Sevenoaks
DISTRICT COUNCIL

Statement of Accounts

2020/21

CONTENTS

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 2021. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21.

The Core Statements are:

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

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

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

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

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

The Supplementary Financial Statements are:

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

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

Other information published with the financial statement:

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

2. Chief Finance Officer's Statement – Adrian Rowbotham

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

The Council's work is built on excellence, innovation and value for money, and we recognise the importance of high quality and innovative financial management to help us achieve our aims.

Our 10-year budget framework, introduced in 2011, continues to give us strong foundations to invest in our District. Last year we set a budget for 2020/21 that continued to reflect our financial self-sufficiency, having achieved this in 2016/17, ahead of our projected timescale.

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

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

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

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

I would like to record my thanks to Members, the Finance Team and the many others across the Council that have worked hard to make decisions in light of the financial pressures the Council faces and have ensured that services are delivered and money is managed in line with the budgets that were set. Every year since the introduction of the 10-year budget framework, with the exception of 2020/21, due to COVID-19 the Council has achieved a budget surplus and this would simply not be possible if we did not all support and believe in the vision we have set. While we now have a better understanding of the impact of Covid-19, including the substantial loss of income from fees and charges, as well as the additional expenditure on supporting our most vulnerable residents, the longer term effects are yet to become apparent. However, we are in a stronger position than many other councils due to our firm foundations. We have been actively looking at recovery and how to bring forward our major capital projects in order to reinvigorate the economy of the district.

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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

3. Council Performance

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

Environment

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

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

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

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

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

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

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

Economy

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

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

Housing

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

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

Community Safety

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

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

Health

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

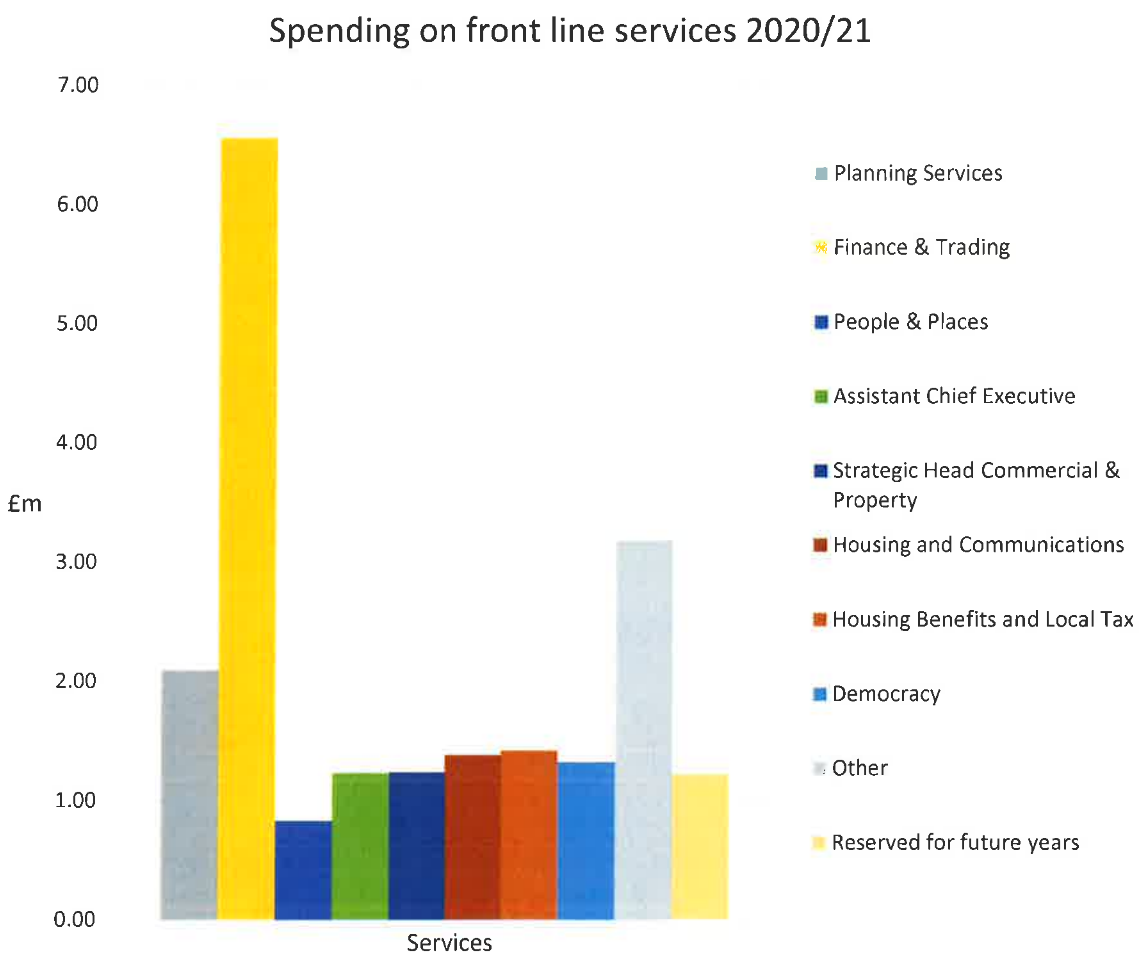
Despite the local and national restrictions during the past year, the percentage of actions in the Sustainable Community Action Plan achieved for 2020/21 is 88% (98% 2019/20).

