Sevenoaks
DISTRICT COUNCIL

DRAFT

Statement of Accounts

2021/22

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

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

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 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22.

The Core Statements are:

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

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

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

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

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

The Supplementary Financial Statements are:

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

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

2. Introduction to Sevenoaks District and the Council

Sevenoaks District is one of 12 districts within the county of Kent. It has several borders including with Greater London, Surrey and East Sussex as well as other Kent districts, including Tonbridge and Malling and Tunbridge Wells. Collectively these three districts are referred to as “West Kent”.

The district is 142 square miles in area and mainly rural in character, with a population of around 121,000 residents, over 47,000 households. 93% of the district is designated Green Belt and 60% AONB.

There are four main towns: Edenbridge, Swanley, Sevenoaks and Westerham with 2 further main settlements in New Ash Green and Otford and nearly 30 other villages and hamlets. The M25, M20 and M26 motorways cross the District.

Council Plan

The Council Plan was adopted by Council in 2019 following the District Council elections. It has a promise to place the wellbeing of our residents and businesses at the heart of everything we do.

The outcomes that the Council is seeking to achieve are set out against its five themes:

- Environment,
- Economy,
- Housing,
- Health;
- Community safety.

This is underpinned by three pillars: excellence (the highest quality services), value for money (the highest quality at the best price) and innovation.

Delivery of the Council Plans promises is structured through relevant strategies and action plans: our Local Plan, the Community Plan, Community Safety Action Plan, Economic Development Strategy, Housing Strategy, Town Centre Strategy, Net Zero 2030 action plan and draft Movement Strategy.

As well as having a good relationship with our local Chambers of Commerce, we have established our own Business Board. Business owners and managers from a range of sectors attend the Board and provide their views on business priorities for the District. These in turn inform our plans for economic development and growth.

Corporate Strategy

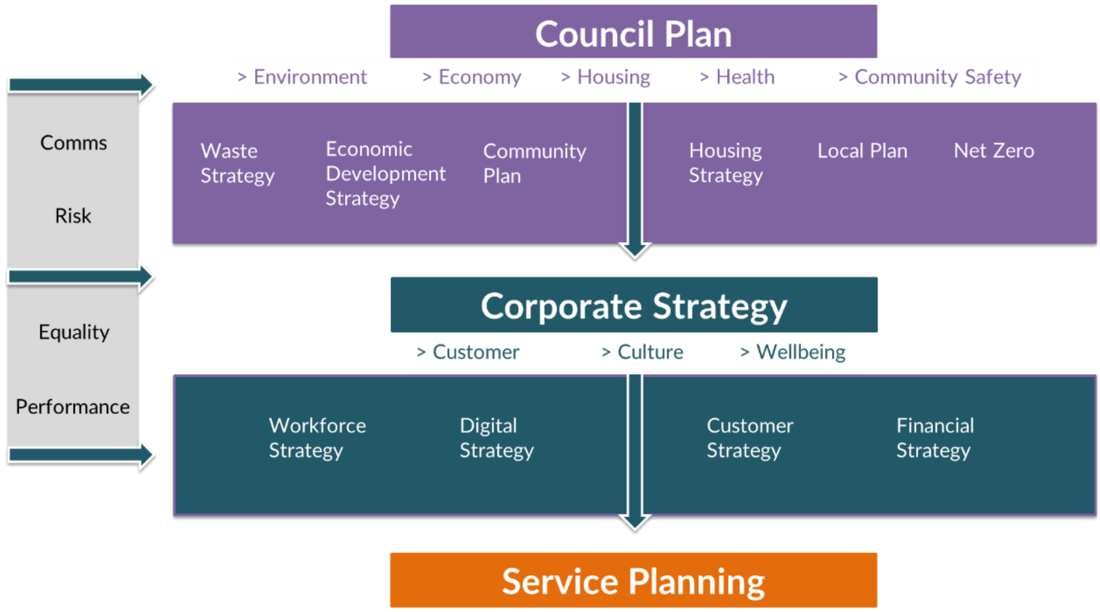
Our new Corporate Strategy sets out how we will work as an organisation to deliver the promises set out in the Council Plan and associated strategies and plans. Launched to our staff in early November 2021 it takes in to account our learning so far from the pandemic and fills a need we identified to connect the promises in the Council plan to the whole of our organisation, ensuring clarity about how the efforts that people make every day at work contribute to achieving the Council promises.

Our Corporate Strategy includes our vision for ‘brilliant people, exceptional services, thriving communities’ and sets three priorities to ensure a clear focus on what we need to do to be successful; Customer, Culture & Wellbeing.

Our Corporate Strategy is supported by a number of related strategies, these relate to Customer, Digital, Financial and Workforce.

How we work as a team of officers is critical to the success of the organisation and to help us achieve our aims, the Corporate Strategy seeks to unite us all behind the same priorities and approach.

Council Planning Framework

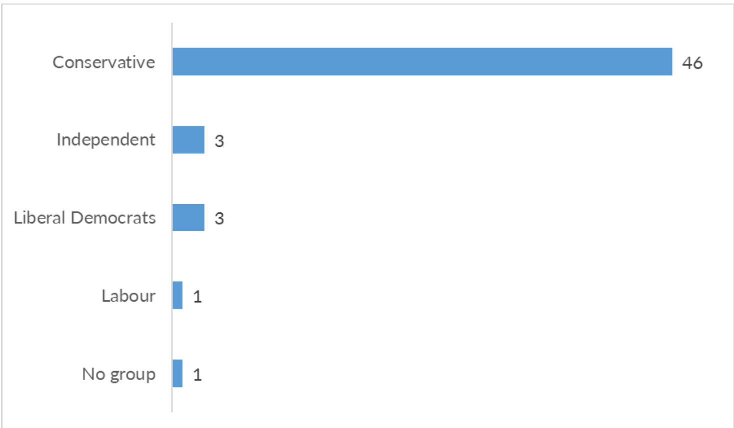


The Council has adopted a Leader and Cabinet style of governance. The Cabinet consists of six Members, each with portfolio responsibility for an area: People & Places; Cleaner & Greener; Finance & Investments; Housing & Health; Development & Conservation; Improvement & Innovation. Cabinet responsibilities are clearly defined.

The committees perform an advisory function and make recommendations to Cabinet, which meet monthly. There are two statutory committees outside of the advisory system: Development Control and Licensing. Scrutiny Committee and the Audit Committee also sit independently from the Cabinet system.

There is also a Cabinet Working Group for Net Zero, and a Member/Officer Working Group for Air Quality. Scrutiny Committee regularly designates its own Member Working Groups for in-depth scrutiny exercises and the Audit Committee forms its own working group annually to examine the Statement of Accounts.

Our 54 District Councillors may be a member of a political groups as shown in the following chart.



The Council has achieved the Investors in People Platinum status, and were one of the first organisations globally to achieve this, and then retain it. The ethos of continuous improvement is at the core of IiP; improvement and innovation is a constant factor in how we work, alongside our “no blame” culture and ensuring the customer ‘is anyone who isn’t me’. This message is embedded through our organisational behaviours, the appraisal system which rewards the desired behaviours, and our internal communications with staff.

3. Chief Finance Officer's Statement

We began 2021/22 with Covid restrictions still in place, and the vaccination programme in full swing. All restrictions were lifted in July 2021, and the council worked with partners across the district to deliver our own Roadmap to Recovery across the district. Developing and maintaining service resilience, supporting businesses in the re-opening of our high streets, and continuing to engage with our communities including clinically vulnerable residents formed the focus of our activity early in the year.

The impact of Covid on our communities and businesses, together with Brexit has made us think carefully about how we need to restructure our services in order to establish post Brexit/Covid priorities. Delivering our most ambitious regeneration plans means we have spent time to put teams in place to go forward confidently with this agenda.

It has meant taking early action with budgets and other services in order that we can build in resilience for the future and take decisions and be uncompromising in maintaining quality for residents – hence the recent uncoupling of the Environmental Health and Building Control Partnerships.

Although restrictions were lifted in July, we maintained safe working practices in our council buildings in order to limit the potential for infection, and protect our staff and services. After seeking feedback from staff, we began hybrid working in September, with managers in the office for 60% of the week, and staff in a minimum of 40%. This has been supported by a move to hot-desking within service areas and the reconfiguration of the Argyle Road building to accommodate new ways of working.

Combined with the impact of changes in working practices, we know that we need to plan for the right services and high streets to serve our communities. We are already pressing ahead with our vision for Swanley, with a major investment in the leisure centre, completed in February 2022.

We have been clear in our Net Zero ambitions. An action and implementation plan has been developed, and we are in the process of producing a carbon reduction plan for the council buildings. The Council's own carbon emissions decreased during this past year, as more vehicles were replaced by electric ones. Levels of waste and recycling collections have continued to remain high. Our residents' survey in September 2021, as detailed further in this report, told us that 91% of those who responded were happy with this service.

In November 2021 we invited the Local Government Association to undertake a Peer Review of the council. The LGA concluded that council is a well-led and managed authority with a strong track-record of effective delivery and innovation, and that the council's current financial position is comparatively strong. Further detail is provided later in this report.

Like all other councils, we have been supporting the Government's Homes for Ukraine in response to the outbreak of war in that country in February this year.

Our own experience has shown us that our financial management is also underpinned by a willingness to take decisions early. This prevents costs continuing to build that could or should have been reduced earlier, therefore reducing overall savings targets. This is something we adopted successfully at the start of journey to self-sufficiency and one we repeated in 2020, bringing in savings from a senior management restructure that means we continue to be able to deliver a balanced budget.

Our budget for this year (2021/22) was decided and set before the end of 2020 to allow decisions to be implemented from April 2021, generating full-year savings. Setting our budget in the normal way, at February Council, would have meant this would have been unachievable.

We remain cautious about financial prospects in future years. The pandemic impact will continue, inflation rates are currently rising and the energy price cap together with other related costs of living will all have a significant bearing on our finances. Sevenoaks is not a priority area for Levelling Up or the Shared Prosperity Fund, and government funding is likely to be prioritised on health and social care, outside of the District Council remit.

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

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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

4. Council performance:

Council performance against key indicators for 2021/22 shows that despite delivering against challenging financial targets, and an increase in pressure on all services, the council performed well.

Performance information is collated by a central Policy and Performance team on a monthly basis. The data is held in the Pentana software system, which also allows for data calculations and comparisons to be drawn. Outside of the performance and productivity data, progress against action plans and objectives that arise from our strategies and plans is kept under frequent review and is reported to Members as appropriate.

Although there is no longer a national performance framework for District Councils, the last assessment ranked the Council as performing in the top 2% of all Districts, and in the final Use of Resources Assessment the Council was one of only two shire districts nationally to achieve the top score, this assessment requiring Councils to demonstrate good performance and positive outcomes for their community whilst delivering efficiencies and value for money.

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

Environment

Through a robust Local Plan, protect our high quality natural environment, including the Green Belt, Areas of Outstanding Natural Beauty and biodiversity that form our unique character. Take action to reduce waste, and maintain our weekly rubbish and recycling collection.

The Council continued to provide a weekly collection of all rubbish and recycling to every household in the District throughout the pandemic, which means over 15,000 successful dual waste and recycling collections every single day. During 2021/22, many Sevenoaks residents continued to work from home either full time or in a hybrid fashion, meaning rates of waste and recycling continued to be higher than previous years.

During 2021/22 the Council recycled 37.72% of all household waste collected. This is an increase from 35.9% for the previous year.

The Council missed only 6.9 waste collections per 100,000 compared to 8.9 made during 2020/21 and well below the target level of 8.

Our processing of major planning applications within the target time stands at 92.59%, comfortably exceeding the target of 80%. Processing of minor applications was also within target at 80.24%.

