own service objectives. The IT Service ensures that compliance with IT Security is observed, and ensures that only authorised procured IT equipment is installed to the Council's network. The IT procurement process is managed through the Council's corporate procedures, policies, standards and guidelines linked to EU legislation and regulations. There were areas we felt could benefit from some improvement and these are listed below.

The following recommendations have been agreed with Management to address the above

- IT Services staff who have responsibility for IT procurement should attend procurement related training run by the Council (2017/18 corporate training plan). This training would support the mitigating response reported in the strategic risk register, regarding the risk of not having suitably skilled staff involved in IT procurement.
- Ensure that an official purchase order is generated and authorised when procuring IT assets from suppliers, in accordance with Financial Procedure Rules.

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

**Review of Physical Data Security - Additional Review Issued 30 June 2017
(Revenues & Benefits Section) 2017/18**

Opinion: Limited Assurance

Previous review: No previous review

1. The purpose of this review was to check the procedures and practice in place for the retention and storage of personal and sensitive physical data held within the Revenues and Benefits Service with special focus on compliance with the Data Protection Act 1998 (DPA).
2. This review was at the request of management and was an additional piece of work outside of the approved audit plan.
3. The scope of this review included the following:-
 - Review of the internal procedures within the Revenues and Benefits Service concerning data retention and storage.
 - Spot checks for adherence to Council Policy and DPA.
 - Staff awareness of DPA and compliance with the Act.
 - Access, storage and security of physical data held.
4. Assurance was provided in the following areas: -
 - Staff within the Revenues and Benefits Section know how to dispose of confidential data
 - Staff have an awareness of their responsibility under the DPA
 - Staff receive annual training on aspects of data security as part of their annual appraisal process and briefing at team meetings.
5. However, there were key areas that need further enhancement.
 - There is no policy within the Revenues and Benefits section that deals with physical data security
 - There is no set clear desk policy for staff
 - Documents containing names, addresses and bank details of customers are not securely stored

6. To this effect the following recommendations have been agreed with management and it is pleasing to note have been promptly implemented.
 - That boxes containing confidential and sensitive information, such as payslips, bank statements, dates of birth and NI numbers are securely stored with controlled access
 - A policy or information guidance should be devised and communicated to all staff within the Revenues and Benefits section. This will help to formulate a consistent approach to physical data retention and protection. It is recommended that a section on the adoption of 'Clear Desk Policy' is included in this.

Review of Discretionary Housing Payments 2017/18

Issued 5 July 2017

Opinion: Full Assurance

Previous Review: No previous review

The purpose of this audit review was to provide an assurance regarding compliance with the Discretionary Housing Policy and Government Legislation and to review how decisions are made with regard to the allocation and use of the funding.

To this effect the following risks were examined:-

1. Risk that the Council does not comply with relevant legislation for example Discretionary Financial Assistance Regulations 2001 or that officers do not comply with Council policies.
2. Risk that good practice has not been used to consider whether an award should be made (consideration of tenancy arrangements such as rent reduction).
3. Risk that the process is not administered appropriately (for example, systems should be in place for notification of decision).
4. Risk that qualifying members of the public are not aware of the scheme.
5. Risk that a review process is not in place to check and monitor consistency.
6. Risk that Grant monies received are not reconciled and appropriate returns made.
7. Risk that fraud and corruption may be undetected (fraudulent claims).
8. Risk assessments may not be undertaken and risks not adequately managed. There could be complaints from the public.

From the audit testing undertaken we confirmed that arrangements are in place to ensure that effective and robust procedures are in place to allow the accurate assessment of Discretionary Housing Payment awards in accordance with current

legislation. A comprehensive system is embedded to ensure that good practice is followed. There are however, minor areas that Internal Audit felt could be improved. These are enhancements regarding the synchronisation of information available to the public (together with the electronic availability of the request form) and the end of year returns process

The following recommendations have been agreed with Management to address the above

- From a customer perspective, the Sevenoaks information provided online should be aligned with Dartford to provide consistency, also consideration as to how completion of the DHP request could be streamlined with an electronic process in line with the Councils' Channel Shift programme. This could make the system more efficient, effective and customer friendly.
- Consideration should be given as to how assurance can be provided by both Dartford and Sevenoaks finance teams in a consistent and prudent manner to ensure good practice and add value to the end of year, returns process.

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

Review of the HERO Service

Issued 22 August 2017

Opinion: Limited Assurance

Previous Review: No previous review

The purpose of this review is to look at the processes in place for delivering this service with focus on the identification of client needs, advice and support given and the reporting of client outcomes.

The HERO (housing, energy and retraining options) service offers complete and personalised advice, giving information and guidance on a range of issues including:

- Housing problems
- Saving money on fuel bills
- Debt or mortgage advice
- Welfare benefits
- Retraining and further education options
- Getting back to work
- Starting your own business

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

1. Risk of non - compliance with Council procedures or government legislation (e.g. Data protection act if keeping sensitive client data)

Appendix B

2. Risk that HERO officers are inadequately trained and could give incorrect information to clients.
3. Risk that proper records are not kept in relation to clients using this service.
4. Risk that outcomes are not communicated to demonstrate effectiveness of the service.

Audit testing results indicated that controls were fully met for one of the risks examined, the controls were found to be weak in the other risk areas examined and are in need of improvement.

The opinion of the auditor is that there is **Limited Assurance** in place to ensure achievement of service objectives pertaining to the audited system. This means there are weaknesses identified within the framework and there exists evidence of non-compliance with Council procedures or good practice, which puts the achievement of the Council's or service objectives in many of the areas reviewed at risk.

