



# Statement of Accounts

## 2024/25

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

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

## Narrative Report

This Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information the Council reports externally.

It is the purpose of this report to explain the financial facts and performance of the Council. It follows approved accounting standards and where technical or complex language is required a glossary of key terms can be found at the end of this publication.

### 1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2025. 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 2024/25 and the Service Reporting Code of Practice 2024/25.

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 focused on local priorities and needs.

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

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

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

The Supplementary Financial Statements are:

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

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

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

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

## **2. Introduction to Sevenoaks District and the Council**

Sevenoaks District is one of 12 districts within the county of Kent. It has several borders including with Greater London, Surrey and East Sussex as well as other Kent districts, including Tonbridge and Malling and Tunbridge Wells.

The district is 142 square miles in area and mainly rural in character, with a population of around 121,000 residents, over 48,000 households. 93% of the district is designated Green Belt and 60% Natural Landscapes.

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

### **Council Plan**

The Council Plan, adopted by Council in 2023 continued to guide the Council during 2024/2025. Following the work started during the previous Council Plan period, it continues to prioritise the wellbeing of our residents and businesses, putting it at the heart of everything that we do.

The Council Plan sets out a number of promises, set against its five themes: is seeking to achieve are set out against its five themes:

- Communities,
- Economy,
- Environment,
- Housing,
- Our Council.

Delivery of the Council Plans promises is structured through relevant strategies and action plans: the Community Plan, Community Safety Action Plan, Economic Development Strategy, Housing Strategy, Local Plan, Town Centre Strategy, Climate Change Strategy and Movement Strategy.

### **Corporate Strategy**

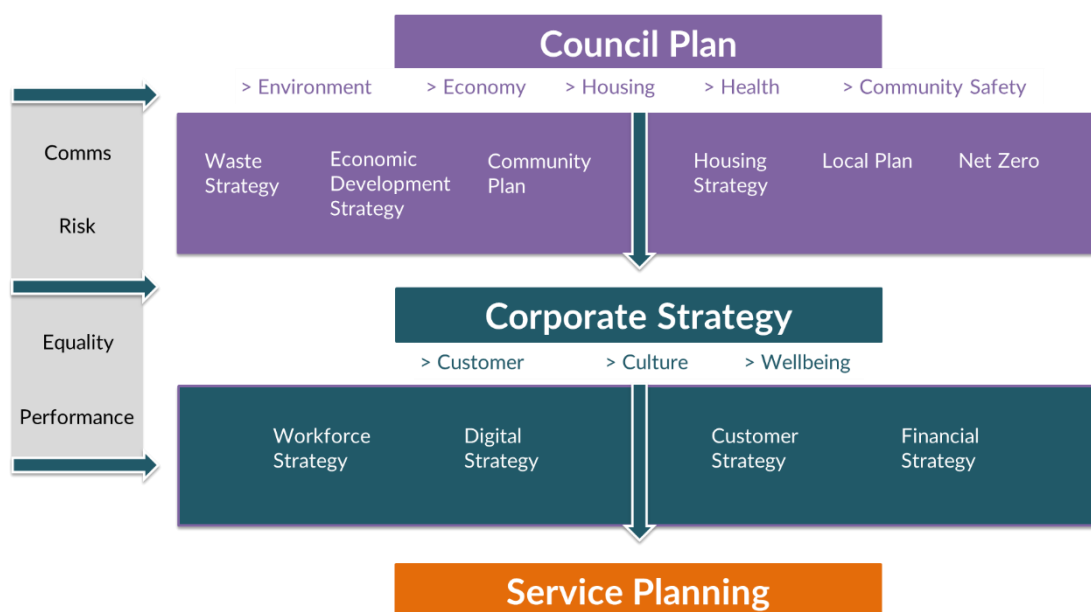
Our Corporate Strategy sets out how we will work as an organisation to deliver the promises

set out in the Council Plan and associated strategies and plans. It seeks to provide clarity about how the efforts that people make every day at work contribute to achieving the promises set out in the Council Plan.

The strategy includes our vision for 'brilliant people, exceptional services, thriving communities' and sets three priorities with a clear focus on what we need to do to be successful: Customer, Culture & Wellbeing. It is supported by a number of related strategies, these relate to Customer, Digital, Financial and Workforce.

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

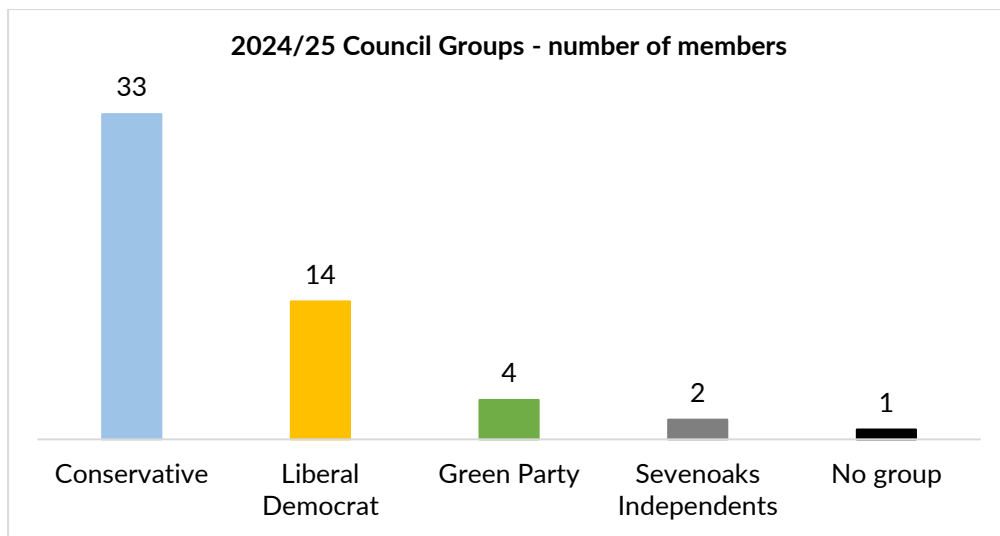
## Council Planning Framework



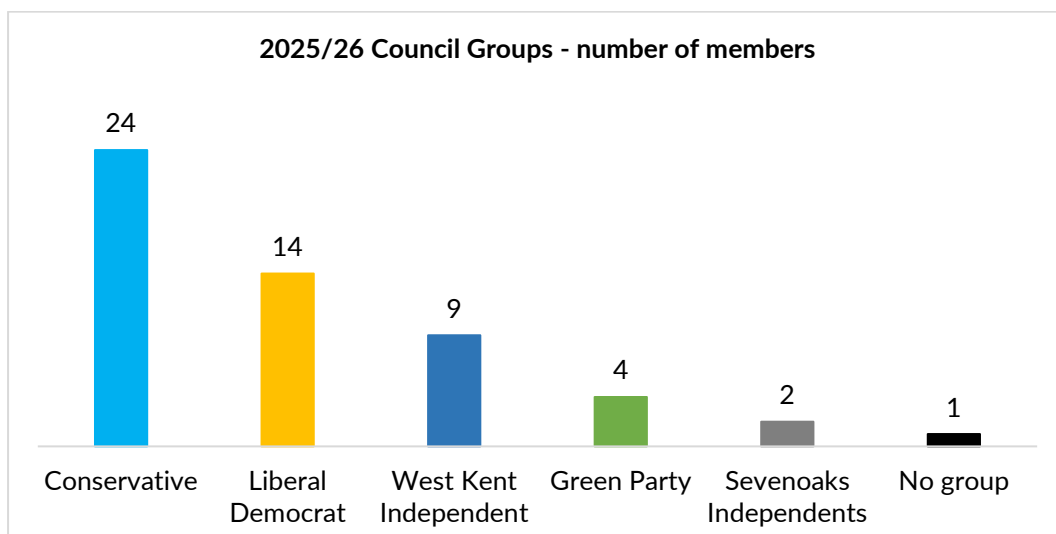
The Council has a Leader and Cabinet style of governance. The Cabinet during 2024/25 consisted of seven Members, the Leader of Council and six Portfolio Holders, with responsibility for: Cleaner & Greener; Development & Conservation; Finance & Investment; Housing & Health; Improvement & Innovation; and People & Places. Cabinet responsibilities are clearly defined.