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

Economy

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

As well as having a good relationship with our local Chambers of Commerce, we have established our own Business Board. Business owners and managers from a range of sectors attend the Board and provide their views on business priorities for the District. These in turn inform our plans for economic development and growth.

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

Housing

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

Through our housing company, Quercus Housing, have begun to provide affordable social housing in the district. The “Everyone In” campaign during Covid, to ensure the safety of homeless people, and the subsequent campaign to support these residents to find and maintain a secure tenancy, provided challenges for the housing advice team. Nonetheless, the number of households where a positive outcome was achieved, and homelessness was prevented, stood at 242, significantly above target.

Community Safety

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

98% of all the actions in the Council’s Community Safety Action Plan were delivered during the year, compared to 97% during 2020/21.

Health

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

Despite the local and national restrictions during the past year, the percentage of actions in the Sustainable Community Action Plan achieved for 2021/22 is 96%, compared to 88% last year.

To provide value for money

In 2020/21 the Council collected 98.1% of Council Tax within the year, slightly above the previous year of 97.5%. and 96.4% of the business rates due within the year (92.7% 2021/20) The council raised additional income through its Property Investment Strategy which contributed in excess of £1.4m to fund the budget. A further £78,000 was raised through other investments.

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

Peer Challenge November 2021

In the absence of national performance indicators, the Council has, along with many other councils, embraced the Local Government Association's Peer Challenge programme.

Based on the principles of taking responsibility for our own improvement and recognising our accountability to local communities the Council welcomed a Peer Challenge team in November 2021. The team evaluated how well we understand our local context and priorities, the effectiveness of our financial planning and the strength of our political and managerial leadership,. Governance and decision-making and organisational capacity completed the core elements of our review.

The feedback from the review was extremely positive; the overall messages were as follows:

- The council is a well-led and managed authority with a strong track-record of effective delivery and innovation
- There are good member / officer relations and good relationships between members
- The council's current financial position is comparatively strong
- The council is a valued and respected partner locally

We are now delivering an action plan based on the recommendations in the Peer Review team's report, which will be reviewed with the LGA shortly.

Resident Satisfaction Survey

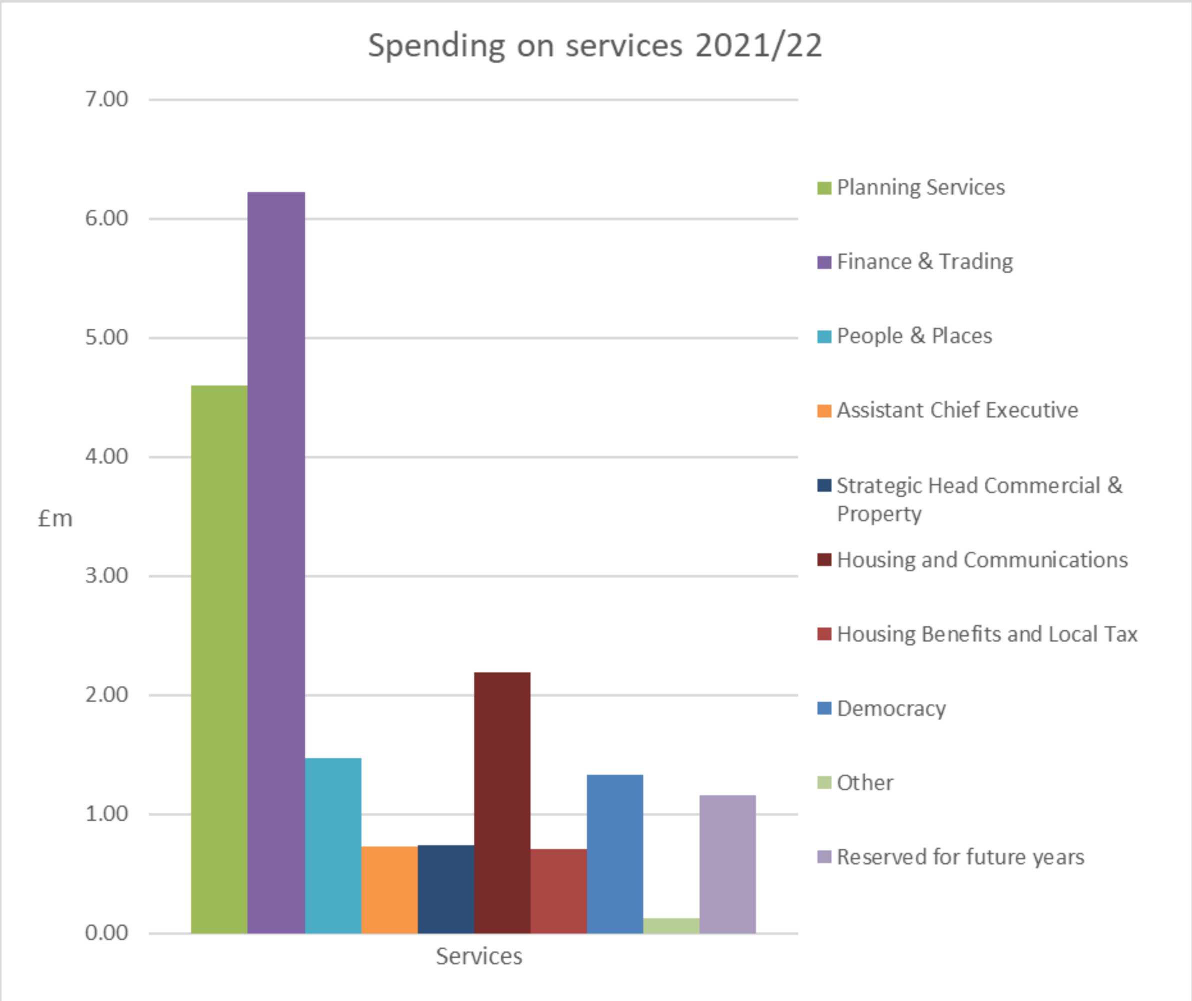
Prior to the Review, we carried out a resident satisfaction survey. A number of the core questions were taken from the LGA's 'LG Inform' project, a tool developed by the LGA as a benchmarking data service for local authorities. The LGA run resident satisfaction surveys every 4 months as part of this.

Core Question	**Sevenoaks DC 2021**	**LGA October 2021**
Satisfaction with the way the Council runs things	81%	56%
The Council provides value for money	63%	43%
Trust in Sevenoaks District Council	86%	53%
Satisfaction with the refuse and recycling service	91%	75%

We were pleased with the levels of satisfaction revealed by the survey which we feel reflect the Council's commitment to our customers.

5. Chart 1: Spending on front line services

The following chart shows our expenditure by service for 2021/22.



Corporate Risk

The Council's strategic risk management arrangements are co-ordinated by the Internal Audit team and are within the responsibilities of the Audit Committee.

The Strategic Risk Register is kept under regular review by the identified risk owners, who are formally met with each quarter to review the status of risks they hold responsibility for. Collectively, the Strategic

Management Team receive reports on the strategic risk register and are able to identify any new to emerging risks or to ask further questions of risk owners with regard to their assessment and mitigation of the risk faced.

Strategic Risk Profile

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

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

6. Operating Environment

The operating environment for local government has been challenging during 2021/22 and will continue to be so for the years to come. We continue to feel the impact on our finances from Covid, the long term impacts and benefits from leaving the European Union have yet to be fully realised, and the urgent issue of the cost of living, inflation rates and energy prices will continue to provide us, our residents and businesses with a highly challenging environment.

In addition to this, new legislation such as the Environment Act and the Elections Act require implementation at local level and it remains to be seen if these new burdens will be fully funded; our housing teams are working hard alongside Kent County Council and hosts in the district to make sure the Homes for Ukraine scheme remains a success but we may have to prepare for an increase in homelessness as a result of hosts no longer able to accommodate their guests.

We have seen record-breaking temperatures in the UK; climate change adaptation and mitigation will move even further up the agenda at all levels of government. Our Net Zero 2030 commitment will provide motivation for us to reduce carbon emissions and our Carbon Reduction Plan, due to be ready later this year, will indicate what this means both in practical and financial terms.

We stated our ambition to be financially self-sufficient at the time of the last peer review. We wanted to do this for two main reasons. Firstly, the impact of austerity had led to large reductions in funding for local government and we knew there were more reductions to come. We no longer believed that it was sensible to plan for a future where local government receives funding for its services directly from the government.

Secondly, we wanted to protect the range and quality of services we deliver across our District. Being self-sufficient means that over time we may have greater financial resources at our disposal than we would have had from government funding, and we can reinvest that money in our services.

Freedom from government grant may also at some point in the future enable the Council and the local government sector as a whole to lobby for increased freedom from central government control and an ability to provide truly localised services.

Since April 2018 Sevenoaks District Council has received no revenue support grant from the Government. For context, in 2009/10 the Council received £6.3m in revenue support grant. This demonstrates the extent of the financial challenge the Council has faced to balance its budget, seeking savings and growing its own income to ensure that the scale of grant cuts it has faced have not had a detrimental effect on the services provided to local residents and businesses.

Our Financial Prospects report, which starts our Annual Budget setting process, provides all of the current context about the Council's financial position and its saving requirement for the coming year. This includes our most recent 10 year budget.

In comparison to many other local authorities of a similar size, the Council's financial health is relatively strong. However this is only achieved with a continual focus on effective budget management and an ongoing delivery of savings and income levels. The 10 year budget framework, and our budget stabilisation reserve provides us with the flexibility to take decisions over the long-term and avoid short-term, knee jerk decision making.

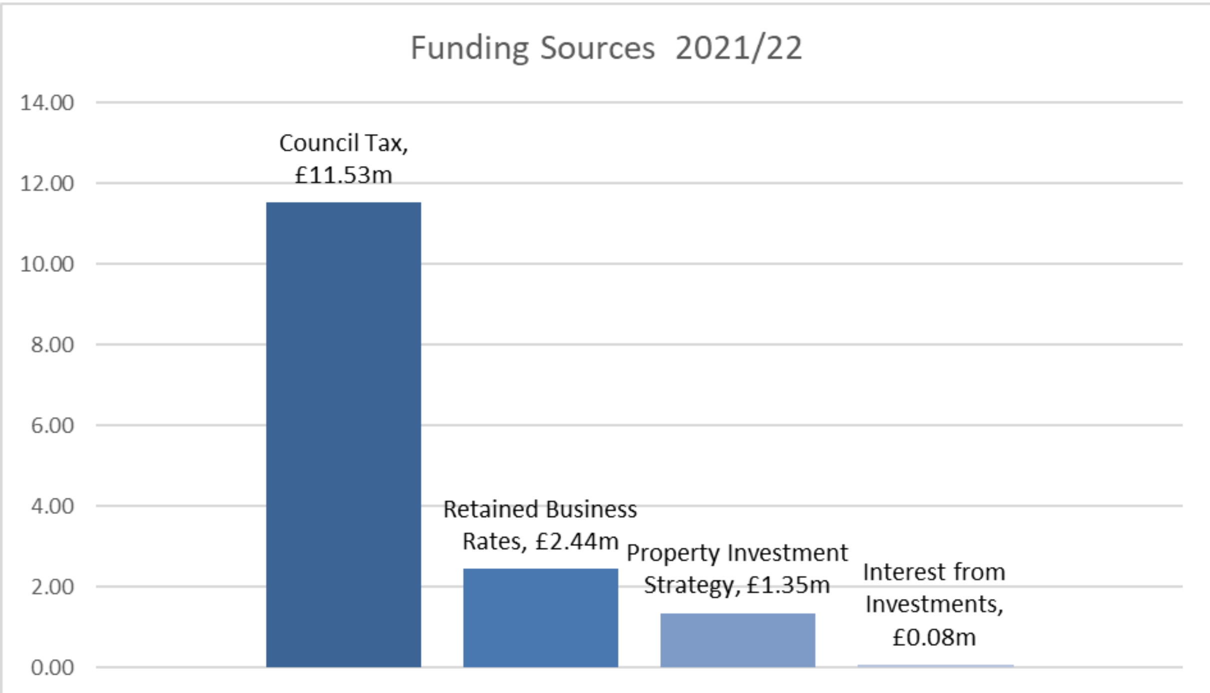
Revenue

The 2021/22 budget was brought forward this year in response to the COVID19 pandemic and the need for the Council to review its financial position and ensure it had a viable financial strategy. The revenue budget was approved in November 2020 and Council Tax and Treasury Management being approved in February 2021. All budget papers were reviewed by appropriate committees and Cabinet in October and January prior to full Council. Sevenoaks District Council set its budget for 2021/21 at a meeting of the Council on 23 February 2021. Overall, the Council's net revenue budget has increased from £15.8 million in 2020/21 to £17.0 million in 2021/22.