The following recommendations were agreed with Management to address the areas where controls were partially met. These relate to risks 1, 3 and 4 above.

- That the updated draft procedures are signed off and communicated to staff
- To introduce a clear desk policy. If sensitive documents are presented, that these are kept securely with controlled access. (This could be included in the draft procedures)
- A mini reconciliation should be undertaken between Locata (Housing Management System) and the allocations spreadsheet to ensure customer data is correctly recorded.
- To ensure that all HERO officers outcomes are recorded on the spreadsheet
- Outcomes to be reported for SDC on a quarterly basis and presented to the relevant management team.

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

Review of Disabled Facilities Grants 2017/18

Issued: 7th September 2017

Opinion: Full Assurance

Previous Review: Good (Framework) Satisfactory (Compliance)

The purpose of this audit review was to provide reasonable assurance to Senior Management, regarding the effectiveness of the arrangements in place for the administration of Disabled Facilities Grant (DFG), with particular regard for the effectiveness of the application process in terms of speed and efficiency. Receiving a DFG could significantly influence the quality of life and wellbeing of residents in the District.

To this effect, the following risks were examined:-

- Risk that the Council may not comply with relevant legislation for example Housing Grants, Construction and Regeneration Act 1996, policies, procedures or best practice during the DFG applications, grant disbursement and works done
- Risk that literature and guidance provided by the Council regarding DFG may not be clear/understandable or accessible to the public
- Risk that Grant payments may not be authorised, paid on a timely basis at the agreed rates for works completed
- Risk that payments are made to contractors before an inspection or quality assurance assessment has been carried out
- Risk that feedback about the service delivered may not be sought, to enable improvements in service delivery
- Risk that complaints received from applicants about the DFG process are not handled in accordance with Council procedures and ombudsman's best practice.

From the audit testing results we generally found that, the DFG service provided by the Council to residents was of a satisfactory standard. The DFG team has a wealth of experience and skills, to support the effective delivery of the mandatory DFG. With the increase of the DFG funding through the Better Care Fund, the DFG team has sought and demonstrated how this additional resource can be used to better deliver this service to residents. There were areas we felt could benefit from some improvement and these are listed below.

The following low priority recommendations have been agreed with Management to address the above

- Management to consider the use of hand held technology devices for example an iPad, to support a more efficient way to capture data for the DFG application (this also could be used to interrogate/retrieve real-time data from the Uniform system for decision making at a property for example review adaptation specification/drawings, schedule of works, etc.)
- To consider a review of the content of the DFG website with the Communications Team, to assess its relevance and accessibility.

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

DEFINITIONS OF AUDIT OPINIONS

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

This page is intentionally left blank

REPORT ON INTERNAL AUDIT RECOMMENDATIONS OUTSTANDING

Audit Committee - 26 September 2017

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. Scholey

Contact Officer Lisa Nyon Ext. 3004

Recommendations 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, where the ranking is medium or high, and endorse the revised dates for implementation provided by management, as set out in Appendix B to the report.
-

Introduction

- 1 This report updates Members on progress of the implementation of Internal Audit Recommendations agreed with management, and to report on outstanding recommendations due for implementation by 31 July 2017.
- 2 The report also informs the Committee where implementation dates have been revised, where agreed recommendations have not been implemented or are no longer intended.

Summary of Issues Raised Within the Report

- 3 Appendix A provides a summary of the reports for which management had agreed recommendation implementation dates, for the period to 31 July 2017. 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 agreed recommendations (where the Priority/Ranking is medium or high) where management have advised Internal Audit that implementation of the actions agreed has initially been

Agenda Item 9

delayed from the date originally stated. Enquires with management indicates that satisfactory progress is being made, or proposed; and that there are no major concerns arising as a result of the change in implementation dates. However Internal Audit will continue to monitor progress where appropriate and report back to the Audit Committee as necessary.

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

The purpose of Internal Audit recommendations are 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 could facilitate the Council's ability to obtain greater value for money and guard against waste, inefficiency and identified risks.

Equality Assessment

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

Conclusions

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

Appendices

Appendix A - Summary of recommendations followed up

Appendix B - 'Overdue' recommendations where implementation delayed (ranking medium or high)

Background Papers: None

Adrian Rowbotham
Chief Finance Officer

This page is intentionally left blank

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
Council Tax/NDR 2014/15 (1)	5/2/15	0	1	0	0	0
Repair & Maintenance Arrangements 2014/15 (12)	5/5/15	0	12	0	0	0
Community Grants 2015/16 (2)	24/6/15	0	1	0	0	0
Organisational Effectiveness & HR Strategy 2015/16 (2)	15/1/16	0	2	0	0	0
Dunbrik (TASK) 2015/16 (1)	7/6/16	0	1	0	0	0
Business Continuity 2016/17 (1)	26/7/16	0	0	1	0	0
Transparency Code 2016/17 (3)	12/8/16	0	3	0	0	0
Repair & Maintenance Arrangements 2016/17 (4)	2/12/16	0	3	1	0	0
Income Generation 2016/17 (2)	20/12/16	0	2	0	0	0
Council Tax 2016/17 (1)	27/1/17	0	1	0	0	0
Key Financial Systems	31/1/17	0	1	0	0	0