For each Portfolio, there is an Advisory Committee. These committees perform an advisory function and make recommendations to Cabinet, which meets monthly. There are two statutory committees outside of the advisory system: Development Control and Licensing. Scrutiny Committee and the Audit Committee also sit independently from the Cabinet system. Scrutiny Committee regularly designates its own Member Working Groups for in-depth scrutiny exercises and the Audit Committee forms its own working group annually to examine the Statement of Accounts.

Following the local elections held in May 2023, during the financial year 2024/25, our 54 District Councillors were members of political groups as shown in the chart below.



Early in the 2025/26 financial year the membership of groups on the Council changed, with the creation of the West Kent Independent group. At the time of writing, the membership of the Council is as set out in the chart below.





## **Chief Finance Officer's Statement**

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Through 2024/25 the Council has continued to maintain its focus on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.

This has been enabled through the aims of the Council's financial strategy to seek to deliver long-term financial health and, despite the difficult fiscal outlook and funding position, improving financial sustainability.

Over previous years the financial strategy has been successful through the use of a number of actions including:

- implementing efficiency initiatives;
- significantly reducing the back-office function;
- improved value for money;
- maximising external income;
- the movement of resources away from low priority services; and
- an emphasis on statutory rather than non-statutory services.

In total, our approach to our finances has realised £10.2m in savings since 2011/12.

Government funding to the public sector continues to beset by difficult decisions. Local authority grant funding to District Councils is insufficient to meet current demands. A reliance on council tax increases to the maximum amount in the calculation of core spending power has become self-fulfilling.

The District Council increased its proportion of the Council tax in 2024/25 by 2.97%, generating an income of £12.8m. Through the business rate retention scheme a further £3.2m is generated locally. Funding from Government, predominantly through the funding guarantee provided £1.8m.

Lower than expected growth in the council tax base, increases in both pay and non-pay costs and higher demand for services continue to put pressure on Council budgets.

Regrettably, to set a balanced budget for 2025/26, savings were required from the workforce, with an emphasis on senior roles. A £200,000 contribution through salary savings will be felt by services, staff and our residents.

We remain cautious about financial prospects in future years. Following the General Election we await clarity about the fair funding review and the business rate reset. At the same time,

the advent of local government reorganisation in Kent & Medway will impact our future planning and require funding to deliver on the transformation process, long before any savings may be derived from new council structures. Regardless, we will meet these latest challenges head on, plan early, be prepared to make decisions that will help us to prioritise the delivery of those services on which local residents and businesses rely.

I would like to record my thanks to Members, the Finance team. Senior Managers and colleagues 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.

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer Finance & Trading**

## **4. Council performance:**

Council performance against key indicators for 2024/25 shows that despite financial and resource constraints, and an increase in pressure on all services, the council performed well.

Performance information is collated by a central Policy and Performance team on a monthly basis. The data is held in the Pentana software system, which also allows for data calculations and comparisons to be drawn. At the end of 2024/25 more than 70% of performance indicators were at or above target level.

Outside of the performance and productivity data, progress against action plans and objectives that arise from our strategies and plans is kept under frequent review and is reported to Members as appropriate.

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

### **Communities**

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

- 96% of the actions set out in the Sevenoaks District Community Plan were achieved by the Council and its partners in 2024/25.
- 100% of all the actions in the Sevenoaks District Community Safety Strategy & Action Plan were delivered during the year;
- 77% of the actions set out in the Health & Wellbeing Partnership Action Plan were on target to deliver positive outcomes.
- In 2024/25 the Council provided £28,848 to local organisations through its community grants scheme. In return, the scheme has contributed 13,663 volunteer hours within the Sevenoaks District, which equates to a net present value of £122,000.

### **Economy**

The Council's Economic Development Strategy sets out 5 priorities: Environmental Sustainability; Skills resilience and job opportunities; Business resilience and growth; Infrastructure first; and Partnership delivery.

- Whilst data suggests net growth in new businesses is slowing, the Sevenoaks District business population consists of 6,590 businesses and is made up predominantly of micro- and small businesses, i.e. those with fewer than 4 employees (85%).

- Productivity across the District is relatively high, the annual GVA per filled job exceeds that of many other Kent district by a wide margin. GVA per hour worked, at £72,139 remains significantly higher than the rest of West Kent (£64,500) and Kent (£67,648) showing high productivity and indicating the need to continue to support businesses which includes providing space to grow and to enable access to a skilled and productive labour pool.
- 75% of the actions in the Economic Development Strategy are on target, or have been delivered. Key achievements include the development of Invest West Kent to promote inward investment, business support and retention across the region and the launch of the West Kent Expo.
- The UK Shared Prosperity Fund (UKSPF) for the West Kent Business Support Programme has delivered a wide range of business support services, such as regular events, over 200 hours mentoring to over 30 local businesses and 17 micro-grants. Also funded by the UKSPF, capital funding of £70,000 has supported 26 town and parish based improvement projects. The pipeline for this programme should support a total of 50 projects by end of 2025
- 

The West Kent Rural Grant Scheme funded through the Rural England Prosperity Fund has helped to support a range of rural based businesses to diversify and grow. £430,000 has been allocated to 26 applicants.

## **Environment**

Our District's high quality natural environment plays a pivotal role in the wellbeing of our residents. Our focus remains on protecting this very special asset through our climate change strategy, the development of our Local Plan and was and recycling strategy.

- Residents recycle just 35.3% of the waste they produce. The Council recognises that this needs to improve. A new reusable recycling bag has been introduced and Councillors are evaluating how to improve the service further. Delivering less sacks, and considering a two-weekly collection round could achieve greater reuse and recycling and contribute to a reduction in carbon emissions than the status quo.
- 92% of major planning applications were decided within target time in 2024/25. As were 96% of minor applications and 97% of all other applications. In total, approaching 1,400 planning applications were decided upon in the year.

- Despite this, housing delivery remains below both the identified need and the target being set by Government. In a District that is 93% Green Belt and 60% Natural Landscapes achieving high targets for new homes is a significant challenge. However the development of the Local Plan is progressing in accordance with the agreed Local Development Scheme and, is expected to be adopted in late 2027.