To provide value for money

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

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

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



4. Corporate Risk

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

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

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

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

5. Financial Performance

Operating Environment

Since 2010 Sevenoaks District Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This challenging environment is on-going and includes additional uncertainty regarding the impact of leaving the European Union, and the challenges which Covid-19 has brought to the economy and public services in both the short and long term.

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

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

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

Although we are now financially self-sufficient, the long term challenges have not disappeared. We still need to make savings and efficiencies within the context of our 10-year budget. Sevenoaks District is 93% Green Belt. This means there is little space to build or develop new business space. This equally applies to the Council's ability to provide more housing which limits the amount by which the Council can increase its income from New Homes Bonus, which is currently subject to review by Government, or from growth in council tax receipts linked to each new home.

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

Financial conditions also mean that the Council must work hard to retain and recruit the very best people as what can be provided in salary is contained within national terms and conditions. It has become evident over the past two years that attracting high quality staff is increasingly challenging. However, our commitment to being a great place to work is underlined by the fact the Council has become the first public sector organisation in the country to retain the Investors in People Platinum Award. Our focus on our people has never been greater and continuing to maintain this will be critical to the Council's future success.

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

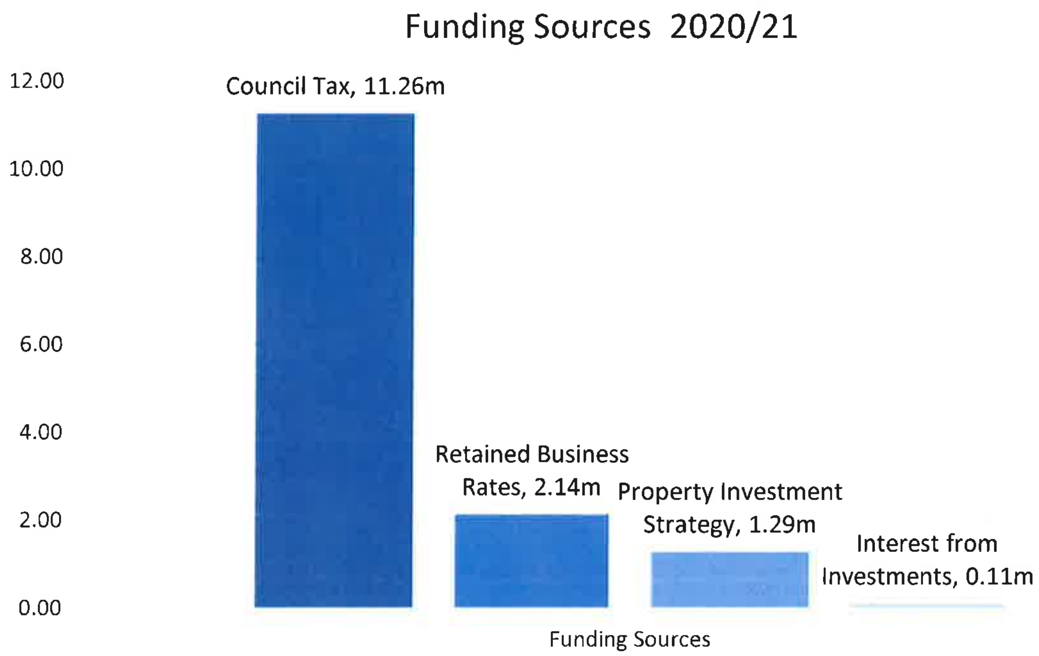
Revenue

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

Due to Covid-19 this has been a very difficult financial year and Sevenoaks District Council could be facing unprecedented financial pressures both on loss of income and increased costs. The Council took early and definitive decisions in order to address these issues and this limited the financial impact whilst enabling the Council to continue to deliver services to customers. The final outturn position for 2020/21 is a deficit of £394,000 (2019/20 surplus of £52,000).

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

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



Capital & assets

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

Capital Programme 2021-24

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

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

Borrowing & Investments

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

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

Cash flow

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

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

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

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

Contingencies

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

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

Pensions

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

The Council has net pension liabilities of £76.7m at 31 March 2021 compared to £67.0m at 31 March 2020 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in December 2019 which reported a funding deficit of £15.310m .

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 2021 and its income and expenditure for the year ended on that date.

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Comprehensive Income and Expenditure Statement

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

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

MOVEMENT IN RESERVES STATEMENT

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

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

Movement in Reserve Statement

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

Movement in statement of reserves (cont)

Financial Year 2020/21	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)	(34,405)	39,520	5,113	5,388