APPENDIX A

2016/17 (1)						
Procurement & Contracting 2016/17 (1)	1/3/17	1	0	0	0	0
Data Protection & Freedom of Information 2016/17 (2)	16/3/17	0	2	0	0	0
Asset Management 2016/17 (1)	12/4/17	0	1	0	0	0
New Anti-Fraud Arrangements 2016/17 (1)	18/5/17	0	1	0	0	0
Corporate Governance 2016/17 (2)	31/5/17	2	0	0	0	0
IT Acquisitions 2017/18 (1)	28/6/17	1	0	0	0	0
Physical Data Security 2017/18 (3)	30/6/17	2	1	0	0	0
PERO Service 2017/18 (3)	22/8/17	3	0	0	0	0

Agenda Item 9

‘OVERDUE’ RECOMMENDATIONS WHERE IMPLEMENTATION HAS BEEN DELAYED (WHERE RANKING IS MEDIUM OR HIGH)

Audit: Business Continuity 2016/17

Recommendation	Priority/ ranking	Original response	Previous position + (source)	Latest position + (source)
<p>1 A system should be put into place whereby certain checks are carried out to ensure that all Business Impact Assessments (BIA) have been signed and dated. There is a risk that without this detail the latest version may not be used which could lead to incorrect actions being taken especially if functions or priorities have changed.</p>	<p>Medium</p>	<p>Agreed Action: Agreed</p> <p>Responsible Officer: Head of Parking & Surveying</p> <p>Recommendation Implementation Date: 31/12/16</p>	<p>Signatures will be added to Business Impact Assessments as they are reviewed during 2017.</p> <p>Head of Parking & Surveying - 24/2/17</p> <p>Internal Audit Comment Responsibility for this recommendation has passed to the new Emergency Planning and Property Services Manager now that the Head of Parking & Surveying has left the authority. Internal Audit will continue to follow this recommendation and will advise the Committee further at the meeting in June 2017.</p>	<p>E-mails have been sent to service managers to ask for completion of their BIA's by 2nd October 2017.</p> <p>Emergency Planning and Property Services Manager - 18/8/17</p> <p>Internal Audit Comment In view of latest management update, Internal Audit will continue to liaise with the Emergency Planning and Property Services Manager and advise the Committee further at the meeting in January 2018.</p>

Page 221

Agenda Item 9

Audit: Repair & Maintenance Arrangements 2016/17

Recommendation	Priority/ ranking	Original response	Latest position + (source)
<p>2 The bypassing of normal procurement procedures with regard to emergency repairs should be closely monitored to ensure the repair is a genuine emergency case.</p>	<p>Medium</p>	<p>Agreed Action: The SDC business portal will be used to offer potential contractors an opportunity to apply for repair and maintenance work.</p> <p>Responsible Officer: Facilities Manager Property & Facilities</p> <p>Recommendation Implementation Date: 30 April 2017</p>	<p>Internal Audit Comment Following discussions with the Property and Facilities Technical Assistant and the Acting Audit Manager, it was decided that this recommendation may be more appropriately actioned by the Procurement Working Group.</p> <p>Internal Audit will continue to follow this recommendation and will advise the Committee further at the meeting in January 2018.</p> <p>Acting Audit Manager - 18/8/17</p>

Agenda Item 9

RISK MANAGEMENT UPDATE REPORT

Audit Committee - 26 September 2017

Report of Chief Finance Officer

Status: For Approval

Key Decision: No

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

Portfolio Holder Cllr. Scholey

Contact Officer(s) Lisa Nyon Ext. 3004

Recommendation to Audit Committee: That Members consider the contents of the report and approve the Council's revised Risk Management Strategy.

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

Introduction

- 1 Risk management is a key element of the Council's overall governance and internal control processes. The Council seeks to ensure that its arrangements for the management of business risks across the organisation are robust and fit for purpose.
- 2 Recent tragic events such as the Grenfell Tower fire and the terrorism attacks highlight the need for us to think about risk in a broader way.
- 3 Appendix A sets out the Council's revised Risk Management Strategy. This Strategy has been reviewed by the Strategic Management Team.
- 4 In addition to the above, the Risk Management Group oversees and coordinates the risk management process. It also facilitates the dissemination of best practice across the Council and periodically reviews the Strategic Risk Register.
- 5 Members of the Audit Committee are requested to consider and approve the Risk Management Strategy.

Agenda Item 10

Key Implications

Financial

This report has no financial implications.

Legal Implications and Risk Assessment Statement

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.

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 Management Strategy sets out the Council's position on risk management and the importance to the Council to effective governance and sound internal control.

Value for Money and Asset Management

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

Equality Assessment

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

Conclusion

This report sets out the Council's revised Risk Management Strategy which takes account of recent developments within the Council and requests Members approval.

Appendices

Appendix A - Revised Risk Management Strategy

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

Sevenoaks District Council

Risk Management Strategy



Risk Management Strategy

This strategy sets out clear objectives for the management of risk at Sevenoaks District Council. It reflects the Council Vision and Promises as set out in the Corporate Plan and is supported by a robust risk management framework and guidance for officers.

The Strategy is reviewed annually by the Council's Officer Risk Management Group and updated as necessary to reflect developments in best practice risk management. Where updates are required the Risk Management Strategy is reported to Members for approval.

DRAFT

We are always interested in ways to improve our approach to Risk Management and welcome your suggestions.

Contact us

Audit, Risk & Anti-Fraud
Sevenoaks District Council
Argyle Road
Sevenoaks
Kent TN13 1HG

01732 227000
policy@sevenoaks.gov.uk

Publication details

Purpose of the Risk Management Strategy

To ensure that the Council adopts appropriate objectives for the management of risk that enables the Council to deliver on its Vision and Promises as set out in its Corporate Plan.