The final outturn position for 2021/22 is a surplus of £104,000 (2020/21 £52,000) and 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 nine 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 spends.



Capital and assets

Table 1: The table below shows the net capital budget over the period of 2022-2025 by service area.

Scheme	Previous years spend £000	2022/23 Budget £000	2023/23 Budget £000	2024/25 Budget £000	Total over programme period £000
People & Places					
White Oak Leisure Centre	19,870				19,870
White Oak Leisure centre - Orchards Academy	30	100			130
Burlington Mews	79	8	8		95
27-37 Swanley High street (meeting Point)	1,708	4,106	300		6,114
White Oak Residential	50	-	-	-	50
Affordable Housing	-	1,050			1,050
Bevan Place	350	380			730
Sevenoaks Town Centre Regeneration	214	2,636			2,850
Feasibility & Due Diligence costs	20	200	650	350	1,220
Sewage Treatment Plant - replacement	-	30			30
Farmstead Drive (Spitals Cross)	707	2,170	4,349	384	7,610
Finance and Trading					
Commercial vehicle replacements	582	582	582	582	2,328
Disabled Facilities Grants (gross)	1,128	1,128	1,128	1,128	4,512
TOTAL	24,738	12,390	7,017	2,444	46,589

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	Previous years spend	2022/23 Budget	2023/23 Budget	2024/25 Budget	Total over programme period
	£000	£000	£000	£000	£000
Capital Receipts	11,823	4,043	4,649	1,384	21,899
Financial Plan Reserve & Cap Receipts					
Vehicle Renewal Reserve	582	582	582	582	2,328
Better Care Fund (KCC)	1,128	1,128	1,128	1,128	4,512
Reserves		30			30
Internal Borrowing	1,909	851	8	(1,000)	1,768
Mixed funding depending on scheme funding	395	3,216	650	350	4,611
External Borrowing	8,000	1,050			9,050
Grant Funding	900	1,490			2,390
	24,738	12,390	7,017	2,444	46,589

Borrowing & Investments

During the 2021/22 year the Council internally borrowed £3.5m to fund a number of projects such as White Oak Leisure Centre.

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

The annual income yields for completed schemes range from 5.9% to 9.6%, and provided an income in excess of £1.3m for 2021/22.

The Government and CIPFA are continuing to implement ways to limit Council's ability to make commercial property investments. This is currently limiting the council's ability to borrow for investments made purely for yield which is what our Property Investment Strategy has been set up to do.

To enable other capital schemes to progress, the Property Investment Strategy was removed from the current capital programme as agreed by Council on 16 November 2021. Therefore, currently no further investments within the strategy are able to take place.

Cash flow

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

At the 31 March 2021 the Council held £6.5m in cash and cash equivalents.

At the 31 March 2022 the Council held £7.5m in cash and cash equivalents.

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

Contingencies

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

Business rates – valuation	£3.3m at 31 March 2021	£3.8m at 31 March 2022

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 £76.7m at 31 March 2021 compared to £72.7 at 31 March 2022 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in November 2022 and reported a funding deficit of £8.78m at 31 March 2022.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

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

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

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

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

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

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

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

The Accounts present a true and fair view of the financial position as at 31 March 2022 and its income and expenditure for the year ended on that date.

ADRIAN ROWBOTHAM
Deputy Chief Executive and Chief Officer - Finance & Trading

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Comprehensive Income and Expenditure Statement

SDC 2020/21 Gross Exp. £'000	SDC 2020/21 Gross Income £'000	SDC 2020/21 Net Exp £'000	Group 2020/21 Net Exp £'000	Note		SDC 2021/22 Gross Exp £'000	SDC 2021/22 Gross Income £'000	SDC 2021/22 Net Exp £'000	Group 2021/22 Net Exp £'000
5,980	(2,333)	3,647	3,657		People & Places	11,574	(8,102)	3,472	3,486
27,337	(25,593)	1,744	1,764		Customer & Resources	25,471	(23,550)	1,921	1,931
2,549	(131)	2,418	2,418		Assistant Chief Executive	2,871	(285)	2,586	2,586
468	(364)	104	104		Strategic Property	(602)	(2,158)	(2,760)	(2,737)
19,233	(10,507)	8,726	8,475		Finance & Trading	20,517	(12,783)	7,734	7,297
8,156	(3,172)	4,984	4,984		Planning & Regulatory	8,724	(3,820)	4,904	4,904
63,723	(42,100)	21,623	21,402	24	**Net Cost of Services**	68,555	(50,698)	17,857	17,466
		(212)	(212)		Loss/(Gain) on Disposal of non current assets			(132)	(132)
		4,638	4,638		Parish Council Precepts			4,779	4,779
		4,426	4,426		**Other Operating Expenditure**			4,647	4,647
		703	(1,159)		Movement in Fair Value Investment Property			(1,746)	(2,213)
		(1,523)	(1,523)	11	Investment Property Income			(1,599)	(1,599)
		131	131		Interest Payable and similar charges			175	175
		1,484	1,484	34	Net interest on the net defined benefit liability			1,480	1,480
		(252)	(69)		Interest and Investment Income			(220)	61
		543	(1,136)		**Financing and Investment Income and Expenditure**			(1,910)	(2,096)
		(898)	(898)	28	Capital Grants and Contributions			(1,415)	(1,415)
		(15,954)	(15,954)		Council Tax			(16,139)	(16,139)
		15,112	15,112	28	Business Rates			7,222	7,222
		(23,736)	(23,736)	28	Non Service Related Government Grants			(11,181)	(11,181)
		(25,476)	(25,476)		**Taxation and Non Specific Grant Income**			(21,512)	(21,512)
		1,116	(784)		**(Surplus) or Deficit on the Provision of Services**			(918)	(1,495)
		-	-		Taxation relating to subsidiaries			-	89
		(2,826)	(2,826)	20	(Surplus) or Deficit on the revaluation of property, plant & equipment assets			199	199
		5,921	5,921	34	Remeasurement of the net defined benefit liability			(8,823)	(8,823)
		3,095	3,095		Other Comprehensive Income and Expenditure			(8,624)	(8,624)
		4,211	**2,311**		**Total Comprehensive Income and Expenditure**			**(9,542)**	**(10,119)**

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 2021/22 requires the total General Fund Balance be presented. In the past it was recommended that Earmarked General Fund Reserves be separately presented.

Movement in Reserve Statement

Financial Year 2020/21	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Group
Notes		9					20		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(1,500)	(19,011)	(20,511)	(3,043)	(1,739)	(25,293)	26,195	902	3,077
Movement in reserves during 2020/21									-
(Surplus) or deficit on the provision of services	1,116	-	1,116	-	-	1,116	-	1,116	(784)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	3,095	3,095	3,095
Total Comprehensive Income and Expenditure	1,116	-	1,116	-	-	1,116	3,095	4,211	2,311
Adjustments between accounting basis & funding basis under regulations (note 8)	(10,694)	-	(10,694)	602	(137)	(10,229)	10,229	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	(9,578)	-	(9,579)	602	(137)	(9,113)	13,324	4,211	2,311
Year end balance transferred (to)/from Budget Stabilisation Reserve	(394)	394	-	-	-	-	-	-	-
									-
Other transfers to/from Earmarked Reserves	9,771	(9,771)	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	9,377	(9,377)	-	-	-	-	-	-	-
(Increase)/ Decrease in 2020/21	(201)	(9,377)	(9,579)	602	(137)	(9,113)	13,324	4,211	2,311
Balance at 31 March 2021	(1,700)	(28,388)	(30,088)	(2,441)	(1,876)	(34,408)	39,520	5,113	5,388

Movement in statement of reserves (cont)

Financial Year 2021/22 Notes	General Fund Balance £'000	Earmark'd Reserves Balance 9 £'000	Total General Fund Balance £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves 20 £'000	Total Authority Reserves £'000	Group £'000
Balance at 31 March 2021	(1,700)	(28,388)	(30,088)	(2,441)	(1,876)	(34,408)	39,520	5,113	5,388
Movement in reserves during 2021/22									
(Surplus) or deficit on the provision of services	(918)	-	(918)	-	-	(919)	-	(919)	(1,495)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(8,624)	(8,624)	(8,624)
Total Comprehensive Income and Expenditure	(918)	-	(918)	-	-	(919)	(8,624)	(9,543)	(10,119)
Adjustments between accounting basis & funding basis under regulations (note 8)	5,839	-	5,839	(1,101)	(4,863)	(125)	123	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	4,921	-	4,920	(1,101)	(4,863)	(1,044)	(8,501)	(9,543)	(10,119)
Year end balance transferred (to)/from Budget Stabilisation Reserve	104	(104)	-	-	-	-	-	-	-
Other transfers to/from Earmarked Reserves	(5,025)	5,025	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(4,921)	4,921	-	-	-	-	-	-	-
(Increase)/ Decrease in 2021/22	-	4,921	4,921	(1,101)	(4,863)	(1,044)	(8,501)	(9,543)	(10,119)
Balance at 31 March 2022	(1,700)	(23,467)	(25,167)	(3,542)	(6,739)	(35,452)	31,020	(4,430)	(4,731)

BALANCE SHEET

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

31/03/21 £'000	31/03/21 £'000	SDC Note			31/03/22 £'000	31/03/22 £'000
SDC	Group		Long Term Assets		SDC	Group
38,863	38,863	10		Property, Plant and Equipment	52,336	52,336
1,761	1,761	10		Surplus Assets	1,761	1,761
31,738	44,409	11		Investment Property	29,948	46,799
4,041	50	12		Long Term Investments	4,041	50
6,727	804	14		Long Term Debtors	6,609	686
83,130	85,887		Total Long Term Assets		94,695	101,631
			Current Assets			
4,014	4,014	12		Short Term Investments	8,010	8,010
174	174	16		Assets held for sale	174	174
6,516	6,946	15		Cash and Cash Equivalents	7,521	8,411
3,311	3,311	13		Inventories	82	82
12,826	11,953	14		Short Term Debtors	5,686	4,554
825	825	14		Payments in Advance	833	833
27,666	27,224		Total Current Assets		22,306	22,064
			Current Liabilities			
(13,075)	(13,075)	17 & 28		Receipts in Advance	(10,202)	(10,202)
(15,328)	(15,431)	17		Short Term Creditors	(12,080)	(12,278)
(3,596)	(3,596)	18		Short Term Provisions	(4,173)	(4,173)
(31,999)	(32,102)		Total Current Liabilities		(26,455)	(26,653)
(4,333)	(4,878)		Net Current Assets		(4,149)	(4,589)
			Long Term Liabilities			
(5,112)	(5,112)	17		Long Term Borrowing	(12,640)	(12,640)
(257)	(257)	18		Long Term Provisions	(257)	(367)
(76,745)	(76,745)	34		Net Pensions Liability	(72,671)	(72,671)
(1,798)	(4,285)	28		Capital Grants Receipts in Adv.	(550)	(6,726)
(83,912)	(86,399)		Total Long Term Liabilities		(86,118)	(92,404)
(5,115)	(5,390)		Total Net Assets/(Liabilities)		4,428	4,639