## **Housing**

Having a safe and secure place to live is one of the most critical factors to a person's wellbeing. With the link between housing and health well known, the need to provide the right homes for the future of the District has never been greater

- 3 additional Registered Provider partner have come on board to deliver new affordable homes across the District. During 2024/25, 61 new affordable homes were delivered.
- 10 of those new affordable homes were delivered for affordable rent via Quercus Housing, including 8 units in Edenbridge and 2 units in Sevenoaks. Quercus Housing has now delivered a total of 52 new affordable homes.
- Secured capital funding of £1.3m as part of the Local Authority Housing Fund towards the delivery of temporary accommodation for homelessness need in the district and affordable housing to support Ukrainian and Afghan households. Longer term, the affordable
- The local housing needs survey programme is entering its fifth and final year, with all 31 Parish and Town Council areas surveyed by April 2025.
- Rural exceptions housing schemes permitted in Chiddingstone, Halstead and West Kingsdown parishes, plus local needs housing secured via Local Lettings Plans in Hextable and Fawkham parishes.
- The Housing Advice team prevented 213 cases of homelessness and reduced the number households in all types of emergency and temporary accommodation by 20% between April 2024 and March 2025.

## **Our Council**

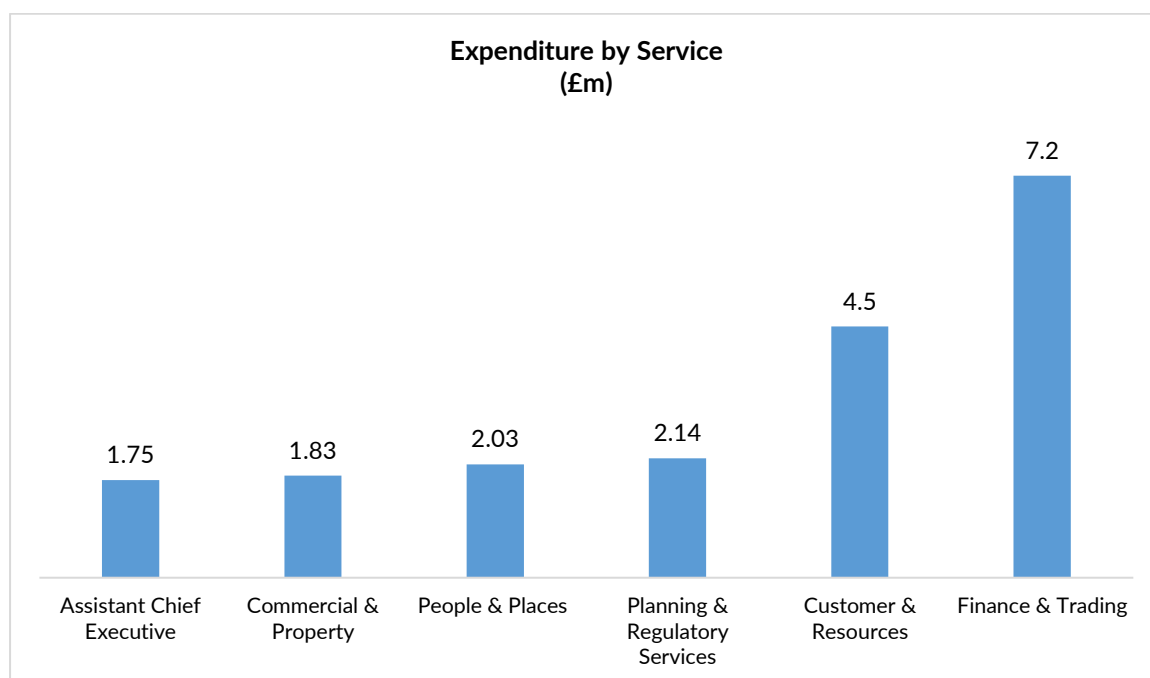
Ensuring the Council remains on a sound financial footing, is managed effectively, is focused

on the customer, provides value for money and continues to improve, will help us to achieve the priorities we have for our communities.

- 97.9% of the council tax was collected within the year,
- 95% of the business rates due within the year.
- The council raised income through its Property Investment Strategy which contributed in excess of £1.5m to fund the budget. A further £0.9m was raised through other investments.
- 70% of performance measures across the Council were at or above target level.

### Service expenditure

**Chart 1:** The following chart shows our expenditure by service for 2024/25.



## Corporate Risk

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

The Strategic Risk Register is kept under regular review by the identified risk owners, who are formally met with each quarter to review the status of risks they hold responsibility for. Collectively, the Strategic Management Team receive reports on the strategic risk register and are able to identify any new to emerging risks or to ask further questions of risk owners with regard to their assessment and mitigation of the risk faced.

The Strategic Risk Register is reported to each meeting of the Audit Committee.

**Figure 1: Strategic Risk summary**

No.	Risk	December 2024	March 2025	June 2025	Risk within appetite?
1	Council Budgets & Finances	10	6	6	Yes
2	Staff Resources & Capacity	12	12	12	No
3	Financial Hardship	6	6	6	Yes
4	Housing & Homelessness	6	6	6	Yes
5	Capacity of voluntary, community and public sector partners	6	6	6	Yes
6	Local Government Reorganisation	-	12	12	No
7	Delivery of Capital Projects	9	12	12	No
8	Asset Management	9	9	9	Yes
9	Climate Change/Decarbonisation	9	9	9	Yes
10	Health & Safety	12	8	8	Yes
11	Legal, Regulation & Procurement	12	12	12	No
12	Business Continuity & Cyber Security	12	12	12	No

There are actions in place to move net risk to within the risk appetite.

## **6. Operating Environment**

At a time when difficult decisions continue to be made about the funding and priorities of public services, the operating environment for local government continues to be challenging.

We continue to feel the impact on our finances from the cost and lost income caused by the pandemic. The effects from leaving the European Union are yet to be fully realised, and the pressing issue of the cost of living, inflation rates and energy prices will continue to provide us, our residents, and businesses with a highly challenging environment. It is well known that many councils are experiencing severe financial challenges.

In addition to this, new legislation such as the Environment Act require implementation at local level and the pressures on preventing homelessness and providing affordable housing in a district which is 93% Green Belt, and where the average house price is over £700k become more urgent.

Our commitment to do all we can to address the challenge of climate change and reduce our emissions with the resources available still stands. However, the Council's emissions account for less than 0.5% of the district's emissions, so the future focus will need to change.

As we ended the fiscal year, interim plans for local government reorganisation in Kent & Medway were being submitted to the Secretary of State. A potential geography for West Kent has been proposed, which could create a new council that would serve a population of 4.5 times that of the Sevenoaks District. Delivering the change that is ahead effectively will be critical to the thousands of residents that rely on County Council and District services. Whilst Kent & Medway as a whole has worked hard to manage the varying pressures on their budgets, meeting the cost of a transformation programme, whilst keeping services on track and staff engaged and enthused will be a significant challenge.

## Revenue

Each of the reports that enable the Council to set its budgets in a transparent way, with opportunity for Member involvement throughout, were considered by Advisory Committees, Cabinet and Council between September and the budget setting Council meeting in February.