Publication date
September 2017

	Page
1. Background & Introduction	1
■ Introduction	1
■ Council Vision & Promises	1
■ Risk Management at Sevenoaks District Council	2
■ Risk Management Process	2
2. Aims & Objectives	3
■ Aims & Objectives	3
■ Risk Appetite	3
3. Effective Practice & Outcomes	4
■ Effective practice	4
■ Outcomes	5
4. Additional Information	6
■ Links to plans and strategies	6
■ Guidance for officers	6

DRAFT

1. Background & Information

Introduction

Risk is defined as an uncertain event or set of events, which, should it occur, will have an effect on the Council's ability to achieve the Vision and Promises it has set out in its Corporate Plan.

The outcome of any such event occurring could have a positive effect on the Council delivering on its promises and would be considered an opportunity or could have a negative effect and be considered a threat.

Risk Management is the process that is applied to monitoring the Council's exposure to risk and the actions taken to identify, assess, evaluate and control that risk.

The purpose of risk management is not to eliminate risks, but to effectively manage the uncertainties that may apply in all areas of the Council's business. By managing risk, we are able to ensure that threats do not lead to negative consequences and opportunities are able to be realised.

This Risk Management Strategy sets out the Council's objectives to achieve this and provides a structured framework to be applied by all managers within the Council, and in doing so will:

- Provide the basis for a comprehensive, simplified and standardised framework which will integrate Risk Management into the culture of the Organisation;
- Raise awareness of the need for Risk Management by all those connected with the delivery of the Council's Vision and Promises, including Partners;
- Support the Council in anticipating and responding to changes in social, environmental and legislative conditions;
- Help to minimise injury, damage, loss and inconvenience to residents, staff, service users and assets arising from or connected with the delivery of services;
- Support the introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- Support the Council in minimising the cost of risk and risk implementation plans.

Council Vision & Promises

All risk management activity is undertaken to help the Council achieve its vision and promises. The vision of the District Council can be summarised as:

“Pride in the District of Sevenoaks by working with the Community as a whole, to sustain and develop a fair, safe and thriving local economy.”

The Council's promises are to:

- Provide value for money;
- Work in partnership to keep the District of Sevenoaks safe;
- Continue to collect rubbish efficiently and effectively;
- Protect the Green Belt; and
- Support and develop the local economy.

The principal aim of this Risk Management Strategy is to set a clear framework for best practice risk management that enables the Council to achieve its promises and deliver its vision for the District.

1. Background & Information

Risk Management at Sevenoaks District Council

It is recognised that risk is present in all the Council’s activities. The Council’s approach to risk management is to be proportionate and to ensure that risk to service delivery is adequately managed, without being unduly prescriptive.

The risks that the Council faces are becoming more complex and substantial. These are influenced by a number of factors, including:

- the rate of change in modern society;
- increasing complexity of regulations;
- changes in technology;
- increased level of expectations from customers and stakeholders,
- increasingly demanding austerity targets; and
- increased involvement with other organisations through partnerships, collaboration or shared services.

All of this means that the Council is faced with increased uncertainty and to be successful in delivering its promises requires a structured approach to managing risk.

To this effect, the Council’s risk management framework is designed to be robust, consistent, transparent and easy to understand and is reflective of the size and nature of the Council’s operations.

It empowers managers to make best use of their skills and abilities to deliver services more effectively, rather than inhibiting managers from taking practical, positive, steps to deliver the Council’s vision and priorities.

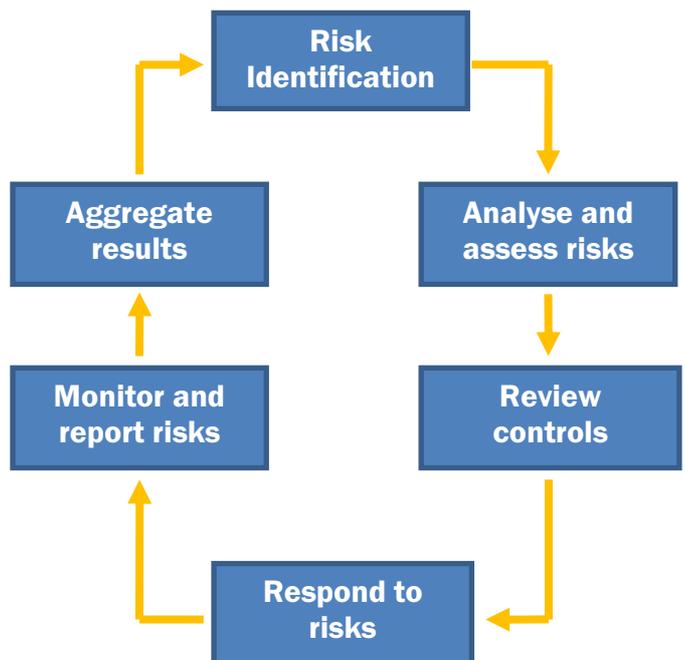
Risk Management process

It is the Council’s strategic aim that risk management principles are applied at every level of its business or service delivery; at strategic, operational and project level.

Strategic Risks are identified by considering the threats and opportunities that impact the Council as a whole in delivering each of the promises it has set out within the Corporate Plan.

In delivering the Council’s strategic aims through its vision and promises the details set out in the Corporate Plan are delegated to individual service areas and translated into operational service plans. It is the responsibility of each service manager to assess the opportunities and threats to the achievement of their service plan objectives and to provide the Council with a comprehensive view of the operational risks it faces.