BALANCE SHEET (cont)

31/03/19 Restated £'000	31/03/20 £'000	31/03/20 £'000	SDC Note		31/03/21 £'000	31/03/21 £'000
SDC	SDC	Group			SDC	Group
				Usable Reserves		
(559)	(1,739)	(1,739)	MIRS	Usable Capital Receipts Reserve	(1,876)	(1,876)
(19,373)	(19,011)	(19,011)	9	Earmarked Reserves	(28,388)	(28,388)
-		2,175		Profit and Loss Reserve		413
(3,627)	(3,043)	(3,043)	MIRS	Capital Grants Unapplied	(2,441)	(2,441)
(1,500)	(1,500)	(1,500)	MIRS	General Fund	(1,700)	(1,700)
(25,059)	(25,293)	(23,118)		Subtotal Usable Reserves	(34,405)	(33,992)
				Unusable Reserves		
(30,058)	(20,709)	(20,709)	20	Capital Adjustment Account	(22,092)	(22,092)
(18,812)	(19,825)	(19,825)	20	Revaluation Reserve	(22,473)	(22,610)
152	152	152	20	Accumulated Absences Act.	327	327
(382)	(312)	(312)	20	Collection Fund Adj. Account	7,151	7,151
67,066	67,037	67,037	20 & 34	Pensions Reserve	76,745	76,745
(158)	(148)	(148)	20	Deferred Capital Receipts	(138)	(138)
				Share Capital		-
17,808	26,195	26,195		Subtotal Unusable Reserves	39,520	39,383
(7,251)	902	3,077		Total Reserves	5,115	5,390

These unaudited financial statements will be replaced by the audited financial statements authorised at the meeting of the Audit Committee on XX XX 2023

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

XX XX 2023

COUNCIL APPROVAL

The Audit Committee at its meeting on XX XX 2023, approved the Statement of Accounts for the year end 31 March 2022 in accordance with the Accounts and Audit (England) Regulations 2015.

Councillor P McGarvey

Chairman of the Audit Committee

XX XX 2023

THE CASH FLOW STATEMENT

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

SDC 2020/21 £'000	Group 2020/21 £'000	Note		SDC 2020/22 £'000	Group 2020/22 £'000
1,116	(782)		Net (surplus) or deficit on the provision of services	(918)	(488)
(7,775)	(9,877)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(13,155)	(4,782)
4,072	4,072	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	11,347	2,690
(2,587)	(6,587)		Net cash flows from operating activities	(2,726)	(2,581)
158	3,725	22	Investing Activities	10,367	5,956
718	718	23	Financing Activities	(8,644)	(5,271)
(1,711)	(2,144)		Net (increase) or decrease in cash and cash equivalents	(1,003)	(1,895)
(4,806)	(4,806)		Cash and cash equivalents at the beginning of the reporting period	(6,517)	(6,517)
(6,517)	(6,948)	15	Cash and Cash Equivalents at the end of the reporting period	(7,520)	(8,410)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis

2020/21 Net Expenditure Chargeable to the General Fund £000	2020/21 Adjustments between the Funding and Accounting Basis £000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2021/22 Net Expenditure Chargeable to the General Fund £000	2021/22 Adjustments between the Funding and Accounting Basis £000	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,804	1,843	3,647	People & Places	1,811	1,660	3,472
4,054	(2,310)	1,744	Customer & Resources	3,821	(1,900)	1,921
4,860	3,866	8,726	Finance & Trading	6,448	1,286	7,734
1,769	3,215	4,984	Planning & Regulatory	1,769	3,135	4,904
1,655	763	2,418	Assistant Chief Executive	1,562	1,024	2,586
1,675	(1,571)	104	Strategic Property	1,471	(4,231)	(2,760)
15,817	5,806	21,623	Net Cost of Services	16,882	974	17,857
(25,394)	4,887	(20,507)	Other Income and Expenditure	(11,961)	(6,814)	(18,775)
(9,577)	10,693	1,116	(Surplus) or Deficit	4,921	(5,840)	(918)
(20,511)			Opening General Fund Balance	(30,088)		
(9,577)			(Surplus) or Deficit on General Fund Balance in Year	4,921		
(30,088)			Closing General Fund Balance at 31 March	(25,167)		

Note 2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22, 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.

Going Concern.

- Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting.

2.2 Accruals of Income and Expenditure

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

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

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

2.3 Cash and Cash Equivalents

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

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

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

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

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

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

2.5 Charges to Revenue for Non-Current Assets

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

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

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

2.6 Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

2.7 Provisions Contingent Assets and Liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

2.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

2.9 Events After the Reporting Period

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

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

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

2.10 Financial Instruments

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Financial assets measured at fair value through other comprehensive income

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

Financial Assets Measured at Fair Value through Profit or Loss

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

Fair Value Measurements of Financial Assets

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

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

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

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

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

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

Expected Credit Loss Model

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

2.11 Government Grants and Contributions

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

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

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

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

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

2.12 Community Infrastructure Levy

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

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

2.13 Inventories

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

2.14 Investment Property

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

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

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

2.15 Leases

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

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

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

The Authority as Lessee: Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessor: Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

2.16 Overheads and Support Services

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

2.17 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital

Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

2.18 Reserves

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

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

2.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

2.20 Value Added Tax (VAT)

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

2.21 Heritage Assets

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

At present the Council has no material heritage assets.

2.22 Fair Value Measurement

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

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

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

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

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

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

2.23 Group Accounts

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

Where applicable the following principles will be followed:

Basis of Consolidation

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

Accounting Policies

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

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

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

2.24 Interests in companies and other entities

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/2 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2021/22 code are:

- Annual Improvements to IFRS Standards 2018-2020: IFRS 1 (First-time adoption); IAS 37 (Onerous contracts); IFRS 16 (Leases); and IAS 41 (Agriculture).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

The implementation of IFRS 16 Leases has been deferred by another year. This means the effective date for implementation is now 1 April 2023, which would impact the statements in 2023/24

Note 4. Critical Judgements in Applying Accounting Policies

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

4.1 Other Judgements

- Preparation of Group accounts as detailed in 2.23
- Rounding – It is not the Councils Policy to adjust for immaterial cross-casting difference between the main statements and the disclosure notes
- Construction of Properties for re-sale. In funding this type of capital scheme a statutory provisions for Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265). Regulation 7b of SI 2012/265 has been applied meaning that expenditure is deemed to be capital under statute and the related receipts from the disposals are capital receipts.

4.2 Covid-19 Grants

In response to the pandemic the Government announced a number of grant packages to be paid out to support local businesses and residents. The Council was required to administer these schemes, in line with the eligibility criteria, and was reimbursed by Government for the payments. The accounting treatment of such transactions needs to have regard to the general principle of whether the Council is acting as the principal or agent. Where the Council deems it is acting as agent, the transactions shall not be reflected in the Council's Comprehensive Income and Expenditure Statement and will only be reflected where there is a debtor or creditor closing position. Where the Council deems it is acting as principal the transactions are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate. Further information on all grants received are provided in note 28.

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

Covid-19

Further to the final point under Note 4 critical judgements, the impact of Covid-19 on the financial statements 2021/22 has been reviewed and accounted for as appropriate following the CIPFA Code of Practice and IAS1.

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

Note 5. Prior Period Adjustment

There are no prior year period adjustments

Note 6. Events After the Balance Sheet Date

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

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

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

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

Note 7. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

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

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

Adjustments between Funding and Accounting Basis (cont)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2021/22	Adjust-ments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjust-ments £'000s	Other Differences £'000s	Total £'000s
People & Places	311	570	-	779	**1,660**
Customer & Resources	100	542	-	(2,542)	**(1,900)**
Finance & Trading	624	278	-	385	**1,287**
Planning & Regulatory	67	1,143	-	1,924	**3,134**
Assistant Chief Executive	-	472	-	552	**1,024**
Strategic Property	(3,684)	265	-	(812)	**(4,231)**
Net Cost of Services	(2,582)	3,270	-	286	**974**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,790)	1,480	(3,873)	(286)	**(6,469)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(6,372)	4,750	(3,873)	-	**(5,495)**

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 Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(830)	-	-	830
Revaluation gain on Property, Plant and Equipment	(131)	-	-	131
Movements in the market value of Investment Properties	(703)	-	-	703
Disposal of Inventory recognised as Capital Under Statute	(1,302)			1,302
Capital grants and contributions applied	1,346	-	1,500	(2,846)
Repayment of internal borrowing	-	2,200	-	(2,200)
Non Specific Capital Grants				
Revenue expenditure funded from capital under statute	(1,940)	-	-	1,940
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(9)	-	-	9
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	228	(228)	-	-
Capital expenditure charged against the General Fund Balance	697	-	-	(697)
Statutory provision for the repayment of debt	286	-	-	(286)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	898	-	(898)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(10)	-	-	10

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	91	-	(91)
Disposal of Inventory (Capital Under Statute)	2,200	(2,200)	-	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,648)	-	-	7,648
Employer's pensions contributions and direct payments to pensioners payable in the year	3,861	-	-	(3,861)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(111)	-	-	111
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(7,351)	-	-	7,351
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(175)	-	-	175
Total Adjustments	(10,694)	(137)	602	10,229

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2021/22	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	(783)	-	-	783
Revaluation gain on Property, Plant and Equipment	169	-	-	(169)
Movements in the market value of Investment Properties	1,578	-	-	(1,578)
Disposal of Inventory recognised as Capital Under Statute	7,608	-	314	(7,922)
Capital grants and contributions applied	5,592	(5,592)	-	-
	-	-	-	-
Non Specific Capital Grants	(6,498)	-	-	6,498
Revenue expenditure funded from capital under statute	(3,328)	3,328	-	-
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	(3,979)	-	-	3,979
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	4,111	(4,111)	-	-
Capital expenditure charged against the General Fund Balance	519	-	-	(519)
Statutory provision for the repayment of debt	325	-	-	(325)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,415	-	(1,415)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(11)	-	-	11

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2021/22 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,511	-	(1,511)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,586)	-	-	8,586
Employer's pensions contributions and direct payments to pensioners payable in the year	3,837	-	-	(3,837)
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	82	-	-	(82)
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	3,791	-	-	(3,791)
Adjustments primarily involving the Accumulated Absences Account				
Total Adjustments	5,842	(4,864)	(1,101)	123

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 2020/21 and 2021/22.