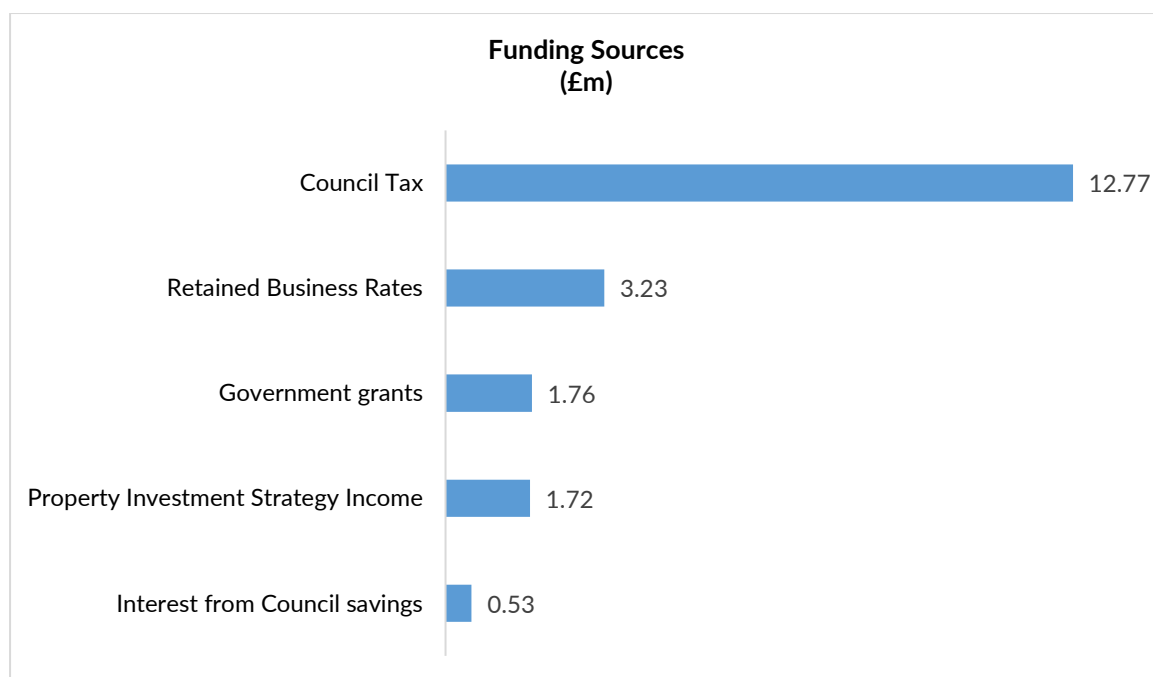
Sevenoaks District Council set its budget for 2024/25 at a meeting of the Council on 20 February 2024. Overall, the Council's net revenue budget was agreed at £19.445m for 2024/2025 (£18.553m in 2023/24).

The final outturn position for 2024/25 is £103,000 unfavourable variance (£291,000 unfavourable variance in 2023/24) which will be funded from the Budget Stabilisation Reserve. There were no material events after the reporting period.

## 2024/25 Funding sources

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





## Capital and assets

**Figure 2:** The table below shows the net capital budget over the period of 2023-2026 by service area.

Appendix K(i)

### Capital Programme 2024-27

Chief Officer/Scheme		Funding Source	Bid Form							Total expected spend £000
				Total approved scheme £000	Previous years spend £000	2023/24	2024/25	2025/26	2026/27	
						Forecast £000	Budget £000	Budget £000	Budget £000	
People & Places										
		Capital Receipts & External funding,								
	White Oak Leisure Centre	External borrowing	Previously approved	22,866	21,814	329	-	-	-	22,143
	White Oak Leisure centre - Orchards Academy	Capital Receipts	Previously approved	162	-	-	162			162
	White Oak Residential	Capital Receipts and Grant	Previously approved	21,484	162	400	9,500	9,500	1,922	21,484
	27-37 Swanley High street (Meeting Point)	Capital Receipts & External funding	Previously approved	6,114	5,086	1,028	-			6,114
	Bevan Place	Mixed	Previously approved	27,306	1,110		14,022	10,229	1,945	27,306
	Farmstead Drive	Capital Receipts and Grant	Previously approved	10,351	915	1,078	4,213	4,145		10,351
	Affordable Housing (Quercus Housing)	External Borrowing	Previously approved	15,000		-	1,500	1,500	12,000	15,000
	Stangrove Estate	Mixed	Previously approved	4,313	130	2,500	1,683			4,313
	Combined Feasibility Pot*	Mixed	Capital Bid 1	-	-	-	500	500	500	1,500
Finance and Trading										0
	Bradbourne Lakes	Capital receipts	Previously approved	60			60			60
	Vehicle Replacement Programme	Vehicle Replace Reserve	Capital Bid 02	1,836			597	612	627	1,836
	Disabled Facility Grant	External funding	Capital Bid 03	3,384			1,128	1,128	1,128	3,384
TOTAL					29,217	5,335	33,365	27,614	18,122	113,653

**Figure 3:** The Council's capital programme is fully funded from the funding sources available to it. These are set out in the table below.

## Capital and assets.

**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.

				2023/24	2024/25	2025/26	2026/27
				Previous years spend £000	Forecast £000	Budget £000	Budget £000
Funding Sources				£000	£000	£000	£000
Capital Receipts				-2,846	-7,148	-1,180	-31,853
Vehicle Renewal Reserve						-597	-612
Better Care Fund (KCC)						-1,128	-1,128
Internal Borrowing	Used			-20,377	-4,960	-162	0
	Repaid			2,846	7,148	1,120	0
** Mixed funding depending on scheme						-500	-500
External Borrowing	-Long term			-8,000	0	-15,522	-11,729
	-Short term			0	0	-15,396	-13,645
	- Short term repaid						31,853
Grant Funding				-840	-375		
Total Funding				-29,217	-5,335	-33,365	-27,614

## Borrowing & Investments

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

The annual income yields for completed schemes range from 5.9% to 9.6% and provided an income in excess of £1.72m for 2024/25, an increase from £1.62m in 2023/24.

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

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

Options for both the Bevan Place and White Oak Residential Schemes will be progressed in the 2025/26 financial year.

## Cash flow.

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

At the 31 March 2025 the Council held £6.0m in cash and cash equivalents.

At the 31 March 2024 the Council held £1.3m in cash and cash equivalents.

## 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	£3.5m at 31 March 2025	£2.85m at 31 March 2024
----------------------------------------------	------------------------	-------------------------

## Pensions

The Council participates in the Local Government Pension Scheme, administered by Kent

County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

The Council has net defined pension liabilities of £7.1m compared to £10.2m at 31 March 2024 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in November 2022 and reported a funding deficit of £8.78m at 31 March 2022, with the next valuation being due in 2025/26.

## **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 2025 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 (or rents). Authorities raise taxation (and rents) 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