The Council’s approach to risk management will follow the best practice, six step approach set out in the following diagram.



2. Aims and Objectives

The Council's Risk Management Strategy is to enhance Members and Officers ability to deliver on the Council's Vision and Promises in the most effective way, by providing an enabling tool to anticipate, assess and manage the uncertainties, which might impact on the effective delivery of the Council's Vision and Promises.

To achieve this strategy the following aims and objectives will be delivered:

- Ensure a clear policy statement is in place which clearly communicates the Council's approach to risk management;
- Establish effective governance arrangements, clear accountability, roles and reporting lines across all services;
- Develop standardised toolkits, procedures and guidelines for use across the Council
- Provide for effective risk assessment in all decision making processes;
- Develop risk management skills and expertise to enable effective delivery of the Council's vision and promises;
- Ensure sufficient resources are allocated to ensure effective risk management;
- Ensure appropriate consideration of risk within all reviews of business strategy, the Corporate and Community Plans, service plans and subsequent improvement plans;
- To ensure all partners are aware of the Council's expectations on risk as set out in its Risk Management Policy Statement; and

- Assess the performance and effectiveness of risk management activities.

Risk Appetite

It is recognised that engaging in business activities necessitates risk; and that all risk cannot be eliminated.

To this effect, the Council accepts that risk would be present in everyday activity and the emphasis is on the effective management of risk to enable affective delivery of the Council's Vision and Promises.

The 'risk appetite' is the term used to express the level of risk that the Council accepts or tolerates to enable the achievement of its vision and promises.

How much risk is acceptable?

The Councils expects that as a minimum, wherever there is clear mandatory legal, statutory or regulatory requirement, that these should be met. This standard applies to all service areas and all the Council's activities.

Threats that are assessed as a high risk to the Council should result in action being taken to dis-continue the activity or immediate steps should be taken to mitigate the risk.

Medium risks are within the Council's risk appetite if evidence exists that the threats are being adequately controlled.

3. Effective Practice & Outcomes

Effective practice

■ Audit Committee

It is the responsibility of the Audit Committee to approve the Risk Management Policy Statement and advise on the adoption of the Risk Management Strategy for the Council.

To support the Council in ensuring the commitments in the Policy Statement and Strategy are carried out effectively the Audit Committee review the Strategic Risk Register on an annual basis.

■ Chief Executive

The Chief Executive assumes overall strategic responsibility for the Risk Management Framework, including regular review of the Risk Management Policy Statement and Strategy.

It is the responsibility of the Chief Executive to set the Council's risk appetite and ensure service areas have adequate resources to implement effective risk management.

Importantly the Chief Executive should support the Executive on risk management and risk related matters.

■ Chief Officers

Chief Officers assume the lead role for Strategic Risks affecting their own service areas.

It is the responsibility of Chief Officers to agree service plan objectives with Heads of Service and Service Managers for services within their remit and for ensuring risk management processes are fully enacted within service areas, and that key risks are monitored.

■ Audit, Risk & Anti-Fraud Manager

It is the responsibility of the Audit Manager to develop and maintain the Risk Management Policy Statement and Strategy, and the tools and techniques used to implement them in consultation with the Officers Risk Management Group and the Strategic Management Team.

The Audit Manager co-ordinates the implementation of the Risk Management Framework and reports on risk management to the Audit Committee, including the highlighting of significant existing or emerging risks.

In addition, the Internal Audit Team provide guidance, training and advice to Officers on the management of risk and help to promote and share best practice across the Council.

■ Risk Management Group

This group is made of Officers from various parts of the Council. The group meets quarterly, takes the lead in championing and co-ordinating the Council's approach to risk management, and ensures that effective risk management processes are fully embedded. This group also reviews and updates the Strategic Risk Register.

■ Heads of Service & Service Managers

Heads of Service and Service Managers conduct risk assessments for the objectives set out for their service areas, using the Council's framework as set out in this strategy.

They engage with the risk management process and reporting procedures and monitor the progress of risk action plans.

■ **All Staff**

All Staff must ensure they are familiar with the Risk Management strategy, process and procedures and with the support of their Manager ensure that controls and procedures in place for operational service delivery are implemented on a day-to-day basis.

3. Effective Practice & Outcomes

(continued)

Outcomes

By following the Strategy set out and ensuring that risk management is properly applied across the Council, will deliver the following outcomes:

- Increased focus on what needs to be done (or not done) to achieve service objectives and the Council's Promises;
- Help to remove surprises and minimise uncertainties;
- Assist in making Corporate Governance more effective;
- Enable things to be done right first time, by improving business intelligence;
- Help provide a basis for effective resource allocation;
- Enhance managers ability to justify action taken or proposed;
- Enables projects to be managed more effectively;
- Enables a better quality service – more satisfied customers;
- Enables the identification of and realisation of available opportunities;
- Helps protect the Council's reputation; and
- Assist in meeting legal and regulatory requirements.

4. Additional Information

Links to plans and strategies

The Council's Risk Management Strategy is aligned to the commitments made in a number of other Council plans and strategies. These include the:

- Corporate Plan;
- Financial Strategy;
- Procurement Strategy;
- IT Strategy; and
- Human Resources Strategy.

Guidance for officers

Further risk management guidance is available on the Council's Intranet. This information includes:

- Risk Management Policy Statement;
- Risk Management Framework;
- 'Risk on a page' guidance note and
- Best practice tools and advice.