	Balance at 31/03/20 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31/03/21 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31/03/22 £'000
General Fund	(1,500)	-	(200)	(1,700)	-	-	(1,700)
Budget Stabilisation	(7,999)	156	(1,976)	(9,820)	1,902	(15)	(7,932)
Business Rates Retention	(719)	-	(7,351)	(8,071)	3,791	-	(4,280)
Financial Plan	(1,714)	495	(1,434)	(2,653)	627	(1,330)	(3,356)
Carry Forward Items	(958)	48	(309)	(1,218)	434	(572)	(1,356)
Vehicle Renewal	(663)	624	(657)	(696)	478	(701)	(919)
Housing and Commercial Growth Fund	(566)	-	-	(566)	-	-	(566)
Homelessness Prevention	(118)	466	(392)	(44)	21	(513)	(536)
Asset Maintenance	(1,000)	500	-	(500)	-	-	(500)
IT Asset Maintenance	(725)	100	(154)	(779)	339	-	(440)
New Homes Bonus	(406)	-	-	(406)	-	-	(406)
Pension Fund	(500)	59	-	(441)	82	-	(359)
Capital Financing	(159)	86	(148)	(221)	41	(148)	(328)
Property Investment Strategy Maintenance	(133)	-	(100)	(233)	24	(100)	(310)
Action and Development	(396)	100	-	(296)	-	-	(296)
Local Plan	(285)	39	(72)	(318)	70	(37)	(285)
Vehicle Insurance	(248)	-	(10)	(258)	-	(8)	(266)
People and Places	(323)	205	(86)	(204)	59	(21)	(166)
Community Infrastructure Levy Administration	(185)	-	-	(185)	33	-	(152)
District Elections	(42)	-	(50)	(92)	-	(42)	(134)
Housing Benefit Subsidy	(361)	187	(376)	(550)	427	-	(123)
RHB Repayable Assistance	(87)	9	(8)	(86)	9	(31)	(109)
Net Zero	-	1	(34)	(33)	-	(75)	(108)
Other	(1,011)	611	(104)	(717)	325	(147)	(539)
Total	(20,099)	3,685	(13,461)	(30,088)	8,663	(3,741)	(25,167)

The purpose of these usable reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Business Rates Retention– To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
- Financial Plan – Funds that support the 10-year budget strategy.
- Carry Forward Items - For specific items agreed by Cabinet.
- Asset Maintenance – To fund emergency asset maintenance works.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Housing and Commercial Growth Fund – To fund projects as part of the West Kent Partnership within the district
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Pension Fund - To contribute towards any future downturns in the pension fund following actuarial
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate as part of the 10 year Financial Plan.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Local Plan - To help support the Local Plan.
- Vehicle Insurance - Provides own damage cover on the Council's commercial vehicle fleet.
- Property Investment Strategy Maintenance – To fund future maintenance and void periods
- Capital Financing –Annual contributions from revenue to fund some capital projects..
- People and Places - To fund ongoing and future projects.
- Community Infrastructure Levy Administration - To be spent on the administration of the levy.
- Net Zero. The Council aims to be carbon neutral by 2030 and this reserve will be used to fund expenditure to achieve that target
- District Elections – To fund the cost of District elections
- Other - Other small reserves set aside.

Note 10. Property, Plant and Equipment

Movements on Balances

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2020/21:						
Cost or Valuation						
At 1 April 2020	26,737	5,238	211	1,045	720	33,950
Additions	-	624	-	-	8,197	8,821
Revaluation increases/ (decreases) recognised in:	-	-	-	-	-	
- Revaluation Reserve	1,619			754	-	2,373
- Surplus or Deficit	(195)	(19)	-	-	-	(214)
Derecognition – Disposals		(174)	-	-	-	(174)
Derecognition – Other	(6)	-	-	-	-	(6)
Reclassifications in PPE	-	-	-	-	-	-
Reclassifications other	24	-	-	(39)	110	95
At 31 March 2021	28,179	5,669	211	1,760	9,027	44,845
Accumulated Depreciation and Impairment						
At 1 April 2020	(423)	(3,587)	-	-	-	(4,010)
Depreciation Charge	(238)	(592)	-	-	-	(830)
Depreciation written out to the			-	-	-	-
- Revaluation Reserve	453	-	-	-	-	453
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	165	-	-		165
Derecognition - Other	-	-	-	-		-
Reclassifications	-	-	-	-		-
At 31 March 2021	(208)	(4,013)	-	-	-	(4,222)
Net Book Value						
As at 31 March 2021	27,971	1,655	211	1,760	9,027	40,623

	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 2021/22:						
Cost or Valuation						
At 1 April 2021	28,179	5,669	211	1,760	9,027	44,845
Additions	-	478	-	-	13,837	14,315
Revaluation increases/ (decreases) recognised in:	-	-	-	-	-	
- Revaluation Reserve	(35)	-	-	-	-	(35)
- Surplus or Deficit	-	-	-	-	-	-
Derecognition – Disposals	-	(429)	-	-	-	(429)
Derecognition – Other	-	-	-	-	-	-
Reclassifications in PPE	-	-	-	-	-	-
Reclassifications other	-	-	-	-	-	-
At 31 March 2022	28,144	5,718	211	1,760	22,864	58,696
Accumulated Depreciation and Impairment						
At 1 April 2021	(208)	(4,013)	-	-	-	(4,222)
Depreciation Charge	(190)	(583)	-	-	-	(773)
Depreciation written out to the	-	-	-	-	-	-
- Revaluation Reserve	-	-	-	-	-	-
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	402	-	-	-	402
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
At 31 March 2022	(398)	(4,194)	-	-	-	(4,593)
Net Book Value						
As at 31 March 2022	27,746	1,523	211	1,760	22,864	54,097

Capital Commitments

At 31 March 2022, the capital commitments outstanding on capital contracts was £2m.

Surplus Assets

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

	31st March 2021 £'000	31st March 2022 £'000
Surplus Operation Properties		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	1,761	1,761
Significant un-observable inputs (Level 3)	-	-
Fair Value	1,761	**1,761**

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

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

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

Revaluations

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

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2022, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

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

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

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

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

All assets are revalued over a 5 year rolling programme where appropriate.

Year of Valuation	Assets within the following classifications may have been revalued in year
2021/22	Investment Properties, Car parks, Property Plant & Equipment
2020/21	Investment Properties and Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2019/20	Investment Properties, Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2018/19	Investment Properties, Car parks; Amenity Land, Playgrounds and Surplus Operational Assets
2017/18	Investment Properties, Amenity Land, Car Parks and Community Offices
	Investment Properties and Amenity Land
2016/17	Investment Properties, Amenity Land, Car Parks and Community Offices
2015/16	Investment Properties, Leisure Centres, Golf Course, Hollybush Depot, premises and grounds

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:	2,575	5,288	211	-	22,864		**30,938**
Valued at current value in:							
2021/22	-	-	-	-	-	-	**-**
2020/21	25,568	-	-	-	-	1,761	**27,329**
2019/20	-	-	-	-	-	-	**-**
2018/19	-	-	-	-	-	-	**-**
2017/18	-	-	-	-	-	-	**-**
Total	28,143	5,288	211	-	22,864	1,761	**58,267**

Note 11. Investment Properties

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

	2020/21 £'000	2021/22 £'000
Rental income from investment property	(2,112)	**(2,324)**
Direct operating expenses from investment property	589	**725**
Net income from Investment Properties	(1,523)	**(1,599)**

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

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

	2020/21 £'000	2021/22 £'000
Balance at start of the year	30,347	**31,739**
Purchases	141	**582**
Reclassifications	1,734	**-**
Disposals	-	**(3,951)**
Net Gains/ (losses) from fair value adjustment	(483)	**1,578**
	31,739	**29,948**

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2022 are as follows:

	31st March 2021 £'000	31st March 2022 £'000
Existing properties generating rental income		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	6,007	**304**
Significant un-observable inputs (Level 3)		
Property Investment Strategy		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	25,732	**29,644**
Significant un-observable inputs (Level 3)		
Total Fair Value	31,739	**29,948**

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

Properties are subject to leases with varying review dates.

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

Note 12. Financial Instruments

Balance Sheet disclosures

Categories of Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL								
Amortised cost			6,687	6,494	15,893	15,531	2,448	3,139
FVOCI - designated	4,041	4,041						
Total Financial Assets	4,041	4,041	6,687	6,494	15,893	15,531	2,448	3,139
Non-Financial Assets			72,402	84,160			14,688	3,637
Total			83,130	94,695			27,666	22,306

Categories of Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL								
Amortised cost	(4,767)	(12,298)	(345)	(342)	(178)	(568)	(3,272)	(2,932)
Total Financial Liabilities	(4,767)	(12,298)	(345)	(342)	(178)	(568)	(3,272)	(2,932)
Non-Financial Liabilities			(78,800)	(73,478)			(28,548)	(22,955)
Total			(83,912)	(86,118)			(31,999)	(26,455)

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

	Carrying amount at 31/03/22	Fair value at 31/03/22	Change in value during 2021/22	Dividends 2021/22
	£'000	£'000	£'000	£'000
UK Municipal Bond Agency	50	50	-	-
Quercus 7 Ltd	3,991	3,991	-	-
	4,041	4,041		

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

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

Comprehensive Income and Expenditure Statement disclosures

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

	2020/21		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Net gains/losses on:				
Interest revenue				
financial assets measured at Amortise	(116)		(76)	
financial assets measured at FVOCI - other				
Total interest revenue	(116)	-	(76)	-
Interest expense	157		201	

Fair Value

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

	Input level in fair value hierarchy	Valuation technique	As at 31/3/21	As at 31/3/22
			£'000	£'000
FVOCI - designated				
UK Municipal Bond Agency	Level 3	Cost	50	50
Quercus 7 Ltd	Level 3	Cost	3,991	3,991

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

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

The fair values calculated for financial assets and financial liabilities that are not measured at fair value are disclosed below.

	Input level in fair value hierarchy	31/3/21 Carrying Amount £'000	31/3/21 Fair Value £'000	31/3/22 Carrying Amount £'000	31/3/22 Fair Value £'000
Financial liabilities					
PWLB debt	Level 2	(4,946)	(5,359)	(12,866)	(12,350)
Long term creditors	Level 2	(345)	(663)	(342)	(473)
Short term creditors	Level 2	(3,272)	(3,272)	(2,932)	(2,932)
Financial Assets					
Financial Institutions (banks)	Level 2	2,009	2,009	3,007	3,007
Building Societies	Level 2	2,005	2,005	3,002	3,002
Other Local Authorities	Level 2	-	-	2,001	2,001
Money Market Funds	Level 2	4,800	4,800	6,805	6,805
Long term debtors	Level 2	6,687	6,713	6,494	7,432
Short term debtors	Level 2	2,448	2,448	3,139	3,139

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of the PWLB loan £12.350m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value of assets is greater that the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for investments the Council would be allowed to make in accordance with the Council's Investment Policy at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2022) arising from a commitment to receive interest from borrowers above current Investment market rates.