Unaudited SDC 2023/24				Unaudited Group 2023/24				SDC 2024/25				Group 2024/25			
Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000	Note		Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000			Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Net Exp £'000
10,430	(6,418)	4,012	2,228		People & Places	13,068	(10,024)	3,044	3,057			13,068	(10,024)	3,044	3,057
20,651	(19,511)	1,140	1,153		Customer & Resources	19,146	(17,469)	1,677	1,691			19,146	(17,469)	1,677	1,691
2,773	(186)	2,587	2,587		Assistant Chief Executive	2,890	(677)	2,213	2,215			2,890	(677)	2,213	2,215
2,105	(756)	1,349	1,387		Strategic Property	2,076	(1,731)	345	376			2,076	(1,731)	345	376
20,171	(13,953)	6,218	5,617		Finance & Trading	19,466	(14,624)	4,842	4,121			19,466	(14,624)	4,842	4,121
10,318	(3,421)	6,897	6,897		Planning & Regulatory	8,196	(4,062)	4,134	4,134			8,196	(4,062)	4,134	4,134
66,448	(44,245)	22,203	19,868	24	Net Cost of Services	64,842	(48,587)	16,255	20,239			64,842	(48,587)	16,255	20,239
	(684)	(684)			Loss/(Gain) on Disposal of non current assets			(26)	(26)					(26)	(26)
	5,231	5,231			Parish Council Precepts			5,559	5,559					5,559	5,559
	246	246			Appropriations from Capital Finance			-	-					-	-
	4,793	4,793			Other Operating Expenditure			5,533	3,866					5,533	3,866
	(457)	(551)			Movement in Fair Value Investment Property			(457)	(563)					(457)	(563)
	-	-			Loss on Disposal of Investment Property			-	-					-	-
	(1,847)	(1,847)		11	Investment Property Income			(2,032)	(2,032)					(2,032)	(2,032)
	376	376			Interest Payable and similar charges			214	214					214	214
	590	590		34	Net interest on the net defined benefit liability			394	394					394	394
	(1,014)	(640)			Interest and Investment Income			(1,068)	(659)					(1,068)	(659)
	(2,352)	(2,072)			Financing and Investment Income and Expenditure			(2,949)	(2,646)					(2,949)	(2,646)
	(1,318)	(1,318)		28	Capital Grants and Contributions			(1,833)	(1,833)					(1,833)	(1,833)
	(17,537)	(17,537)			Council Tax			(18,328)	(18,328)					(18,328)	(18,328)
	(3,085)	(3,085)		28	Business Rates			(7,731)	(7,731)					(7,731)	(7,731)
	(1,482)	(1,482)		28	Non Service Related Government Grants			(1,535)	(1,535)					(1,535)	(1,535)
	(23,422)	(23,422)			Taxation and Non Specific Grant Income			(29,427)	(29,427)					(29,427)	(29,427)
	1,222	(833)			(Surplus) or Deficit on the Provision of Services			(9,854)	(10,947)					(9,854)	(10,947)
	-	70			Taxation relating to subsidiaries			-	89					-	89
	(17,252)	(17,252)			(Surplus) or Deficit on the revaluation of property, plant & equipment assets			(1,455)	(1,455)					(1,455)	(1,455)
	(3,339)	(3,339)		34	Remeasurement of the net defined benefit liability			(1,786)	(1,786)					(1,786)	(1,786)
	(20,591)	(20,521)			Other Comprehensive Income and Expenditure			(3,241)	(3,152)					(3,241)	(3,152)
	(19,370)	(21,354)			Total Comprehensive Income and Expenditure			(13,095)	(14,100)					(13,095)	(14,100)

## 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.

### Movement in Reserve Statement

Financial Year 2023/24									
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 2023	(1,800)	(20,603)	(22,403)	(4,659)	(2,062)	(29,126)	(45,650)	(74,775)	(81,591) *
Movement in reserves during 2023/24									
(Surplus) or deficit on the provision of services	1,222	-	1,222	-	-	1,222		1,222	(833)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(20,591)	(20,591)	(20,521)
Total Comprehensive Income and Expenditure	1,222	-	1,222	-		1,222	(20,591)	(19,369)	(21,354)
Adjustments between accounting basis & funding basis under regulations (note 8)	(823)	-	(823)	969	45	191	(191)	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	399	-	399	969	45	1,413	(20,800)	(19,384)	(21,320)
Other transfers to/from Earmarked Reserves	(399)	399	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	(399)	399	-	-	-	-	-	-	-
(Increase)/ Decrease in 2023/24	-	399	399	969	45	1,413	(20,800)	(19,384)	(21,320)
Balance at 31 March 2024	(1,800)	(20,204)	(22,004)	(3,690)	(2,017)	(27,710)	(66,450)	(94,159)	(102,911)

\*restated

## Movement in statement of reserves (cont)

Financial Year 2024/25									
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 2024	(1,800)	(20,204)	(22,004)	(3,690)	(2,017)	(27,710)	(66,450)	(94,159)	(152,339) *
Movement in reserves during 2024/25									
(Surplus) or deficit on the provision of services	(9,854)	-	(9,854)	-	-	(9,854)	-	(9,854)	(10,947)
Other Comprehensive Income and Expenditure	(1,067)	-	(1,067)	-	-	(1,067)	(1,802)	(2,869)	(3,152)
Total Comprehensive Income and Expenditure	(10,921)	-	(10,921)	-	-	(10,921)	(1,802)	(12,723)	(14,100)
Adjustments between accounting basis & funding basis under regulations (note 8)	7,037	-	7,037	(1,328)	(318)	5,391	(5,438)	(47)	(47)
Net (Increase)/ Decrease before Transfers to Earmarked reserves	(3,884)	-	(3,884)	(1,328)	(318)	(5,530)	(7,258)	(12,789)	(14,113)
Other transfers to/from Earmarked Reserves	3,684	(3,684)	-	-	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	3,684	(3,684)	-	-	-	-	-	-	-
(Increase)/ Decrease in 2024/25	(200)	(3,684)	(3,884)	(1,328)	(318)	(5,530)	(7,258)	(12,789)	(14,113)
Balance at 31 March 2025	(2,000)	(23,888)	(25,888)	(5,018)	(2,335)	(33,237)	(73,708)	(106,948)	(166,451)
*restated									



## BALANCE SHEET

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

31/03/24 £'000	31/03/24 £'000	SDC Note		31/03/25 £'000	31/03/25 £'000
SDC	Group		Long Term Assets	SDC	Group
79,771	79,771	10	Property, Plant and Equipment	83,230	83,230
1,026	1,026	10	Surplus Assets	91	91
32,148	54,085	11	Investment Property	32,172	57,181
9,041	5,050	12	Long Term Investments	9,041	5,050
8,711	188	14	Long Term Debtors	8,661	138
130,697	140,119		Total Long Term Assets	133,195	145,689
			Current Assets		
-	-	12	Short Term Investments	-	-
26	26	16	Assets held for sale	26	26
1,285	1,835	15	Cash and Cash Equivalents	6,667	7,336
5,756	5,756	13	Inventories	4,615	4,615
6,066	5,258	14	Short Term Debtors	9,407	7,270
881	881	14	Payments in Advance	1,439	1,439
14,014	13,756		Total Current Assets	22,154	20,686
			Current Liabilities		
(2,309)	(2,309)	17	Receipts in Advance	(2,545)	(2,545)
(446)	(446)	28	Revenue Grants Receipts in Advance	(284)	(446)
(5,713)	(5,713)	39	Short Term Borrowing	(4,696)	(4,696)
(372)	(372)	31	Short Term Lease Liability	(372)	(372)
(8,042)	(8,200)	17	Short Term Creditors	(10,220)	(10,382)
(2,660)	(2,660)	18	Short Term Provisions	(4,897)	(4,897)
(19,542)	(19,700)		Total Current Liabilities	(23,014)	(23,339)
(5,528)	(5,943)		Net Current Assets	(860)	(2,653)
			Long Term Liabilities		
(14,269)	(14,269)	39	Long Term Borrowing	(13,767)	(13,767)
(1,093)	(1,093)	31	Long Term Lease Liability	(621)	(621)
(256)	(511)	18	Long Term Provisions	(256)	(546)
(10,205)	(10,205)	34	Net Pensions Liability	(7,109)	(7,109)
(5,187)	(5,187)	28	Capital Grants Receipts in Adv.	(3,635)	(3,635)
(31,010)	(31,265)		Total Long Term Liabilities	(25,388)	(25,678)
94,159	102,911		Total Net Assets/(Liabilities)	106,947	117,358