BALANCE SHEET

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

31/03/19 Restated £'000	31/03/20 £'000	31/03/20 £'000	SDC Note		31/03/21 £'000	31/03/21 £'000
SDC	SDC	Group		Long Term Assets	SDC	Group
37,943	28,895	28,895	10	Property, Plant and Equipment	38,863	38,863
1,164	1,045	1,045	10	Surplus Assets	1,761	1,761
29,753	30,347	35,260	11	Investment Property	31,738	44,409
265	1,711	51	12	Long Term Investments	4,041	50
1,136	3,326	800	14	Long Term Debtors	6,727	804
70,261	65,324	66,051		Total Long Term Assets	83,130	85,887
				Current Assets		
18,078	11,087	11,087	12	Short Term Investments	4,014	4,014
180	187	187	16	Assets held for sale	174	174
2,773	4,806	4,806	15	Cash and Cash Equivalents	6,516	6,946
1,796	5,843	5,843	13	Inventories	3,311	3,311
5,973	4,491	4,082	14	Short Term Debtors	12,826	11,953
572	658	658	14	Payments in Advance	825	825
29,372	27,072	26,663		Total Current Assets	27,666	27,224
				Current Liabilities		
(8,320)	(8,261)	(8,261)	17 & 28	Receipts in Advance	(13,075)	(13,075)
(8,643)	(9,236)	(9,242)	17	Short Term Creditors	(15,328)	(15,431)
(2,699)	(3,216)	(3,216)	18	Short Term Provisions	(3,596)	(3,596)
(19,662)	(20,713)	(20,719)		Total Current Liabilities	(31,999)	(32,102)
9,710	6,359	5,944		Net Current Assets	(4,333)	(4,878)
				Long Term Liabilities		
(5,364)	(5,241)	(5,241)	17	Long Term Borrowing	(5,112)	(5,112)
(257)	(257)	(257)	18	Long Term Provisions	(257)	(257)
(67,066)	(67,037)	(67,037)	34	Net Pensions Liability	(76,745)	(76,745)
(33)	(50)	(2,537)	28	Capital Grants Receipts in Adv.	(1,798)	(4,285)
(72,720)	(72,585)	(75,072)		Total Long Term Liabilities	(83,912)	(86,399)
7,251	(902)	(3,077)		Total Net Assets/(Liabilities)	(5,115)	(5,390)

BALANCE SHEET (cont)

31/03/19 Restated £'000	31/03/20 £'000	31/03/20 £'000	SDC Note		31/03/21 £'000	31/03/21 £'000
				Usable Reserves		
(559)	(1,739)	(1,739)	MIRS	Usable Capital Receipts Reserve	(1,876)	(1,876)
(19,373)	(19,011)	(19,011)	9	Earmarked Reserves	(28,388)	(28,388)
-		2,175		Profit and Loss Reserve		413
(3,627)	(3,043)	(3,043)	MIRS	Capital Grants Unapplied	(2,441)	(2,441)
(1,500)	(1,500)	(1,500)	MIRS	General Fund	(1,700)	(1,700)
(25,059)	(25,293)	(23,118)		Subtotal Usable Reserves	(34,405)	(33,992)
				Unusable Reserves		
(30,058)	(20,709)	(20,709)	20	Capital Adjustment Account	(22,092)	(22,092)
(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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

29 March 2022

COUNCIL APPROVAL

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

Councillor P McGarvey

Chairman of the Audit Committee

29 March 2022

THE CASH FLOW STATEMENT

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

SDC 2019/20 £'000	Group 2019/20 £'000	Note		SDC 2020/21 £'000	Group 2020/21 £'000
12,812	14,619		Net (surplus) or deficit on the provision of services	1,116	(782)
(15,215)	(22,001)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(7,776)	(9,877)
3,235	3,130	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	4,072	4,072
832	(4,252)		Net cash flows from operating activities	(2,588)	(6,587)
(3,563)	1,521	22	Investing Activities	158	3,725
698	698	23	Financing Activities	718	718
(2,033)	(2,033)		Net (increase) or decrease in cash and cash equivalents	(1,712)	(2,144)
(2,773)	(2,773)		Cash and cash equivalents at the beginning of the reporting period	(4,806)	(4,806)
(4,806)	(4,806)	15	Cash and Cash Equivalents at the end of the reporting period	(6,516)	(6,946)

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis

2019/20* Net Expenditure Chargeable to the General Fund	2019/20* Adjustments between the Funding and Accounting Basis	2019/20* Net Expenditure in the Comprehensive Income and Expenditure Statement		2020/21 Net Expenditure Chargeable to the General Fund	2020/21 Adjustments between the Funding and Accounting Basis	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,429	1,857	3,286	People & Places	1,804	1,843	3,647
3,515	(1,825)	1,690	Customer & Resources	4,054	(2,310)	1,744
5,931	10,048	15,979	Finance & Trading	4,860	3,866	8,726
1,764	5,188	6,952	Planning & Regulatory	1,769	3,215	4,984
1,549	931	2,480	Assistant Chief Executive	1,655	763	2,418
1,459	(682)	777	Strategic Property	1,675	(1,571)	104
15,647	15,517	31,164	Net Cost of Services	15,817	5,806	21,623
(15,286)	(3,067)	(18,353)	Other Income and Expenditure	(25,394)	4,887	(20,507)
361	12,450	12,811	(Surplus) or Deficit	(9,577)	10,693	1,116
(20,873)			Opening General Fund Balance	(20,511)		
361			(Surplus) or Deficit on General Fund Balance in Year	(9,577)		
(20,511)			Closing General Fund Balance at 31 March	(30,088)		

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

Note 2. Accounting Policies

2.1 General Principles

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

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

Going Concern.

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

2.2 Accruals of Income and Expenditure

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

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

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

2.3 Cash and Cash Equivalents

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

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

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

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

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

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

2.5 Charges to Revenue for Non-Current Assets

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

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

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

2.6 Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

2.7 Provisions Contingent Assets and Liabilities

Provisions

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

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

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.

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 2020/21 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2020/21 code are:

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

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

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

Note 4. Critical Judgements in Applying Accounting Policies
In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Valuations.