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

Credit Risk

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

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

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

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

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

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

The full investment strategy for 2022/23 was approved by Council on 25 February 2021. There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.25m at 31 March 2022 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

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

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

	Lifetime ECL - simplified approach	Total
	£'000	£'000
Opening Balance as at 01/04/20	(79)	(79)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(51)	(51)
Amounts written-off	20	20
Balance as at 31/03/21	(109)	(109)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	57	57
Amounts written-off	7	7
Balance as at 31/03/22	(45)	(45)

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

Price Risk

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

Foreign Exchange Risk

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

Note 13. Inventories

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

	Property constructed for resale	Other Inventory	Property constructed for resale	Other Inventory	Total	Total
	2020/21	2020/21	2021/22	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of the year	5,779	64	3,256	**55**	**5,843**	**3,311**
Purchases	733	474	90	**348**	**1,207**	**438**
Reclassified to Investment Property	(220)	-	-	**-**	**(220)**	**-**
Reclassify historic to Investment Property	(1,734)	-	-	**-**	**(1,734)**	**-**
Recognised as an expense in the year	(1,302)	(483)	(3,328)	**(339)**	**(1,785)**	**(3,667)**
Balance outstanding at end of the year	3,256	55	18	**64**	**3,311**	**82**

Note 14. Debtors

Short Term Debtors

31/03/21 £'000		31/03/22 £'000
1,631	Central Government Bodies	**907**
1,065	Other Local Authorities	**1,450**
1,439	Council Tax Payers	**444**
6,980	Non Domestic Rate	**861**
2,536	Other entities and individual	**2,856**
13,651	Total	**6,518**

Long Term Debtors

31/03/21 £'000		31/03/22 £'000
6,727	Other entities and individual	**6,609**
6,727	Total	**6,609**

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:

	31/03/21 £'000	31/03/22 £'000
Cash held by the Authority	7	**1**
Bank current accounts	1,708	**708**
Short-term deposits with:		
Money Market Funds	4,800	**6,812**
Total Cash and Cash Equivalents	6,516	**7,521**

Note 16. Assets Held for Sale

	2020/21 £'000	2021/22 £'000
Balance at start of the year	187	175
Purchases	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adjustment	84	-
Assets newly classified as held for sale	-	-
Reclassifications Other	(96)	-
	175	175

Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2022 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 2021/22	175	175	-	175	-
Assets held for Sale 2020/21	162	266	-	266	-
Assets held for Sale 2019/20	187	1,163	-	1,163	-
Assets held for Sale 2018/19	180	1,454	-	1,454	-

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

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

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

Note 17. Creditors and Receipts in Advance

Short Term Creditors

31/03/21 £'000		31/03/22 £'000
(803)	Central Government Bodies	(1,204)
(930)	Other Local Authorities	(1,120)
(155)	Council Tax Payers	(417)
(11,080)	Non Domestic Rate	(7,527)
(2,360)	Other entities and individuals	(1,812)
(15,328)	Total	(12,080)

Long Term Borrowing

31/03/21 £'000		31/03/22 £'000
(4,766)	Central Government Bodies	(12,298)
(345)	Other Local Authorities	(342)
(5,111)	Total	(12,640)

Short Term Receipts in Advance

31/03/21 £'000		31/03/22 £'000
(6,349)	Central Government Bodies	(7,472)
(464)	Other Local Authorities	(125)
(283)	Council Tax Payers	(305)
(241)	Non Domestic Rate	(398)
(634)	Other entities and individuals	(612)
(7,970)	Total	(8,912)

Note 18. Provisions

The following provisions have been made by the Council:

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

	Long Term MMI	Short Term Accumulated Absences	NDR Appeals	Total Short Term
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	257	327	3,269	3,596
Additional Provisions made during year	-	-	4,905	4,905
Amounts Used during the year	-	-	(4,328)	(4,328)
Amounts reversed as not required	-	-		-
Balance at 31 March 2022	**257**	**327**	**3,846**	**4,173**

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 2022.

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

Note 19. Usable Reserves

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

Note 20. Unusable Reserves

	31/03/21	Movement in Year	31/03/22
	£'000	£'000	£'000
Capital Adjustment Account	(22,092)	(740)	**(22,832)**
Revaluation Reserve	(22,473)	175	**(22,298)**
Accumulated Absences Account	327	-	**327**
Collection Fund Adjustment Account	7,151	(3,872)	**3,279**
Pensions Reserve	76,745	(4,074)	**72,671**
Deferred Capital Receipts Reserve	(138)	10	**(128)**
Total Unusable Reserves	39,520	(8,501)	**31,019**

Capital Adjustment Account

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

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

Capital Adjustment Account

2020/21 £'000		2021/22 £'000
(20,709)	Balance at 1 April	(22,092)
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
830	Charges for depreciation and impairment of non current assets	784
131	Revaluation Losses on Property, Plant and Equipment	(145)
1,940	Revenue expenditure funded from capital under statute	9,826
1,302	Disposal of Inventory recognised as Capital Under Statute	-
-	Deferred Capital Receipts movement	-
9	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	3,979
4,212		14,444
(178)	Adjusting Amounts written out of the Revaluation Reserve	-
4,034	Net Written out amount of the cost of non current assets consumed in the year	14,444
	Capital Financing applied in the year:	
(91)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,511)
(2,200)	Repayment of Internal borrowing	(3,328)
(1,346)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(6,835)
-	Non-specific capital grant	-
(1,500)	Application of Grants to capital financing from the Capital Grants Unapplied Account	(1,087)
(697)	Capital Expenditure charged against the General Fund	(519)
(286)	Statutory provision for the repayment of debt	(325)
(6,120)		(13,605)
703	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(1,578)
(22,092)	Balance at 31 March	(22,832)

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.

2020/21			2021/22	
£'000	£'000		£'000	£'000
	(19,825)	Balance at 1 April		**(22,473)**
(5,581)		Upward Revaluation of Assets	**-**	
2,755		Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	**30**	
(2,826)	(2,826)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	**30**	**30**
	178	Difference between fair value depreciation and historical cost depreciation		**145**
	-	Accumulated gains on assets sold or scrapped		**-**
	(22,473)	**Balance at 31 March**		**(22,298)**

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 theaccount.

2020/21		**2021/22**
£'000		**£'000**
152	Balance at 1 April	**327**
-	Settlement or cancellation of accrual made at the end of previous year	-
175	Amounts accrued at the current year end	-
-	Expenditure Statement on an accruals basis is different from remuneration chargeable in the	-
327	Balance at 31 March	**327**

Collection Fund Adjustment Account

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

2020/21 £'000		2021/22 £'000
(312)	Balance at 1 April	**7,151**
7,463	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	**(3,872)**
7,151	Balance at 31 March	**3,279**

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.

2020/21 £'000		2021/22 £'000
67,037	Balance at 1 April	**76,745**
5,921	Actuarial Gains/(Losses) on pensions assets and liabilities	**(8,823)**
7,648	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	**8,586**
(3,861)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(3,837)**
76,745	Balance at 31 March	**72,671**

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.

2020/21 £'000		2021/22 £'000
(148)	Balance at 1 April	**(138)**
10	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	**10**
-	Transfer to the Capital receipts reserve upon receipt of cash	**-**
(138)	Balance at 31 March	**(128)**

Note 21. Cash Flow Statement – Operating Activities

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

2020/21 £'000		2021/22 £'000
(830)	Depreciation	(783)
(834)	Impairment and downward valuations	1,747
-	Amortisation	-
(206)	Increase in impairment provision for bad debts	(6)
(10,895)	(Increase)/Decrease in creditors	6,377
8,673	Increase/(Decrease) in debtors / payments in advance	(7,500)
(2,533)	Increase/(Decrease) in stock	(3,229)
(3,787)	Pension liability	(4,749)
(16)	Carrying amount of non-current assets sold	(3,979)
2,652	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,033)
(7,776)	**Net cashflows from operating activities**	**(13,155)**

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

2020/21 £'000		2021/22 £'000
-	Purchase of short-term and long-term investments	-
1,644	Proceeds from short-term and long-term investments	1,644
2,428	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,703
4,072		11,347

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
(252)	Interest received	(220)
131	Interest paid	175

Note 22. Cash Flow Statement – Investing Activities

2020/21 £'000		2021/22 £'000
8,962	Purchase of property, plant & equipment, investment property and intangible assets	**14,898**
2,331	Purchase of short term and long term investments	**-**
-	Other payments for investing activities	**-**
(2,428)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	**(6,894)**
(7,194)	Proceeds from sale of short-term and long-term investments	**3,951**
(1,513)	Other receipts from investing activities	**(1,588)**
158	**Net Cash Flow from Investing activities**	**10,367**

Note 23. Cash Flow Statement – Financing Activities

2020/21 £'000		2021/22 £'000
-	Cash receipts of short and long term borrowing	**-**
-	Other receipts from financing activities	**(11)**
(10)	Cash receipts for finance leases	**(8,633)**
728	Other payments for financing activities	**-**
718	**Net Cash Flow from Financing activities**	**(8,644)**

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

	People & Places £'000	Customer & Resources £'000	Assistant Chief Executive £'000	Strategic Property £'000	Finance & Trading £'000	Planning & Regulatory Services £'000	Total £'000
Chief Officer Income and Expenditure 2020/21							
	£'000	£'000	£'000	£'000			£'000
Fees, Charges & Service Income	(731)	(3,244)	(404)	(123)	(3,588)	(2,475)	(10,565)
Grants	(943)	(22,187)	(1)	(8)	(484)	(38)	(23,661)
Total Income	(1,674)	(25,431)	(405)	(131)	(4,072)	(2,513)	(34,226)
Employee Expenses	1,593	2,734	879	1,310	5,296	2,446	14,258
Other Service Expenses	1,884	26,752	1,202	476	7,510	1,837	39,661
Total Expenditure	3,477	29,486	2,081	1,786	12,806	4,283	53,919
Net Expenditure	1,803	4,055	1,676	1,655	8,734	1,770	19,693
Chief Officer Income and Expenditure 2021/22							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(6,297)	(18,771)	(237)	(2,024)	(3,702)	(3,683)	(34,714)
Grants	3,087	(2,497)	(49)	1,490	(2,343)	1,059	747
Total Income	(3,210)	(21,268)	(286)	(534)	(6,045)	(2,624)	(33,967)
Employee Expenses	1,594	2,725	1,325	875	5,409	3,055	14,983
Other Service Expenses	3,426	22,364	523	1,131	7,083	1,339	35,866
Total Expenditure	5,020	25,089	1,848	2,006	12,492	4,394	50,849
Net Expenditure	1,810	3,821	1,562	1,472	6,447	1,770	16,882

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.

2020/21 £'000		2021/22 £'000
15,817	Net Expenditure in Chief Officer Analysis	**16,882**
5,806	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**974**
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
21,623	Cost of Services in Comprehensive Income and Expenditure Statement	**17,856**

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

Reconciliation to Subjective Analysis *(Cont).*

Reconciliation to Subjective Analysis 2021/22	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.	(34,713)	(9,134)	-	(43,847)	-	**(43,847)**
Interest Income	-			-	(220)	**(220)**
Investment Income	-	-	-	-	(1,599)	**(1,599)**
Disposal of Items of Property Plant & Equipment	-	-	-	-	(132)	**(132)**
Income from Council Tax	-	-	-	-		
and NDR	-	-	-	-	(9,678)	**(9,678)**
Movement on Fair Value of Investment Property	-	-	-	-	(1,746)	**(1,746)**
Government Grants and Contributions	747	-	-	747	(10,419)	**(9,672)**
Capital Grants and Contributions		(7,599)		(7,599)	(1,415)	**(9,014)**
Total Income	(33,966)	(16,733)	-	(50,699)	(25,209)	**(75,908)**
Employee Expenses	14,983	3,439	-	18,422	1,480	**19,902**
Other Service Expenses	35,865	13,911	-	49,776	-	**49,776**
Depreciation, amortisation and Impairment	-	390	-	390	-	**390**
Interest Payments & similar payments	-	(34)	-	(34)	175	**141**
Precepts & Levies	-	-	-	-	4,779	**4,779**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	**-**
Gain or loss on disposal of non current assets	-	-	-	-	-	**-**
Capital Grants and Contributions	-	-	-	-	-	**-**
Total Expenditure	50,848	17,706	-	68,554	6,434	**74,988**
(Surplus) or deficit on the provision of services	16,882	973	-	17,855	(18,775)	**(918)**

Note 24.d Expenditure and Income analysed by nature

2020/21 £'000	Expenditure and Income analysed by nature	2021/22 £'000
	Expenditure	
18,177	Employee Benefit Expenses	**19,902**
46,153	Other Service Expenses	**49,776**
555	Depreciation, amortisation and impairment	**390**
-	Loss on Disposal of non current assets	**-**
273	Interest payments	**141**
4,638	Precepts and levies	**4,779**
-	Payment to Housing Capital Receipts Pool	**-**
69,796	Total Expenditure	**74,988**
	Income	
(13,049)	Fees and Charges and other service income	**(43,847)**
(841)	Income from Council Tax and Business Rates	**(9,678)**
(47,397)	Government Grants and contributions	**(9,672)**
(1,775)	Interest and Investment income	**(1,819)**
(212)	Gain on disposal of non current assets	**(132)**
703	Movement on Fair Value of Investment Property	**(1,746)**
(6,109)	Capital Grants and Contributions	**(9,014)**
(68,680)	Total Income	**(75,908)**
1,116	Net Service cost/income	**(918)**