Sevenoaks District Council

Risk Management Strategy

If you have any comments about this document or require further copies, please contact:

**Audit, Risk & Anti-Fraud
Sevenoaks District Council
Argyle Road
Sevenoaks
Kent
TN13 1HG**

Telephone **01732 227000**

E-mail policy@sevenoaks.gov.uk

Other formats:

This publication is available in large print.

For a copy, call 01732 227000.

If you need help communicating with us or understanding this document, we can arrange for an interpreter to help you. Please contact us on 01732 227000 stating your language and telephone number.

www.sevenoaks.gov.uk

September 2017



This page is intentionally left blank

DRAFT STRATEGIC RISK REGISTER

Audit Committee - 26 September 2017

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Portfolio Holder Cllr. Scholey

Contact Officer Adrian Rowbotham, Ext. 7153

Recommendation to the Audit Committee:

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

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

Introduction and Background

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

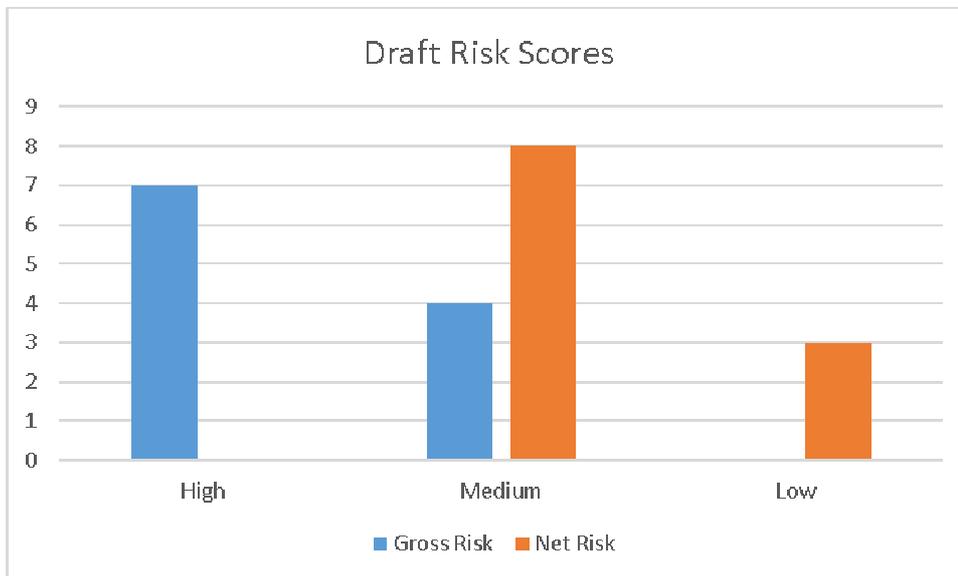
Agenda Item 11

Draft Risk Register

- 4 Provided, as Appendix A to this report is the Council’s Draft Strategic Risk Register. The Draft Register has been updated to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises it sets out.
- 5 The Draft Register sets out 11 strategic risks that Officers consider to have the potential to influence the achievement of the Vision and Promises within the Corporate Plan. For each risk, Officers have set out those factors that could cause the risk to occur and the potential effect that these events could have.

Risk Scores

- 6 A key is shown on the second page of Appendix A to illustrate how risk scores are calculated.
- 7 For clarity, the gross risk scores reflect Officers opinion of the likelihood and impact of the risk occurring without any internal controls in place.
- 8 The net risk scores take into account the internal controls that are currently in place and it is therefore the net risk score that gives the current status for each risk.
- 9 The draft risk scores are summarised in the table below.



Emerging Risks

- 10 As part of the process of evaluating the risks currently facing the Council, areas of emerging risk have been considered. These are risks that may, over time, cause some threat to the Council achieving its objectives but at this current time, there is insufficient certainty to include them within this draft register.

11 These emerging risks are considered to be:

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

Recommendation to Members

12 Members are asked to consider the Draft Register and provide any suggestions for improvements or changes that can be incorporated in to it. Officers will review the comments of the Audit Committee and include them within a revised and updated register as appropriate. Any additional actions that are required to be taken to better mitigate or manage each risk faced will also be documented once the feedback from the Audit Committee has been taken into account.

Other Options Considered and/or Rejected

13 None.

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement

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

Equality Assessment

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

Agenda Item 11

Conclusion

- 17 The Council's Draft Strategic Risk Register has been updated to ensure that strategic risk management activity is focussed on mitigating and managing the risks associated with the Council achieving the Vision and Promises set out in its Corporate Plan. Members of the Audit Committee are asked to review the Draft Strategic Risk Register.

Appendices Appendix A - Draft Strategic Risk Register

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

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

Adrian Rowbotham
Chief Finance Officer

Summary

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

Assessing and quantifying threats and opportunities

How likely is it to happen?

What would the impact be?