- Property. The valuer has declared that at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.
    - "Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards"

- In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date the valuers continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base their judgements.
    - "Our valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case."
    - To put this in context the total value of assets revalued for 20/21 was £67.5m and the value relating to retail and specific trading related assets was £22.79m

Other Judgements

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

4.1 Covid-19 Pandemic

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

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

4.2 Covid-19 Grants

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

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

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

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

Covid-19

Further to the final point under Note 4 critical judgements, the impact of Covid-19 on the financial statements2020/21 has been reviewed and accounted for as appropriate following the CIPFA Code of Practice and IAS1.

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

Note 5. Prior Period Adjustment

- Change in reporting Structure

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

- Construction of Properties for re-sale

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

Change in balances	PPE	Inventories
	2019/20 £'000	2019/20 £'000
Original	34,674	64
Revised	28,895	5,843
Movement	(5,779)	5,779

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.

- Capital Financing Requirement

The capital financing requirement (Note 30) has been updated to take account of Regulation 25 of 2003 Regulations to show the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure and is shown within long terms debtors.

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

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

Adjustments between Funding and Accounting Basis (cont)

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments Between Accounting Basis and Funding Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(786)	-	-	786
Revaluation gain on Property, Plant and Equipment	(10,952)	-	-	10,952
Movements in the market value of Investment Properties	370	-	-	(370)
Capital grants and contributions applied	4,383	-	1,705	(6,088)
Non Specific Capital Grants	-	-	-	
Revenue expenditure funded from capital under statute	(6,090)	-	-	6,090
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(269)	-	-	269
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:	-	-	-	
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	1,497	(1,497)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	-	-	-	-
Capital expenditure charged against the General Fund Balance	1,381	-	-	(1,381)
Statutory provision for the repayment of debt	274	-	-	(274)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,121	-	(1,121)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(9)	-	-	9

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	317	-	(317)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Adjustments primarily involving the Pensions Reserve	-	-	-	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,846)	-	-	6,846
Employer's pensions contributions and direct payments to pensioners payable in the year	3,547	-	-	(3,547)
Adjustments primarily involving the Collection Fund Adjustment Account	-	-	-	
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	83	-	-	(83)
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(154)	-	-	154
Adjustments primarily involving the Accumulated Absences Account		-	-	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	(12,450)	(1,180)	584	13,045

Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(830)	-	-	830
Revaluation gain on Property, Plant and Equipment	(131)	-	-	131
Movements in the market value of Investment Properties	(703)	-	-	703
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
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:	-	-	-	-
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	228	(228)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	-	-	-	-
Capital expenditure charged against the General Fund Balance	697	-	-	(697)
Statutory provision for the repayment of debt	286	-	-	(286)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	898	-	(898)	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(10)	-	-	10

Adjustments Between Accounting Basis and Funding Regulations (cont)

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

Note 9. Transfers To/From Usable Reserves

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

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

The purpose of these usable reserves is shown below:

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

Note 10. Property, Plant and Equipment

Movements on Balances

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

* Restated as detailed in Prior Period Adjustment Note 5

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Operational Property Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 20/21:						
Cost or Valuation						
At 1 April 2020	26,737	5,238	211	1,045	720	33,950
Additions	-	624	-	-	8,197	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

Capital Commitments

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

Surplus Assets

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

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

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

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

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

Revaluations

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

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2021, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuers to be necessary for the purpose of the valuation.

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

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

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

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

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

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

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

Note 11. Investment Properties

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

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

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

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

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

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

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

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FVPL								
Amortised cost			3,188	6,687	15,893	10,530	1,749	2,448
FVOCI - designated	1,711	4,041						
FVOCI - other								
Total Financial Assets	1,711	4,041	3,188	6,687	15,893	10,530	1,749	2,448
Non-Financial Assets			66,204	72,402			3,651	14,688
Total			71,103	83,130			21,293	27,666

Categories of Financial Liabilities

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

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

	Carrying amount at 31/03/21	Fair value at 31/03/21	Change in value during 2020/21	Dividends 2020/21
	£'000	£'000	£'000	£'000
UK Municipal Bond Agency	50	50	-	-
Quercus 7 Ltd	3,991	3,991	2,331	-
	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 Limited, 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 Limited is not held for trading, rather a longer term policy initiative, it has been designated as fair value through other comprehensive income. The shares are carried at cost which is the best estimate of fair value.

Comprehensive Income and Expenditure Statement disclosures

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

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services	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	(266)		(116)	
financial assets measured at FVOCI - other				
Total interest revenue	(266)	-	(116)	-
Interest expense	161		157	

Fair Value

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

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

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

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

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

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

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

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

The fair value of assets is greater 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 2021) arising from a commitment to receive interest from borrowers above current Investment market rates.

Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

Credit Risk

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

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

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

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

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

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

The full investment strategy for 2021/22 was approved by Council on 25 February 2021. There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.25m at 31 March 2021 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

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

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

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

Liquidity Risk

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

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

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

Refinancing and Maturity Risk

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

Price Risk

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

Foreign Exchange Risk

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

Note 13. Inventories

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

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

* Restated as detailed in Prior Period Adjustment Note 5

Note 14. Debtors

Short Term Debtors

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

Long Term Debtors

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

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

Note 15. Cash and Cash Equivalents

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

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

Note 16. Assets Held for Sale

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

Details of the authority's Assets Held for Sale and information about the fair value hierarchy at 31 March 2021 are as follows:

	Carrying Value £'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 2020/21	175	266	-	266	-
Assets held for Sale 2019/20	187	1,163	-	1,163	-
Assets held for Sale 2018/19	180	1,454	-	1,454	-
Assets held for Sale 2017/18	180	1,013	-	1,013	-

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

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

Long Term Borrowing

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

Short Term Receipts in Advance

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

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 2020	257	152	3,064	3,216
Additional Provisions made during year	-	175	4,596	4,771
Amounts Used during the year	-	-	(4,391)	(4,391)
Amounts reversed as not required	-	-		-
Balance at 31 March 2021	**257**	**327**	**3,269**	**3,596**

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

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

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2021.