## BALANCE SHEET (cont)

31/03/24 £'000	31/03/24 £'000	SDC Note		31/03/25 £'000	31/03/25 £'000
			<b>Usable Reserves</b>		
(2,016)	(2,016)	MIRS	Usable Capital Receipts Reserve	(2,334)	(2,334)
(20,204)	(20,204)	9	Earmarked Reserves	(23,888)	(23,888)
	(8,752)		Profit and Loss Reserve		(10,411)
(3,690)	(3,690)	MIRS	Capital Grants Unapplied	(5,018)	(5,018)
(1,800)	(1,800)	MIRS	General Fund	(2,000)	(2,000)
(27,710)	(36,462)		Subtotal Usable Reserves	(33,240)	(43,651)
			<b>Unusable Reserves</b>		
(29,722)	(29,722)	20	Capital Adjustment Account	(30,965)	(30,965)
(47,466)	(47,466)	20	Revaluation Reserve	(48,927)	(48,927)
203	203	20	Accumulated Absences Act.	199	199
425	425	20	Collection Fund Adj. Account	(1,054)	(1,054)
10,205	10,205	20 & 34	Pensions Reserve	7,109	7,109
(94)	(94)	20	Deferred Capital Receipts	(70)	(70)
	-		Share Capital		-
(66,450)	(66,449)		Subtotal Unusable Reserves	(73,709)	(73,708)
(94,159)	(102,911)		Total Reserves	(106,948)	(117,359)
*Restated					

Adrian Rowbotham  
Deputy Chief Executive and Chief Officer - Finance & Trading  
30 June 2025

## 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 2023/24 £'000	Group 2023/24 £'000	Note		SDC 2024/25 £'000	Group 2024/25 £'000
1,222	(194)		Net (surplus) or deficit on the provision of services	(9,854)	(10,859)
(9,318)	(12,335)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(1,541)	(4,415)
3,987	3,987	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	294	294
4,109	(8,542)		Net cash flows from operating activities	(11,101)	(14,980)
4,834	9,507	22	Investing Activities	4,199	8,872
1,066	1,066	23	Financing Activities	1,520	1,520
1,790	2,030		Net (increase) or decrease in cash and cash equivalents	(5,382)	(4,587)
(3,075)	(3,298)		Cash and cash equivalents at the beginning of the reporting period	(1,285)	(1,268)
(1,285)	(1,268)	15	Cash and Cash Equivalents at the end of the reporting period	(6,667)	(5,855)

# 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. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

### Expenditure and Funding Analysis

2023/24			2024/25		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
2,982	1,030	3,561	2,275	769	3,044
3,933	(2,792)	1,654	4,675	(2,998)	1,677
7,475	(1,257)	7,062	7,245	(2,403)	4,842
2,640	4,259	4,996	2,364	1,770	4,134
1,957	630	2,484	1,931	282	2,213
1,798	(449)	966	1,851	(1,506)	345
20,785	1,421	20,723	20,341	(4,086)	16,255
(20,386)	(101)	(20,487)	(24,225)	(2,618)	(26,843)
399	1,320	236	(3,884)	(6,704)	(10,588)
(22,403)			(22,004)		
399			(3,884)		
(22,004)			(25,888)		

## Note 2. Accounting Policies

### 2.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. 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 2024/25 and the Service Reporting Code of Practice 2024/25, supported by International Financial Reporting Standards (IFRS).

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

Going Concern.

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

## **2.2 Accruals of Income and Expenditure**

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

Exceptions to this This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

## **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.

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

Services, support services and trading accounts are charged an accounting estimate of the 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 amortisation of intangible 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 on or before the Balance Sheet date:

- that gives the authority a present obligation

- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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.

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

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 made at the wage and salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account 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.

Where 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

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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 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.

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



- Service cost comprising :
- 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. Net interest on the defined liability – i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
  - contributions paid to the XYZ pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; 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 transfers 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. The authority holds financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

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 creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

## **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 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**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

## **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.

## **The authority as lessee**

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

## Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

## Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### **Low value and short lease exemption**

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

### **Lease expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges 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.

### **The authority as lessor**

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.

### **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 (England and Wales)

or capital receipts reserve (Scotland)] 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 (England and Wales).]

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 or where this is initiated by a service to the individual service, 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

## **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.

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority).

In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

- infrastructure, community assets and assets under construction - in this and predecessor Codes these assets have been consistently required to be measured at depreciated historical cost, but this practice has been subject to modification.
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV, and that are measured at depreciated replacement cost (instant build) as an estimate of current value. 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.

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.

## **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 bases:

- 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.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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 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 2.17.

At present the Council has no material heritage assets.

## **2.22 Fair Value Measurement of non-financial assets**

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

The authority measures the fair value of an asset 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.**

- Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.
- Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2025/26 Code). This means that only the standards listed in paragraph below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.

- The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:
- **IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)*** issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- **IFRS 17 *Insurance Contracts*** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

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

## Note 4. Critical Judgements in Applying Accounting Policies

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

### 4.1 Other Judgements

- Preparation of Group accounts as detailed in 2.23 and Note 40.
- Construction of Properties for re-sale. This is where properties are built and sold with the sole purpose of providing financing for capital schemes. Where it is the intention of the Council to obtain economic benefit within one period from the sale of property (capital use) rather than over a period of time from rental (operational use) the code required these assets to be treated as inventory. Therefore, when determining whether the construction of assets should be treated as capital or operational the Council must account for them based on final intended use. In funding this type of capital scheme, a statutory provisions for Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265). Regulation 7b of SI 2012/265 has been applied meaning that expenditure is deemed to be capital under statute and the related receipts from the disposals are capital receipts.

## Note 5. Prior Period Adjustment

There are no prior period adjustments required to the statements for 2024/25.

## Note 6. Events After the Reporting Period

The statement of accounts was authorised for issue by the Deputy Chief Executive and Chief Officer – Finance & Trading on 30 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7. Notes to the Expenditure and Funding Analysis

### 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 2023/24	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	503	(9)	-	536	1,030
Customer & Resources	100	(12)	-	(2,880)	(2,792)
Finance & Trading	1,133	(1,381)	-	(1,009)	(1,257)
Planning & Regulatory	2,288	(24)	-	1,995	4,259
Assistant Chief Executive	-	(9)	-	639	630
Strategic Property	776	(5)	-	(1,220)	(449)
<b>Net Cost of Services</b>	<b>4,800</b>	<b>(1,440)</b>	<b>-</b>	<b>(1,939)</b>	<b>1,421</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(6,077)</b>	<b>-</b>	<b>3,542</b>	<b>1,939</b>	<b>(596)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>(1,277)</b>	<b>(1,440)</b>	<b>3,542</b>	<b>-</b>	<b>825</b>

## Adjustments between Funding and Accounting Basis (cont)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2024/25	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	401	316	-	52	769
Customer & Resources	113	331	-	(3,443)	(2,998)
Finance & Trading	294	(3,354)	-	657	(2,403)
Planning & Regulatory	512	624	-	633	1,770
Assistant Chief Executive	-	236	-	47	283
Strategic Property	(484)	143	-	(1,164)	(1,506)
<b>Net Cost of Services</b>	<b>836</b>	<b>(1,704)</b>	<b>-</b>	<b>(3,218)</b>	<b>(4,085)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(5,442)</b>	<b>(394)</b>		<b>3,218</b>	<b>(2,618)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>(4,606)</b>	<b>(2,098)</b>	<b>-</b>	<b>-</b>	<b>(6,704)</b>