Note 24.e Segmental Income and Expenditure

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

Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis 2021/22	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
Expenditure							
Employee Benefit Expenses	2,031	3,171	1,625	1,113	6,561	3,921	**18,422**
Other Service Expenses	9,493	22,200	1,247	(1,725)	13,760	4,803	**49,778**
Depreciation, amortisation & impairment	49	100	-	10	230	-	**389**
Interest payments	-	-	-	-	(34)	-	**(34)**
Total Segmental Expenditure	11,573	25,471	2,872	(602)	20,517	8,724	**68,555**
Income							
Fees and Charges and other service income	(6,276)	(21,053)	(236)	(2,158)	(10,440)	(3,682)	**(43,845)**
Benefits and other Gov. grants	(1,825)	(2,497)	(49)	-	(2,343)	(138)	**(6,852)**
Total Segmental Income	(8,101)	(23,550)	(285)	(2,158)	(12,783)	(3,820)	**(50,697)**
Net Segmental Expenditure	3,472	1,921	2,587	(2,760)	7,734	4,904	**17,858**
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							**(18,776)**
Net Service Expenditure							**(918)**

Note 25. Members' Allowances

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

2020/21 £'000		2021/22 £'000
402	Allowances	**402**
1	Expenses	**18**
403	Total	**420**

Note 26. Officers' Remuneration

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

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

2021/22	Salary	Bonuses	Expenses	Com-pensation Loss of employment	Pension	Other Emol-uments	**Total**
	£	£	£	£	£	£	**£**
Chief Executive	164,122	3,953	-	-	31,430	5,413	**204,918**
Deputy Chief Executive and Chief Officer Finance & Trading	110,995	2,512	-	-	21,226	-	**134,733**
Deputy Chief Executive and Chief Officer Customer & Resources	110,995	2,512	-	-	21,226	510	**135,243**
Deputy Chief Executive and Chief Officer People & Places	108,505	500	-	-	20,384	-	**129,389**
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	110,995	2,512	-	-	21,226	-	**134,733**
Assistant Chief Executive Transformation and Strategy	94,989	2,112	-	-	18,158	1,260	**116,519**
Strategic Head of Property & Commerical Economic Development and Property	93,346	1,923	-	-	17,815	-	**113,084**
Head of Legal & Democratic Services	83,200	250	-	-	15,605	-	**99,055**

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

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

Number of Employees 2020/21	Remuneration Bands	**Number of Employees 2021/22**
7	50,000 - 55,000	**10**
4	55,001 - 60,000	**6**
4	60,001 - 65,000	**2**
5	65,001 - 70,000	**2**
1	70,001 - 75,000	**5**
-	75,001 - 80,000	**1**
3	80,001 - 85,000	**2**
1	85,001 - 90,000	**-**
-	90,001 - 95,000	**-**
-	95,001 - 100,000	**-**
1	100,001 - 105,000	**-**

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	
	20/21	**21/22**	**20/21**	**21/22**	**20/21**	**21/22**	**20/21** £'000	**21/22** **£'000**
£0 - £20,000	7	1	-		7	1	87	9
£20,001 - £40,000	3		-	1	3	1	91	30
£40,001 - £60,000	1	2	-		1	2	56	103
£60,001 - £80,000	1	2	-	1	1	3	76	211
£80,001 - £100,000	1		-		1	-	93	-
Over £100k	-		-		-	-	-	-
Total	13	**5**	-	**2**	13	**7**	403	**353**

27. External Audit Fees

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

2020/21 £'000		2021/22 £'000
58	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	**64**
-	Fees Payable to external auditors in respect of statutory inspections	**-**
21	returns	**11**
-	Fees payable in respect of other services provided by external auditors during the year	**-**
79	Total	**75**

Note 28. Grant income

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

2020/21 £'000		2021/22 £'000
	Credited to Taxation and Non Specific Grant Income	
(18,581)	S31 Small Business Rate Reduction (DLUHC)	(7,472)
(2,373)	Income Compensation Covid-19 (DLUHC)	(796)
(1,501)	General Covid-19 (MHCLG)	(245)
(1,250)	New Homes Bonus (DLUHC)	(1,155)
(898)	Community Infrastructure Levy	(1,415)
(31)	S31 Council Tax Family Annexes (DLUHC)	(48)
(24,634)	Total	(11,131)
	Credited to Services	
(21,630)	Benefit Subsidy (DWP)	(19,659)
(2,798)	ARG and LRSG Open Grants	(2,120)
(503)	Community Facility Improvements	-
(834)	Better Care Fund (was Disabled Facilities Grant) (KCC)	(1,367)
(697)	Council Tax Hardship Fund (MHCLG)	(349)
(353)	Housing Benefit Administration (DWP)	(380)
(364)	Flexible Homelessness (DLUHC)	(109)
(246)	Housing Support (KCC/Other LA)	(216)
(204)	New Burdens	(397)
(170)	Business Support Grant - LA Covid-19 (MHCLG)	(533)
(138)	Contain Outbreak Managemnet (KCC)	(700)
(119)	Homelessness (MHCLG/KCC)	(1,077)
(119)	Choosing Health PCT (KCC)	(119)
(112)	Sports England	(126)
-	Lower Tier Services Grant	(98)
(34)	Communities against Drugs (KCC/PCC)	(23)
-	Domestic Abuse Grant	(34)
(44)	Re-Open High Streets (MHCLG/ERDF)	(169)
(31)	Compliance & Enforcement (MHCLG)	(33)
(21)	Test and Trace LA Covid-19 (KCC)	(131)
(20)	Clinically Extremely Vulnerable (KCC)	(83)
(13)	Green Home (BEIS)	(13)
(8)	Individual Electoral Registration (CO)	-
(34)	Other	(105)
(28,493)	Total	(27,843)

Breakdown of Business Rates Grants

2020/21 £'000		2021/22 £'000
	Business Rates	
612	NNDR Safety Net/Levy	**495**
(411)	NNDR Pool Growth	**(256)**
14,911	NNDR Net (Surplus)/Deficit	**6,983**
15,112	Total	**7,222**

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:

2020/21 £'000		2021/22 £'000
	Capital Grants Receipts in Advance	
(534)	Better Care Fund (KCC)	**(542)**
(1,256)	Green Home (BEIS)	**-**
(8)	Regional Housing Pot (KCC/MHCLG)	**(8)**
(1,798)	Total	**(550)**

2020/21 £'000		2021/22 £'000
	Revenue Grants Receipts in Advance	
(5,104)	Section 106 receipts	**(1,305)**
(5,104)	Total	**(1,305)**

Note 29. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2022 are shown in note 28.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note 25. Returns were obtained from Members in respect of the 2021/22 financial year requesting details of any transactions that had taken place between them or close family members and the Council. For all the organisations listed in the table below the relationship to the organisation was that the member was in a position of general control or management.

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

	2020/21				2021/22	
Paid to (Supplier) £'000	Received From (Customer) £'000	Balance at 31/03/20 £'000	Organisation	Paid to (Supplier) £'000	Received From (Customer) £'000	Balance at 31/03/21 £'000
0	1	0	Stag Community Arts Centre	**2**	**0**	**0**
1	0	0	Godfreys (Sevenoaks) Limited	**9**	**0**	**0**
4	0	0	J & D Griffiths	**2**	**0**	**0**
0	1	1	Mr James Barnett	**0**	**0**	**0**
36	1	0	Sencio Community Leisure	**49**	**0**	**0**
137	56	0	Sevenoaks Town Council	**278**	**65**	**0**
3	0	0	Sevenoaks Christian Counselling Service	**2**	**0**	**1**
0	0	0	Hartley Parish Council	**5**	**0**	**0**
12	0	0	Citizens Advice North & West Kent	**104**	**0**	**0**

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

2020/21 £'000	Organisation	2021/22 £'000
3	Sevenoaks District Arts Council	3
425	Sencio Community Leisure	0
99	Citizens Advice Bureau	99
3	Sevenoaks Christian Counselling Service	5

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

Senior Officers

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

Kent County Council pension fund

See note 34.

Assisted organisations

The Council provided material financial assistance to the following organisation:

Sevenoaks Leisure Limited

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

Quercus 7 Limited

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

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

The company has no commercial properties and during the year the company were given credit facilities for business expenses totalling £298,799. Quercus 7 Limited. Secured long term borrowing remained at £6.00m.

Quercus Housing Limited

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

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

During the year the company were given credit facilities for business expenses totalling £53,154

Burlington Mews Management Company Limited

The company was incorporated 10 December 2019 (Company number 12357799). Two officers were appointed as directors and 1 as Secretary. The purpose of the company is to manage the shared spaces of the Burlington Mews development. The development was completed and the properties sold by 31 March 2022 and the company was being handed over to residents. Sevenoaks District Council officers resigned from the company on 22 June 2022.

Shared Services

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

Note 30. Capital Expenditure and Capital Financing

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

2020/21 £'000		2021/22 £'000
(30,005)	**Opening Capital Financing Requirement**	**(41,285)**
	Capital Investment:	
8,821	Property Plant and Equipment	**14,315**
732	Inventory	**90**
141	Investment Properties	**582**
3,433	Long term debtors relating to capital	**-**
1,940	Revenue Expenditure Funded from Capital under Statute	**6,480**
2,330	Investments	**-**
17,397		**21,467**
	Sources of Finance:	
(88)	Capital Receipts	**(1,511)**
(2,846)	Government Grants and other contributions	**(8,412)**
(697)	Sums set aside from revenue	**(519)**
(2,200)	Repayment of Internal Borrowing	**(3,328)**
(5,831)		**(13,770)**
286	MRP for the year	**325**
(41,285)	Closing Capital Financing Requirement	**(48,657)**

Note 31 Leases Operating Leases Authority as Lessee

In 2014/15 the Council entered into an operating lease for land adjacent to 66 London Road Sevenoaks. This lease is for 15 years.

In 2018/19 the Council entered into an operating lease for vending machines for Argyle Road. The lease is for 3 years.

Payments under operating leases for the car park and vending equipment during the year amounted to £51,526 (£40,858 in 2020/21).

31/03/21 £'000	Minimum Lease Payments	31/03/22 £'000
51	Not later than one year	**51**
211	Later than one year and not later than five years	**216**
113	Later than five years	**57**
375	Total	**324**

Authority as Lessor

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

31/03/21 £'000		31/03/22 £'000
1,357	Not later than one year	**1,278**
4,079	Later than one year and not later than five years	**3,762**
5,837	Later than five years	**5,262**
11,273		**10,302**

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

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

Finance Leases Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

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

31/03/21 £'000		31/03/22 £'000
149	Gross Investment in the Lease	**123**
31	Estimated Residual value	**31**
123	Net Investment in the lease (Gross Investment discounted by implic	**110**
26	Unearned Finance Income	**13**
	The gross investment in the lease will be received over the following periods.	
22	Not later than one year	**22**
110	Later than one year and not later than 5 years	**111**
14	Later than 5 years	**16**
147	Total	**149**

Note 32. Impairment Losses

During 2021/22 there were no impairment losses on the Council's property assets.

Note 33. Termination Benefits

The Authority terminated the contracts of 7 employees in 2021/22, incurring costs of

£353,076 (£403,745 in 2020/21) – see note 26 for the number of exit packages and total cost per band.