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

Note 19. Usable Reserves

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

Note 20. Unusable Reserves

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

Capital Adjustment Account

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

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

Capital Adjustment Account

2019/20 £'000		2020/21 £'000
(30,058)	Balance at 1 April	(20,709)
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
786	Charges for depreciation and impairment of non current assets	830
10,959	Revaluation Losses on Property, Plant and Equipment	131
6,090	Revenue expenditure funded from capital under statute	1,940
	Disposal of Inventory recognised as Capital Under Statute	1,302
-	Deferred Capital Receipts movement	-
269	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	9
18,104		4,212
(318)	Adjusting Amounts written out of the Revaluation Reserve	(178)
17,786	Net Written out amount of the cost of non current assets consumed in the year	4,034
	Capital Financing applied in the year:	
(317)	Use of the Capital Receipts Reserve to finance new capital expenditure	(91)
-	Repayment of Internal borrowing	(2,200)
(4,383)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	(1,346)
-	Non-specific capital grant	-
(1,705)	Application of Grants to capital financing from the Capital Grants Unapplied Account	(1,500)
(1,381)	Capital Expenditure charged against the General Fund	(697)
(274)	Statutory provision for the repayment of debt	(286)
(8,060)		(6,120)
(377)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	703
(20,709)	Balance at 31 March	(22,092)

Revaluation Reserve

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

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

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

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from theaccount.

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

Collection Fund Adjustment Account

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

2019/20 £'000		2020/21 £'000
(382)	Balance at 1 April	(312)
70	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	7,463
(312)	Balance at 31 March	7,151

Pensions Reserve

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

2019/20 £'000		2020/21 £'000
67,066	Balance at 1 April	67,037
(3,328)	Actuarial Gains/(Losses) on pensions assets and liabilities	5,921
6,846	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	7,648
(3,547)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,861)
67,037	Balance at 31 March	76,745

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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

Note 21. Cash Flow Statement – Operating Activities

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

2019/20 £'000		2020/21 £'000
(786)	Depreciation	(830)
(10,582)	Impairment and downward valuations	(834)
-	Amortisation	-
128	Increase in impairment provision for bad debts	(206)
(531)	(Increase)/Decrease in creditors	(10,895)
(1,490)	Increase/(Decrease) in debtors / payments in advance	8,673
(4)	Increase/(Decrease) in stock	(2,533)
(3,299)	Pension liability	(3,787)
(268)	Carrying amount of non-current assets sold	(16)
1,616	Other non-cash items charged to the net surplus or deficit on the provision of services	2,652
(15,216)	**Net cashflows from operating activities**	(7,776)

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

2019/20 £'000		2020/21 £'000
-	Purchase of short-term and long-term investments	-
1,739	Proceeds from short-term and long-term investments	1,644
1,496	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,428
3,235		4,072

The cash flows for operating activities include the following items:

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

Note 22. Cash Flow Statement – Investing Activities

2019/20 £'000		2020/21 £'000
5,790	Purchase of property, plant & equipment, investment property and intangible assets	8,962
1,446	Purchase of short term and long term investments	2,331
-	Other payments for investing activities	-
(2,079)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,428)
(7,139)	Proceeds from sale of short-term and long-term investments	(7,194)
(1,581)	Other receipts from investing activities	(1,513)
(3,563)	**Net Cash Flow from Investing activities**	158

Note 23. Cash Flow Statement – Financing Activities

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

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

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

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

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

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

Note 24.c Reconciliation to Subjective Analysis

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

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

Reconciliation to Subjective Analysis *(Cont).*

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**
(Surplus) or deficit on the provision of services	19,691	1,931	-	21,622	(20,506)	**1,116**

Note 24.d Expenditure and Income analysed by nature

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

Note 24.e Segmental Income and Expenditure

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

Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis 2020/21	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
Expenditure							
Employee Benefit Expenses	1,879	3,143	960	1,516	5,994	3,200	**16,692**
Other Service Expenses	4,093	24,111	(562)	1,065	12,436	5,013	**46,156**
Depreciation, amortisation & impairment	50	110	82	-	312	-	**554**
Interest payments	-	-	-	-	142	-	**142**
Total Segmental Expenditure	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 25. Members' Allowances

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

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

Note 26. Officers' Remuneration

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

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

2020/21	Salary £	Bonuses £	Expenses £	Compensation Loss of employment £	Pension £	Other Emoluments £	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**

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 2019/20	Remuneration Bands	Number of Employees 2020/21
4	50,000 - 55,000	**7**
2	55,001 - 60,000	**4**
7	60,001 - 65,000	**4**
2	65,001 - 70,000	**5**
-	70,001 - 75,000	**1**
2	75,001 - 80,000	**-**
1	80,001 - 85,000	**3**
-	85,001 - 90,000	**1**
-	90,001 - 95,000	**-**
-	95,001 - 100,000	**-**
-	100,001 - 105,000	**1**