## 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 2023/24	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(1,436)	-	-	1,436
Revaluation gain on Property, Plant and Equipment	(334)	-	-	334
Movements in the market value of Investment Properties	457	-	-	(457)
Disposal of Inventory recognised as Capital Under Statute	-	-	-	-
Capital grants and contributions applied	6,229	-	-	(6,229)
Repayment of internal borrowing	4,219	(4,087)	-	(133)
<b>Non Specific Capital Grants</b>				
Revenue expenditure funded from capital under statute	(6,117)	-	-	6,117
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	(799)	4,087	-	(3,288)
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.	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</b>	-	-	-	-
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	1,483	(1,483)	-	-
Capital expenditure charged against the General Fund Balance	1,199	-	-	(1,199)
Statutory provision for the repayment of debt	672	-	-	(672)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,318	-	(1,318)	-
Application of grants to Capital Financing	(2,287)	-	2,287	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(20)	-	-	20

## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2023/24 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,282	-	(1,282)
Disposal of Inventory (Capital Under Statute)	(4,846)	-	-	4,846
	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(246)	246	-	-
	-	-	-	-
Adjustments primarily involving the Pensions Reserve	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,449)	-	-	3,449
Employer's pensions contributions and direct payments to pensioners payable in the year	4,301	-	-	(4,301)
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	(140)	-	-	140
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(1,074)	-	-	1,074
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	65	-	-	(65)
<b>Total Adjustments</b>	<b>(805)</b>	<b>45</b>	<b>969</b>	<b>(209)</b>



## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2024/25	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(1,777)	-	-	1,777
Revaluation gain on Property, Plant and Equipment	1,935	-	-	(1,935)
Movements in the market value of Investment Properties	24	-	-	(24)
Disposal of Inventory recognised as Capital Under Statute	(4,132)	-	-	4,132
Capital grants and contributions applied	13,393	-	-	(13,393)
Repayment of internal borrowing	-	-	-	-
<b>Non Specific Capital Grants</b>				
Revenue expenditure funded from capital under statute	(7,581)	-	-	7,581
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	4,221		-	(4,221)
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.	(4,242)	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</b>	-	-	-	-
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-		-	-
Capital expenditure charged against the General Fund Balance	532	-	-	(532)
Statutory provision for the repayment of debt	678	-	-	(678)
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,833	-	(1,833)	-
Application of grants to Capital Financing	(505)	-	505	-
Mitigation of operating lease as lessee reclassified as finance lease upon transition to IFRS	(24)	-	-	24

## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2024/25 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(394)	-	394
Disposal of Inventory (Capital Under Statute)	(76)	76	-	-
	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve</b>	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,278	-	-	(4,278)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,984)	-	-	2,984
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	241	-	-	(241)
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	1,237	-	-	(1,237)
<b>Adjustments primarily involving the Accumulated Absences Account</b>	4	-	-	(4)
		-	-	-
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		-	-	-
<b>Total Adjustments</b>	<b>7,055</b>	<b>(318)</b>	<b>(1,328)</b>	<b>(5,409)</b>

## Note 9. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24 and 2024/25.

	Balance at 31/03/23 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance at 31/03/24 £'000	Transfers Out 2024/25 £'000	Transfers In 2024/25 £'000	Balance at 31/03/25 £'000
<b>Useable Reserves</b>							
Budget Stabilisation	(8,587)	1,914	(610)	(7,283)	691	(5,400)	(11,992)
Financial Plan	(3,889)	405	(312)	(3,796)	783	(64)	(3,077)
Business Rates Retention	(356)	-	(1,075)	(1,431)	1,237	-	(194)
Vehicle Renewal	(1,395)	1,162	(845)	(1,078)	570	(883)	(1,392)
Carry Forward Items	(1,313)	250	(227)	(1,290)	624	(195)	(860)
Property Investment Strategy							
Maintenance	(311)	31	(265)	(545)	-	(90)	(634)
Homelessness Prevention	(541)	278	(314)	(577)	771	(825)	(631)
IT Asset Maintenance	(598)	100	(82)	(579)	7	(33)	(605)
Housing and Commercial Growth							
Fund	(566)	-	-	(566)	-	-	(566)
Asset Maintenance	(500)	-	-	(500)	-	(8)	(508)
Planning and Regulatory Services	(35)	78	(214)	(170)	234	(519)	(455)
Pension Fund Valuation Adj.	(339)	10	(9)	(338)	-	(28)	(366)
Local Plan	(294)	290	(122)	(127)	250	(486)	(363)
Capital Financing	-	-	(148)	(148)	-	(148)	(295)
Action and Development	(296)	-	-	(296)	-	-	(295)
Vehicle Insurance	(279)	35	-	(243)	-	(13)	(256)
On Street Parking Reserve	(38)	38	(127)	(127)	41	(148)	(234)
People and Places	(147)	33	(113)	(226)	15	-	(211)
Climate Change	(134)	28	(52)	(157)	37	(80)	(200)
Community Infrastructure Levy							
Administration (CI	(152)	-	-	(152)	-	-	(152)
District Elections	(176)	134	(42)	(85)	-	(52)	(137)
Other	(657)	311	(142)	(489)	734	(708)	(463)
	(20,604)	5,099	(4,700)	(20,203)	5,994	(9,680)	(23,888)
<b>General Fund</b>	(1,800)	-	-	(1,800)	-	(200)	(2,000)
<b>Total</b>	(22,404)	5,099	(4,700)	(22,003)	5,994	(9,880)	(25,888)
<b>Net Movement</b>			399			(3,886)	

The purpose of these usable reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan – Funds that support the 10-year budget strategy.
- 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.

- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Carry Forward Items - For specific items agreed by Cabinet.
- Property Investment Strategy Maintenance – To fund future maintenance and void periods.
- Homelessness - To assist in the delivery of the Homelessness Reduction Act
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Housing and Commercial Growth Fund – To fund projects as part of the West Kent Partnership within the district.
- Asset Maintenance – To fund emergency asset maintenance works.
- Planning & Regulatory Services - To fund ongoing and future projects.
- Pension Fund - To contribute towards any future downturns in the pension fund following actuarial.
- Local Plan - To help support the Local Plan
- Capital Financing – To fund capital projects.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Vehicle Insurance - Provides own damage cover on the Council's commercial vehicle fleet.
- On street Parking – To comply with the requirements of the Traffic Management Act 2004 and our on-street parking agency agreement with Kent County Council
- People and Places - To fund ongoing and future projects.
- Climate Change - The Council aims to be carbon neutral by 2030 and this reserve will be used to fund expenditure to achieve that target.
- Community Infrastructure Levy Administration - To be spent on the administration of the levy.
- District Elections - To fund future District Elections
- Other - Other small reserves set aside.

## Note 10. Property, Plant and Equipment

### Depreciation

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

- other land and buildings – 30–55 years
- vehicles, plant, furniture & equipment – 10% to 35% of carrying amount.