Note 34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

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

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

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

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

Transactions relating to Post Employment Benefits

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

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

2020/21 £'000		2021/22 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
5,905	Current Service cost	**6,894**
184	Past Service costs	**142**
1,559	Net Interest Expense (includes administration expense)	**3,493**
7,648	Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**10,529**
	Other post employment charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined liability comprising:	
(25,711)	Return on plan assets (excluding the amount included in the net interest expense)	**(447)**
-	Other actuarial (gains)/losses on assets	**-**
(1,837)	Actuarial (gains) and losses arising on change in demographic assumptions	**-**
35,754	Actuarial (gains) and losses arising on changes in financial assumptions	**(8,837)**
(2,285)	Other	**461**
5,921	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	**(8,823)**
	Movement in Reserves Statement	
7,648	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	**8,586**
	Actual Amount charged against the General Fund balance for pensions in the year	
3,861	Employers contributions payable to the scheme	**3,837**

Pension Assets and Liabilities recognised in the balance Sheet

2020/21 £'000		2021/22 £'000
	Present value of the Defined Obligations	
(192,784)	Present value of Funded Liabilities	**(190,543)**
(1,589)	Present Value of Unfunded Liabilities	**(1,440)**
(194,373)	Total Defined Benefit Obligation	**(191,983)**
117,628	Fair Value of plan assets (at bid value)	**119,312**
(76,745)		**(72,671)**

Reconciliation of movements in the fair value of scheme assets

2020/21 £'000		2021/22 £'000
90,869	Opening fair value of scheme assets	**117,628**
1,516	Interest on assets	**2,013**
25,711	Return on assets less interest	**447**
-	Other actuarial gains/(losses)	**-**
(75)	Administration expense	**(70)**
3,861	Contributions from employer	**3,837**
831	Contributions from scheme participants	**845**
(5,085)	Estimated benefits paid plus unfunded net of transfers in	**(5,388)**
117,628	Closing Value of scheme assets	**119,312**

Reconciliation of the movements in defined benefit obligation

2020/21 £'000		2021/22 £'000
157,906	Opening Defined Benefit Obligation	**194,373**
5,905	Current Service Cost	**6,894**
3,000	Interest Cost	**3,493**
35,754	Change in Financial Assumptions	**(8,837)**
(1,837)	Change in Demographic assumptions	**-**
(2,285)	Experience loss/(gain) on defined benefit obligation	**461**
(4,924)	Estimated benefits paid net of transfers in	**(5,232)**
184	Past service costs including curtailments	**142**
831	Contributions by scheme participants	**845**
(161)	Unfunded pension payments	**(156)**
194,373	Closing Defined Benefit Obligation	**191,983**

Scheme Assets

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

31/03/21 %		31/03/22 %
65	Equity investments	**64**
1	Gilts	**1**
12	Bonds	**14**
10	Property	**12**
5	Cash	**2**
7	Absolute Return Fund	**7**
100	Total	**100**

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 2022.

The principal assumptions used by the actuary have been:

2020/21		2021/22
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
22	Men	**22**
24	Women	**24**
	Longevity at 65 for future pensioners	
23	Men	**23**
25	Women	**25**
	Financial Assumptions	
2.80%	Rate of Inflation (CPI)	**3.20%**
3.80%	Rate of increase in salaries	**4.20%**
2.80%	Rate of increase in pensions	**3.20%**
2.00%	Rate for discounting scheme liabilities	**2.60%**
50.00%	Take-up of option to convert annual pension into retirement lump sum	**50.00%**

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

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which was chosen by the actuaries to meet the requirements of IAS19 and with consideration of the duration of Employers liabilities.

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of the total obligation of £192m.

	Increase of 0.1% £'000	Decrease of 0.1% £'000
Adjustment to discount rate		
Present value of total obligation	188,411	195,627
Projected Service Cost	5,471	5,849
Adjustment to long term salary increase		
Present value of total obligation	192,329	191,640
Projected Service Cost	5,660	5,654
Adjustment to pensions increases and deferred revaluation		
Present value of total obligation	195,256	188,711
Projected Service Cost	5,848	5,472
Adjustment to mortality age rating assumptions	Decrease 1 year	Decrease 1 year
Present value of total obligation	200,610	183,750
Projected Service Cost	5,890	5,433

Projected Pension Expense for the year to 31 March 2022

	2021/22 Projection £'000
Service Cost	**5,657**
Net interest on the defined liability	**1,840**
Administration expense	**69**
Total	**7,566**
Employer Contributions	**3,699**

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 career average scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Note 35.Contingent Liabilities

There are no contingent liabilities identified in the year

Note 36. Contingent Assets

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

Note 37. Heritage Assets

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

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

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

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

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

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

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

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 2022/23 was approved by Council on 23 January 2021 as follows:

2020/21 Council Tax £000	2020/21 NDR £000	2020/21 Total £000		Note	2021/22 Council Tax £000	2021/22 NDR £000	2021/22 Total £000
			Income				
99,874	-	99,874	Billed to Council Tax Payers	1	105,523	-	105,523
-	19,735	19,735	Income from Business Ratepayers	2	-	30,859	30,859
-	-	-	Reduction in Bad Debts Provision		1,140	-	1,140
-	1,145	1,145	Reduction in Provision for Appeals		-	623	623
-	-	-	Transitional Protection		-	49	49
-	-	-	Reimbursement of previous year's estimated Collection Fund deficit	3	-	16,886	16,886
99,874	**20,880**	**120,754**			**106,663**	**48,417**	**155,080**
			Expenditure				
			Precepts & Demands:				
69,195	3,236	72,431	Kent County Council		72,182	3,286	75,468
10,403	-	10,403	Police & Crime Commissioner for Kent		11,099	-	11,099
4,060	360	4,420	Kent & Medway Fire & Rescue Authority		4,112	365	4,477
11,264	14,383	25,647	Sevenoaks District Council		11,443	14,604	26,047
4,638	-	4,638	Town & Parish Councils		4,779	-	4,779
			Business Rates:				
-	17,979	17,979	Payments to Government		-	18,255	18,255
-	163	163	Cost of Collection Allowance		-	167	167
-	167	167	Transitional Protection		-	-	-
			Bad and Doubtful Debts:				
631	752	1,383	Provision for Non Payment		1,684	11	1,695
-	1,659	1,659	Provision for Appeals		-	2,065	2,065
392	(26)	366	Write Offs		290	188	478
-	585	585	Contribution towards previous year's estimated Collection Fund surplus	3	540		540
100,583	**39,258**	**139,841**			**106,129**	**38,941**	**145,070**
(709)	**(18,378)**	**(19,087)**	(DEFICIT)/SURPLUS FOR YEAR	3	**534**	**9,476**	**10,010**
			COLLECTION FUND BALANCE				
566	553	1,119	Balance at beginning of year		(143)	(17,825)	(17,968)
(709)	(18,378)	(19,087)	(Deficit)/Surplus for year		534	9,476	10,010
(143)	**(17,825)**	**(17,968)**	**BALANCE AT END OF YEAR**	4	**391**	**(8,349)**	**(7,958)**

A* - Concessionary rate for adapted homes

The tax rate for a band D property in 2021/22 was £1,942.64, excluding Town and Parish Council taxes (2020/21 = £1,853.66).

	2020/21	2021/22
	£	£
Kent County Council	1,351.26	1,418.76
Police & Crime Commissioner for Kent	203.15	218.15
Kent & Medway Fire & Rescue Authority	79.29	80.82
Sevenoaks District Council	219.96	224.91
	1,853.66	1,942.64
Town & Parish Councils (Average)	90.56	93.93
TOTAL (including an average town & parish rate)	1,944.22	2,036.57

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

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

Non-domestic rates are calculated on a national basis. For 2021/22, the Government specified a “rate poundage” of 51.2p (2020/21: 51.2p) for large businesses or 49.9p (2020/21: 49.9p) for small businesses and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The NDR income after relief and provisions of £30,859,000 for 2021/22 (2020/21: £19,735,000) was based on the total rateable value for the Council’s area, which at 31 March 2022 was £95,847,561 (31 March 2021: 96,164,482).

Note 3 Contributions to Collection Fund surpluses and deficits

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

In January 2022, the estimated balance at 31 March 2022 in respect of council tax transactions was a deficit of £169,851. This deficit is to be 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 2021/22 and taken into account by the respective authorities in the calculation of their council taxes for 2022/23. The actual position at 31 March 2022 was a surplus of £391,142.

The actual surplus of £391,142 at 31 March 2022 in respect of council tax and the actual deficit of £8,348,669 in respect of NDR will be taken into account when estimating the surplus or deficit for 2022/23.

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
2020/21	**Council Tax:**						
	Arrears	4,598	707	262	-	1,033	**6,600**
	Provision for Bad Debts	(2,016)	(310)	(115)	-	(453)	**(2,894)**
	Prepayments & Refunds	(1,949)	(300)	(111)	-	(438)	**(2,797)**
	Cash	(733)	(114)	(41)	-	(163)	**(1,051)**
	(Surplus)/Deficit	100	17	5	-	21	**143**
	NDR:						
	Arrears	338	-	38	1,880	1,504	**3,760**
	Provision for Bad Debts	(123)	-	(14)	(682)	(546)	**(1,364)**
	Provision for Appeals	(736)	-	(82)	(4,087)	(3,270)	**(8,174)**
	Prepayments & Refunds	(181)	-	(20)	(1,005)	(804)	**(2,010)**
	Cash	(903)	-	(100)	(5,018)	(4,014)	**(10,036)**
	(Surplus)/Deficit	1,604	-	178	8,913	7,130	**17,825**
	Total	**-**	**-**	**-**	**-**	**-**	**-**
2021/22	**Council Tax:**						
	Arrears	4,537	708	256	-	1,014	**6,515**
	Provision for Bad Debts	(2,394)	(374)	(135)	-	(535)	**(3,438)**
	Prepayments & Refunds	(2,082)	(325)	(117)	-	(465)	**(2,989)**
	Cash	211	33	12	-	47	**303**
	(Surplus)/Deficit	(272)	(43)	(15)	-	(61)	**(391)**
	NDR:						
	Arrears	318	-	35	1,765	1,412	**3,529**
	Provision for Bad Debts	(124)	-	(14)	(688)	(550)	**(1,376)**
	Provision for Appeals	(865)	-	(96)	(4,808)	(3,847)	**(9,616)**
	Prepayments & Refunds	(189)	-	(21)	(1,049)	(839)	**(2,098)**
	Cash	109	-	12	606	485	**1,212**
	(Surplus)/Deficit	751	-	83	4,174	3,339	**8,349**
	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.

Bexley. London Borough of Bexley.

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

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

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

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

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

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

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

CO. Cabinet Office

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

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

CIPFA. Chartered Institute of Public Finance and Accountancy.

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

Contingent Liabilities. Contingent liabilities are either:

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

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

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

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

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

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

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

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

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

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

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

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

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

DLUHC . Department for Levelling Up, Housing and Communities.

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

ERDF. European Regional Development Fund.

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

FIAC. Finance & Investment Advisory Committee.

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

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

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

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

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

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

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

Impairment. A downward revaluation of an asset

KCC. Kent County Council.

KMFRA. Kent and Medway Fire and Rescue Authority.

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

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.

LGA. Local Government Association

MBC. Maidstone Borough Council.

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

MRP. Minimum Revenue Provision.

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

PCC. Police and Crime Commissioner.

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

PCT. Primary Care Trust

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

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

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

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

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

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

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

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

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

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

SMT. Strategic Management Team

SDC or Sevenoaks. Sevenoaks District Council

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

Supplies and Services. Includes expenditure on equipment and materials.

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

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

TMBC. Tonbridge and Malling Borough Council.

TWBC. Tunbridge Wells Borough Council.

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

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

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