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	19/20	**20/21**	**19/20**	**20/21**	**19/20**	**20/21**	**19/20** £'000	**20/21** **£'000**
£0 - £20,000	2	7	3	-	5	7	34	87
£20,001 - £40,000	-	3	-	-	-	3	-	91
£40,001 - £60,000	2	1	-	-	2	1	115	56
£60,001 - £80,000	-	1	-	-	-	1	-	76
£80,001 - £100,000	-	1	-	-	-	1	-	93
Over £100k	-	-	-	-	-	-	-	-
Total	4	**13**	3	-	7	**13**	149	**403**

27. External Audit Fees

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

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

Note 28. Grant Income

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

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

Breakdown of Business Rates Grants

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

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

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

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

Note 29. Related Party Transactions

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

Central Government

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

Members

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

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

2019/20				2020/21		
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
12	2	0	Stag Community Arts Centre	**0**	**1**	**0**
3	0	0	Godfreys (Sevenoaks) Limited	**1**	**0**	**0**
3	0	0	J & D Griffiths	**4**	**0**	**0**
0	0	0	Mr James Barnett	**0**	**1**	**1**
65	2	0	Sencio Community Leisure	**41**	**1**	**0**
19	0	0	Citizens Advice North & West Kent	**12**	**0**	**0**

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

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

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

Senior Officers

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

Kent County Council pension fund

See note 34.

Assisted organisations

The Council provided material financial assistance to the following organisation:

Sevenoaks Leisure Limited

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

Quercus 7 Limited

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

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

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

Quercus Housing Limited

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

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

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

Burlington Mews Management Company Limited

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

Shared Services

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

Note 30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note. The figures 2019/20 were restated to take account a correction in the CFR prior year calculations as detailed in Note 5.

2019/20 Original £'000	2019/20 Restated £'000		2020/21 £'000
21,989	22,576	**Opening Capital Financing Requirement**	30,005
		Capital Investment:	
5,308	1,256	Property Plant and Equipment	8,821
-	4,052	Inventory	732
-	475	Investment Properties	141
482	2,169	Long term debtors relating to capital	3,433
6,090	6,090	Revenue Expenditure Funded from Capital under Statute	1,940
-	1,446	Investments	2,330
11,880	15,488		17,397
		Sources of Finance:	
(317)	(317)	Capital Receipts	(88)
(6,088)	(6,088)	Government Grants and other contributions	(2,846)
(1,381)	(1,381)	Sums set aside from revenue	(697)
	-	Repayment of Internal Borrowing	(2,200)
(7,786)	(7,785)		(5,831)
(274)	(274)	MRP for the year	(286)
25,809	30,005	Closing Capital Financing Requirement	41,285

Note 31 Leases Operating Leases Authority as Lessee

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

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

Payments under operating leases for the car park and vending equipment during the year amounted to £40,858 (£41,993 in 2019/20).

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

Authority as Lessor

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

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

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

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

Finance Leases Authority as Lessee

The Council has no finance leases as a lessee.

Authority as Lessor

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

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

Note 32. Impairment Losses

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

Note 33. Termination Benefits

The Authority terminated the contracts of 13 employees in 2020/21, incurring costs of

£403,745 (£148,964 in 2019/20) – see note 26 for the number of exit packages and total cost per band.

Note 34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Characteristics of the Defined Benefit Scheme

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

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

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

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

Transactions relating to Post Employment Benefits

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

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

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

Pension Assets and Liabilities recognised in the balance Sheet

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

Reconciliation of movements in the fair value of scheme assets

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

Reconciliation of the movements in defined benefit obligation

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

Scheme Assets

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

31/03/20 %		31/03/21 %
61	Equity investments	65
1	Gilts	1
13	Bonds	12
14	Property	10
3	Cash	5
8	Absolute Return Fund	7
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 2021.

The principal assumptions used by the actuary have been:

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

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

Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return to the discount rate. The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond curve which was chosen by the actuaries to meet the requirements of IAS19 and with consideration of the duration of Employers liabilities.

Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of the total obligation of £192.8m.

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

Projected Pension Expense for the year to 31 March 2022

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

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

The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit 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.

2019/20 Council Tax £000	2019/20 NDR £000	2019/20 Total £000		Note	2020/21 Council Tax £000	2020/21 NDR £000	2020/21 Total £000
			Income				
95,802	-	95,802	Billed to Council Tax Payers	1	99,874	-	99,874
-	36,466	36,466	Income from Business Ratepayers	2	-	19,735	19,735
768	-	768	Reduction in Bad Debts Provision		-	-	-
-	466	466	Reduction in Provision for Appeals		-	1,145	1,145
-	252	252	Transitional Protection		-	-	-
-	-	-	Reimbursement of previous year's estimated Collection Fund deficit	3	-	-	-
96,570	**37,184**	**133,754**			**99,874**	**20,880**	**120,754**
			Expenditure				
			Precepts & Demands:				
65,975	3,125	69,100	Kent County Council		69,195	3,236	72,431
9,807	-	9,807	Police & Crime Commissioner for Kent		10,403	-	10,403
3,948	347	4,295	Kent & Medway Fire & Rescue Authority		4,060	360	4,420
10,917	13,889	24,806	Sevenoaks District Council		11,264	14,383	25,647
4,415	-	4,415	Town & Parish Councils		4,638	-	4,638
			Business Rates:				
-	17,361	17,361	Payments to Government		-	17,979	17,979
-	159	159	Cost of Collection Allowance		-	163	163
-	-	-	Transitional Protection		-	167	167
			Bad and Doubtful Debts:				
573	67	640	Provision for Non Payment		631	752	1,383
-	1,759	1,759	Provision for Appeals		-	1,659	1,659
413	308	721	Write Offs		392	(26)	366
-	554	554	Contribution towards previous year's estimated Collection Fund surplus	3	-	585	585
96,048	**37,569**	**133,617**			**100,583**	**39,258**	**139,841**
522	**(385)**	**137**	(DEFICIT)/SURPLUS FOR YEAR	3	**(709)**	**(18,378)**	**(19,087)**
			COLLECTION FUND BALANCE				
44	938	982	Balance at beginning of year		566	553	1,119
522	(385)	137	(Deficit)/Surplus for year		(709)	(18,378)	(19,087)
566	**553**	**1,119**	**BALANCE AT END OF YEAR**	4	**(143)**	**(17,825)**	**(17,968)**

Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

The tax base for 2021/22 was approved by Council on 25 January 2020 as follows:

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

A* - Concessionary rate for adapted homes

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

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

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

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

Note 3 Contributions to Collection Fund surpluses and deficits

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

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

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

Note 4 Allocation of arrears, prepayments and other balances

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

Bexley. London Borough of Bexley.

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

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

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

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

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

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

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

CO. Cabinet Office

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

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

CIPFA. Chartered Institute of Public Finance and Accountancy.

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

Contingent Liabilities. Contingent liabilities are either:

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

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

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

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

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

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

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

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

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

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

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

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

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

DfT. Department for Transport.

DWP. Department for Work and Pensions.

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

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

ERDF. European Regional Development Fund.

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

FIAC. Finance & Investment Advisory Committee.

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

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

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

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

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

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

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

Impairment. A downward revaluation of an asset

KCC. Kent County Council.

KMFRA. Kent and Medway Fire and Rescue Authority.

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

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

MBC. Maidstone Borough Council.

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

MRP. Minimum Revenue Provision.

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

PCC. Police and Crime Commissioner.

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

PCT. Primary Care Trust

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

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

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

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

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

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

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

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

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

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

SMT. Strategic Management Team

SDC. Sevenoaks District Council

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

Supplies and Services. Includes expenditure on equipment and materials.

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

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

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

TMBC. Tonbridge and Malling Borough Council.

TWBC. Tunbridge Wells Borough Council.

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

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

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

ANNUAL GOVERNANCE STATEMENT 2020/21

1. Background

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

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

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

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

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

1.5. Although corporately owned, the AGS requires internal control assessments and assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer (Chief Officer – Finance and Trading), all of which were obtained as part of this process.

2. Scope of Responsibility

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

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

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

2.4 Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. This was last adopted by the Audit Committee on 18 July 2019.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

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

- The Council's vision and promises are set out in its Council Plan which was approved by Council on 20 November 2018. The Council Plan sets out the actions that the Council has committed to undertake to deliver on its promises. The Sevenoaks District Community Plan Priorities document covers the period from 2019-22. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year.

- The existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 21 May 2019 operated well during the year. The arrangements continue to include an Audit Committee, whose terms of reference is consistent with CIPFA standards. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.

- Policy and decision-making is facilitated through reports from officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee, which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers and the financial and procedural rules for the efficient and effective discharge of the Council's business.

- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

  a) Internal Audit

  The Council's Internal Audit service is provided in partnership with Dartford Borough Council.

  During 2020/21, the Internal Audit Team have worked to deliver and achieve the annual audit plan, approved by the Audit Committee in July 2020. The service has provided regular updates to Members on the outcomes of audit work and progress on implemented audit actions. It has provided updates regarding the internal self-assessment and also the External Quality Assessment, against the Public Sector Internal Audit Standards.

  Internal audit has issued three limited assurance audit conclusions in 2020/21 to date. The audit actions arising from these reviews have either been implemented or Internal Audit are continuing to liaise with relevant services to ensure they are progressed. The Audit Committee request details of outstanding or deferred high priority actions, and while the Committee has not expressed any concerns during 2020/21, they have the power to invite Officers to attend meetings to provide updates directly.

  In the Internal Audit Annual Report and Opinion, the Chief Audit Executive (Audit Manager) has assessed overall systems of risk management, governance and control as "Reasonable"; this means that although systems are generally sound, some areas for improvement were identified which, until addressed, may put the achievement of some objectives at risk.

  Individual audit reports continue to be issued and distributed to relevant Chief Officers and the Chief Executive.

The effectiveness of the Internal Audit service was assessed via an External Quality Assessment in 2020/21 against the Public Sector Internal Audit Standards. The outcomes from the External Quality Assessment have been used to create an audit strategy and action plan.

The Audit Committee, as those charged with governance, will provide continued oversight and direction as required. As such, the operation of the service will also be monitored by the Strategic Management Team, and the Section 151 Officer.

b) External Audit

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

Unqualified opinions were issued in relation to both financial statements and value for money for 2019/20.

c) Financial Management

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

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

The Council has given consideration to the CIPFA Financial Management Code which is a requirement from 2021/22 and no major issues have been identified.

d) Performance Management

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

e) Arrangements for Partnerships

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

f) Risk Management

Strategic risks are aligned to the Council's promises and objectives. In 2020/21 the strategic risk register was reviewed and updated, and was reported to Strategic Management Team and the Audit Committee. Audit Committee Members were last provided with Risk Management training in 2019/20.

g) Relationships and Ethics

Good co-operative relationships exist between the Council and its external auditors and inspectors, and between officers and Members. Relationships between officers and Members are guided by a protocol embedded in the Councils Constitution. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and relevant procedures in place. The Council holds Platinum status in the Investors in People (IiP) scheme, re-conferred by an external inspection regime in January 2019. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually and are aligned to the values, behaviours and objectives of the Council. Training and development plans are part of the appraisal process and are used to identify any training needs over the year.

i) Monitoring Officer

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

j) Anti-Fraud and Corruption

The Council has a Counter Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud and Compliance Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks. There were no disclosures or internal investigations during the year.