Likelihood x Impact = Risk Rating

Low Risk: Risk rating of 1 to 6

Medium Risk: Risk rating of 8 to 12

High Risk: Risk rating of 15 to 25

Page 242

Likelihood

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

Impact

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 01	<p>Finance</p> <p>The ability to deliver a balanced budget</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Limited opportunity to generate income through the business rates retention scheme and New Homes Bonus - Effect of council tax capping and referendum costs - Low and decreasing level of government grant - Potential for negative government funding (local authority to make payments to Government) - Effect of cost of external borrowing on the Council's budgets - Loss of external funding - Accuracy of budget assumptions - Failure to meet savings targets - Poor financial plans and strategies - Ineffective financial governance - Lack of capacity and skilled professionals within the finance team - Failure to maintain proper financial and budgetary 	<ul style="list-style-type: none"> - Poor financial health - Inability to maintain services and deliver Council Vision and Promises - Reputational damage - Negative impact on staff morale and potential recruitment and retention difficulties - Poor outcome for the Audit of Accounts or Value for Money assessment - Potential for increased intervention 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to provide high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	5 Failure to deliver on Promises	20 High	<ul style="list-style-type: none"> - Self sufficient budget position; no reliance on direct government funding - Long term 10 year budget framework - Savings Plan - Property Investment Strategy - Strong financial and scenario planning over the short, medium and long term - Effective budget setting and financial monitoring processes embedded - Financial and budget risk management process in place - Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee - Restructured service with qualified and experienced officers in post development - Annual Internal and External Audit reviews - Contract and Financial Procedure Rules, 	2 Unlikely	5 Failure to deliver on Promises	10 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
		controls - Procurement						Procurement Working Group and procurement training for officers.			

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
PR2	<p>Property Investment Strategy</p> <p>The appetite and ability to invest in appropriate opportunities in accordance with the Council's Property Investment Strategy</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Ability to seek appropriate investment opportunities - Appetite for risk within investment strategy to enable the Council to generate target returns - Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy - Appetite to prudentially borrow over the medium to long term - The cost of interest payments - Lack of capacity or skilled professionals to advise on investment and borrowing strategies - Ineffective governance processes that could result in 	<ul style="list-style-type: none"> - Lack of diversity in investments - Cost of interest payments - Negative impact on budgets, reserves and the ability to deliver Council projects - Poor financial health - Unable to maintain low increases in council tax levels - Reputational damage - Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to provide high quality services - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite - Governance arrangements defined with appropriate delegations agreed - Qualified and experienced officers in post - Professional, external advisers engaged to support the development of strategies and fill skills gaps - Effective budget setting and financial monitoring processes embedded - Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny 	3 Possible	3 Significant	9 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
		opportunities being missed or being ineffectively scrutinised - Ineffective use of Quercus 7 to support the Council's investment strategy						Committee - Regular Quercus 7 Board and Trading Board meetings			

DRAFT

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

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

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

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 06	<p>Information & Data Management</p> <p>The ability to properly protect, preserve and make best use of the data and information resources that the Council holds</p> <p>Lead Officer: Jim Carrington-West</p>	<ul style="list-style-type: none"> - Lack of capacity or skills within the workforce to implement a knowledge management system - Lack of IT capacity to support a knowledge and information management system - Ensuring compliance with the requirements of the Code of Connection - Ensuring security levels are appropriate to protect data and information without preventing effective and efficient service delivery - Introduction of General Data Protection Regulation from May 2018 	<ul style="list-style-type: none"> - Failure to meet the Council's objectives - Failure to continue to deliver high quality services across the Council - Increased costs from recruitment and staff training - Negative impact on the organisations culture and on staff morale - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to Protect the Green Belt - Ability to support and grow the local economy 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Data Protection policies in place and available to all staff - Training for all staff on Data Protection - IT Strategy, Plan and Steering Group in place - Annual assessment against the Code of Compliance - Disaster recovery plans in place - Business Continuity Plan in place - Information Governance Policy endorsed by SMT 	2 Unlikely	4 Serious	8 Medium

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

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
								Review and update the Local Code of Governance Contract and Financial Procedure Rules, Procurement Working Group, Procurement Training			

DRAFT

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 08	<p>Capacity of Community Partners</p> <p>The impact of austerity and reduced public spending on the workloads and budgets of community partners and the voluntary sector</p> <p>Lead Officer: Lesley Bowles</p>	<ul style="list-style-type: none"> - Reductions in Government funding of partners such as housing, health, leisure, Police and Fire & Rescue services - Changes to the way Government grant is distributed inhibiting the delivery of local priorities e.g. health funding - Reductions in Council grant constraining the funding available for community grants - Reduction in the number of voluntary sector organisations operating in the District as a result of funding difficulties or lack of willing volunteers 	<ul style="list-style-type: none"> - Unable to deliver the priorities and actions set out in the Community Plan, Community Safety Action Plan and Health Action Plan - Unable to deliver on the priorities and actions set out in the Council's health and housing strategies - Increased hardship in the District 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to provide high quality services - Ability to support and grow the local economy 	3 Possible	3 Significant	9 Medium	<ul style="list-style-type: none"> - Robust budget setting processes in place which considers the benefits of the Council's community grant scheme - Ability to attract external funding to sustain community projects - Strong relationships with local community and voluntary groups - Community Awards Scheme to celebrate the success of local residents and community projects and promote the benefits of volunteering - Robust monitoring 	2 Unlikely	3 Significant	6 Low

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 09	<p>Shared services</p> <p>The ability to attract new partners to develop shared services and to sustain existing partnerships</p> <p>Lead Officer: Adrian Rowbotham</p>	<ul style="list-style-type: none"> - Lack of Member and Management leadership and support to partnership and shared service activity - Lack of capacity, skills and expertise in the workforce to effectively manage and optimise partnership working opportunities - Lack of financial resources for the investigation and set-up costs that partnership working may require - Lack of partnership governance arrangements - Lack of potential partner organisations - Breakdown of existing shared service arrangements - Ineffective IT solutions across shared services and capacity to ensure consistent and high quality service delivery 	<ul style="list-style-type: none"> - Failure to meet the Council's objectives - Unable to sustain the Council's budget - Failure to continue to deliver high quality services - Failure to maximise financial savings and value for money - Reputational damage - Partnership failure - Failure to maintain existing shared service arrangements - Cost of re-establishing an internal service or seeking new partners 	<ul style="list-style-type: none"> - Ability to provide high quality services - Ability to deliver Value for Money 	3 Possible	3 Significant	9 Medium	<ul style="list-style-type: none"> - Joint Project Board meetings in place for existing partnerships - Reports to Members on partnership working to ensure their support - Portfolio Holder and Strategic Management Team lead in partnership and shared service activity - Effective relationships across Chief Executives and neighbouring Councils - Senior Officers have skills and expertise to deliver effective partnership working - Effective risk management embedded across the organisation - Partnership Agreements in place for existing shared services - Exit Strategies considered for existing partnership arrangements 	2 Unlikely	3 Significant	6 Low

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likelihood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likelihood	Net Impact	Net Risk Rating
SR 10	<p>Health and Safety</p> <p>The need to ensure that the Council adopts appropriate policies and practices in place to ensure the wellbeing of its staff.</p> <p>Lead Officer: Richard Wilson</p>	<ul style="list-style-type: none"> - Health and Safety Policy, guidance and training for staff - Controls for the effective management of Health and Safety - Effectiveness of health and safety risk assessments - Awareness of health and safety controls and practices at work - Capacity and skills to ensure continuous provision of high quality health and safety in the work place - Property Obligation 	<ul style="list-style-type: none"> - Poor working practices - Increased absence from work - Work place accidents and near misses - Health and Safety Executive inspections and fines - Reputational damage as a service provider and as an employer - Corporate Manslaughter - Financial burden 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to deliver high quality services 	4 Likely	4 Serious	16 High	<ul style="list-style-type: none"> - Health and Safety Policy regularly updated - Health and Safety guidance - Health and Safety risk assessments - Health & Safety risks included within Operational Risk Registers - Regular review and monitoring of risk assessments and safe working practices - Health and Safety training - Health monitoring - Accident recording, monitoring and action planning - CIEH qualified Officers to undertake risk assessments - Occupational health service - Officers Health & Safety Group - Up to date asbestos surveys, legionella checks, fire safety checks and training 	2 Unlikely	4 Serious	8 Medium

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating

DRAFT

ID	Risk	Risk Factors	Potential Effect	Links to Corporate Plan	Gross Likely hood	Gross Impact	Gross Risk Rating	Internal Controls	Net Likely hood	Net Impact	Net Risk Rating
SR 11	<p>Emergency planning & severe weather events</p> <p>The lack of capacity to limit the impact on residents and services of emergency planning events and increasingly frequent severe weather</p> <p>Lead Officer: Richard Wilson</p>	<ul style="list-style-type: none"> - Adequacy of emergency plan - Ability to appropriately implement emergency plans in response to any given event - Capacity or specialist skills within the workforce to co-ordinate and respond to a major emergency - Controls for major emergency hazards - Security – responding to national threat levels (move to critical plans within the major) emergency plan) 	<ul style="list-style-type: none"> - Disruption to the community and to community services - Inability to maintain Council services - Excessive non-recoverable expenditure on response - Loss of Council information - Reputational damage 	<ul style="list-style-type: none"> - Ability to deliver Value for Money - Ability to work in Partnership to keep the District safe - Ability to deliver high quality services - Ability to support and grow the local economy 	3 Possible	4 Serious	12 Medium	<ul style="list-style-type: none"> - Emergency Planning Officer Group - Expertise to formulate and co-ordinate the Council's response - District Major Emergency Plan (including the Business Continuity Plan) in place, regularly updated, enhanced and tested - Community Risk Register - IT Disaster Recovery Plan - Collaborative arrangements and plans agreed with other Category 1 and 2 responders, Town and Parish Councils, the voluntary sector and others are in place - Access to support resources from across the Council, including from Direct Services - Applied learning from experience of emergency and flooding incidents 	3 Possible	3 Significant	9 Medium

Audit Committee 2017/18 - Work Plan (as at 21/6/17)

	26 September 2017	9 January 2018	17 April 2018	Summer 2018
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit 2016/17 - 1 st Progress Report Statement of Accounts 2016/17 Report on Internal Audit recommendations outstanding Internal Audit 2017/18 - 1 st Progress Report	Internal Audit 2017/18 - 2 nd Progress Report Report on Internal Audit Recommendations Outstanding	Internal Audit 2017/18 - 3 rd Progress Report Report on Internal Audit recommendations outstanding Internal Audit Plan 2018/19	Internal Review of Effectiveness of Internal Audit Internal Audit Annual Report Internal Audit Strategy 2018/19 Annual Governance Statement 2017/18
Risk Management	Risk Management Report Draft Strategic Risk Register			

	26 September 2017	9 January 2018	17 April 2018	Summer 2018
Accounts and External Audit	Statement of Accounts 2015/16	External Audit - Housing Benefit Subsidy 2016/17 External Audit - Annual Audit Letter		External Audit - Annual Audit Plan and Update Statement of Accounts 2017/18 - Establishment of Member Working Group External Audit - Statement of Accounts training (20 mins)
Other	Members' Allowance Scheme Monitoring Local Code of Corporate Governance		Review of the Effectiveness of the Audit Committee Annual Report to Council	Counter-Fraud & Compliance Report 2017/18