The Internal Audit Partnership reviewed and updated the Council's Counter Fraud and Corruption Strategy and Whistle Blowing Policy during 2020/21 and also completed a health-check of the Council's counter fraud arrangements.

5. Role of the Section 151 Officer

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility to the Chief Officer - Finance and Trading during 2020/21.

5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2020/21, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

6. Covid-19 Governance Impacts

6.1 From March 2020 there was a significant impact on Council services as a result of the Covid-19 pandemic. The Council co-ordinated a response, as well as directly responding itself, to ensure that resources were prioritised to those most in need with essential assistance being provided right across all parts of the District. Despite the challenges, the Council also maintained essential services. The robust response to the pandemic has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.

6.2 The Council responded and adhered to government guidance in response to the pandemic. Priorities were changed to focus on the need to distribute emergency food and essential services to vulnerable residents and to provide support to local businesses and protect jobs in the District.

6.3 The Council conducted meetings and took decisions in ways other than face to face so that lawful decisions could still be made to maintain good governance, principles of openness and accountability. The Council adapted its approach by assessing which decisions needed to be made quickly to deal with the pandemic and which could be delayed and rescheduled. Virtual meetings occurred to ensure that transparency and good governance continued, and we took full advantage of the flexibilities that the Coronavirus Act 2020 gave us. Meetings took place in full compliance with regulations and as required by law reverted to the status quo ante upon their expiry for all meetings after 6 May

7. Review of Effectiveness

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

7.2 The External Auditor concluded that, for 2019/20, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising from the current work being undertaken by the External Auditor.

7.3 Internal audit reports are available to the Audit Committee upon request, and the outcomes of audit work is reported regularly. Each year the Committee receive the Annual Internal Audit Report, which includes the Annual Opinion on the Council's internal control, risk management and governance arrangements. The opinion for 2020/21 indicates that there is "Reasonable" assurance over the Council's systems of risk management, governance and control.

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

7.5 There was one significant governance issue raised in last year's AGS which related to the Covid-19 pandemic which is included in **Table 1** below.

7.6 One significant governance issue have been raised through the current AGS process which also relates to the Covid-19 pandemic which is included in **Table 2** below.

Certification

Signed:

Dr. Pav Ramewal

Chief Executive

Date:

Cllr Peter Fleming

Leader of the Council

Date:

Issues Identified

Table 1: Significant Governance Issues raised in the previous (2019/20) AGS

Identified from	Issue	Description	Responsible Officer(s)
Covid-19 Pandemic	Response to the impacts of Covid-19	An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems and lessons learned will be undertaken in order to ensure good governance. Council plans and the 10-year budget to be reviewed in the light of the impact of Covid-19. Response: Internal Audit undertook a 'lessons learnt' review of the Council's response to the pandemic. In addition, the adequacy of the Council's recovery planning was also considered at a high level. Crucially, the Council achieved its objective of delivering a good service to protect and support vulnerable residents.	SMT

Table 2: Significant Governance Issues raised in the current (2020/21) AGS

Identified from	Issue	Description	Responsible Officer(s)
Covid-19 Pandemic	Response to the impacts of Covid-19	A continuing assessment of the impact of the Covid-19 pandemic on council services and council systems will be undertaken in order to ensure good governance. Council plans and the 10-year budget will continue to be reviewed in light of the impact of Covid-19.	SMT

Independent auditor's report to the members of Sevenoaks District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Sevenoaks District Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 (Valuations section) of the financial statements which describes the effects of the Covid-19 pandemic on the valuation of the Authority’s retail and specific trading-related assets.. For these assets the outbreak of Covid-19 has impacted market activity. A material valuation uncertainty was therefore disclosed in the Authority’s property valuer’s report in respect of these assets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Officer – Finance and Trading’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Officer – Finance and Trading’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Officer – Finance and Trading's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Officer – Finance and Trading with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Officer – Finance and Trading is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Officer – Finance and Trading and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Officer – Finance and Trading. The Chief Officer – Finance and Trading is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Officer – Finance and Trading determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Officer – Finance and Trading is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21), the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012

- We enquired of senior officers and the Audit committee concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.

Our audit procedures involved:

  - evaluation of the design effectiveness of controls that the Chief Officer – Finance and Trading has in place to prevent and detect fraud;
  - journal entry testing, with a focus on the unusual journals made during the year and the accounts production stage for appropriateness and corroboration.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - Procedures over fraudulent revenue risk
  - Procedures over fraudulent expenditure risk (e.g. if there was a risk over accruals Evaluating accruals posted as at 31 March 2021 and verifying accruals are appropriate and accurately recorded)
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the local government sector;
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation;
  - guidance issued by CIPFA, LASAAC and SOLACE;
  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit Certificate

We certify that we have completed the audit of the financial statements of Sevenoaks District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle, Key Audit Partner

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

London

10 May 2023