### Movements on Balances

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2023/24: Cost or Valuation						
At 1 April 2023	57,951	5,681	211	1,026	8,080	72,948
Additions	832	2,627			633	4,092
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	17,252					17,252
- Surplus or Deficit	( 334)					( 334)
Derecognition – Disposals		-				-
Derecognition – Other						-
Reclassifications in PPE						-
Reclassifications to/from inventory	943				( 7,465)	( 6,522)
At 31 March 2024	76,644	8,308	211	1,026	1,248	87,436
Accumulated Depreciation and Impairment						
At 1 April 2023	( 590)	( 4,607)	-	-		( 5,199)
Depreciation Charge	( 662)	( 774)				( 1,436)
Depreciation written out to the						-
- Revaluation Reserve						-
- Surplus or Deficit on the provision of services						-
Derecognition – Disposals		-				-
Derecognition – Other						-
Reclassifications						-
At 31 March 2024	( 1,252)	( 5,381)	-	-	-	( 6,635)
Net Book Value						
As at 31 March 2024	75,392	2,926	211	1,026	1,248	80,795

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2024/25: Cost or Valuation						
At 1 April 2024	76,644	8,308	211	1,026	1,248	87,436
Additions	992	457			282	1,731
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	1,912					1,912
- Surplus or Deficit	1,038					1,038
Derecognition – Disposals		( 21)				( 21)
Derecognition – Other	( 24)					( 24)
Reclassifications in PPE				( 935)	935	-
Reclassifications to/from inventory	-					-
At 31 March 2025	80,562	8,744	211	91	2,465	92,072
Accumulated Depreciation and Impairment						
At 1 April 2024	( 1,252)	( 5,381)	-	-		( 6,635)
Depreciation Charge	( 945)	( 1,195)				( 2,140)
Depreciation written out to the						-
- Revaluation Reserve						-
- Surplus or Deficit on the provision of services						-
Derecognition – Disposals		30				30
Derecognition – Other						-
Reclassifications						-
At 31 March 2025	( 2,197)	( 6,546)	-	-	-	( 8,745)
Net Book Value						
As at 31 March 2025	78,365	2,197	211	91	2,465	83,321

## Capital Commitments

At 31 March 2025, the capital commitments outstanding on capital contracts were approximately £6.5m.

## Non-operational property, plant and equipment (Surplus Assets)

Details of the authority's Surplus Assets

	31st March 2024 £'000	31st March 2025 £'000
<b>Surplus Assets</b>		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	1,026	91
Significant un-observable inputs (Level 3)	-	-
Fair Value	<u>1,026</u>	<u>91</u>

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

The fair value of the authority's Surplus Assets is measured as part of the valuation rolling programme. 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.

## 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 2025, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors.

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.

Assets are revalued over a 5-year rolling programme where appropriate.

Year of Valuation	Assets within the following classifications may have been revalued in year
2024/25	Investment Properties, Car parks, Property Plant & Equipment, Offices, Depots and some Leisure facilities
2023/24	Investment Properties, Car parks, Amenity Land, Property Plant & Equipment, some Leisure facilities
2022/23	Investment Properties, Car parks, Property Plant & Equipment
2021/22	Investment Properties and Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2020/21	Investment Properties, Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2019/20	Investment Properties, Car parks; Amenity Land, Playgrounds and Surplus Operational Assets
2018/19	Investment Properties, Amenity Land, Car Parks and Community Offices
	Investment Properties and Amenity Land
2017/18	Investment Properties, Amenity Land, Car Parks and Community Offices



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

	Land & Buildings £'000	Vehicles, Plant & Equip-ment £'000	Comm-unity Assets £'000	Assets Under Con-struction £'000	Surplus Assets £'000	TOTAL £'000
Carried at historical cost:	92	8,308	211	1,533	-	10,144
Valued at current value in:						
2024/25	21,476	-	-	-	-	21,476
2023/24	29,204	-	-	-	-	29,204
2022/23	-	-	-	-	-	-
2021/22	-	-	-	-	-	-
2020/21	27,617	-	-	936	91	28,644
Total	78,389	8,308	211	2,469	91	89,468

## 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.

	2023/24 £'000	2024/25 £'000
Rental income from investment property	( 2,325)	( 2,191)
Direct operating expenses from investment property	496	269
Net income from Investment Properties	( 1,829)	( 1,922)

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:

	2023/24 £'000	2024/25 £'000
Balance at start of the year	33,263	<b>32,148</b>
Purchases	-	-
Reclassifications	( 774)	-
Disposals	( 798)	-
Net Gains/ (losses) from fair value adjustment	457	<b>24</b>
	<u>32,148</u>	<u><b>32,172</b></u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2025 are as follows:

	31st March 2024 £'000	31st March 2025 £'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	32,148	<b>32,172</b>
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>32,148</u>	<u><b>32,172</b></u>

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

Properties are subject to leases with varying review dates.

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

## Note 12. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

### Categories of Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
FVPL	5,050	5,050						
Amortised cost			8,641	8,624	-	-	2,217	2,321
Total Financial Assets	<u>5,050</u>	<u>5,050</u>	<u>8,641</u>	<u>8,624</u>	<u>-</u>	<u>-</u>	<u>2,217</u>	<u>2,321</u>
Non-Financial Assets			113,015	115,530			10,512	13,587
Total			<u>126,706</u>	<u>129,204</u>			<u>12,729</u>	<u>15,908</u>

### Categories of Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Amortised cost	(14,269)	(13,766)	(334)	(330)	(5,713)	(4,696)	(8,043)	(7,637)
Total Financial Liabilities	<u>(14,269)</u>	<u>(13,766)</u>	<u>(334)</u>	<u>(330)</u>	<u>(5,713)</u>	<u>(4,696)</u>	<u>(8,043)</u>	<u>(7,637)</u>
Non-Financial Liabilities			(16,741)	(11,621)			(5,786)	(11,101)
Total			<u>(31,344)</u>	<u>(25,716)</u>			<u>(19,542)</u>	<u>(23,434)</u>

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

	2023/24		2024/25	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehen sive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehen sive Income and Expenditure £'000
Interest and Expense Recognised				
Interest revenue				
financial assets measured at Amortise	(1,015)		(1,069)	
financial assets measured at FVOCI - other				
Total interest revenue	(1,015)	-	(1,069)	-
Interest expense	403		292	

## 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 31/3/24 £'000	As at 31/3/25 £'000
FVPL				
UK Municipal Bond Agency	Level 3	Cost	50	50
Multi Asset Income Funds	Level 1	Market	5,048	5,164

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.

		31/3/24		31/3/25	
	Input level in fair value hierarchy	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial liabilities</b>					
PWLB Borrowings	Level 2	(11,230)	(9,321)	(10,732)	(9,321)
Other Local Authorities Borrowings	Level 2	(3,039)	(3,124)	(3,034)	(3,124)
Short term creditors	Level 2	(8,043)	(8,043)	(7,637)	(7,637)
<b>Financial Assets</b>					
Financial Institutions (banks)	Level 2	-	-	-	-
Building Societies	Level 2	-	-	-	-
Other Local Authorities	Level 2	-	-	-	-
Money Market Funds	Level 2	659	659	5,735	5,735
Long term debtors	Level 2	-	8,292	8,624	7,682
Short term debtors	Level 2	-	-	2,321	2,321

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the PWLB loan £10.012m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value of assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower 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 loss (based on economic conditions at 31 March 2025) arising from a commitment to receive interest from borrowers below 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.
- 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. Multi Asset Income Funds are also used for long term investment with a maximum of £5m invested.

The full investment strategy for 2024/25 was approved by Council on 20 February 2024. 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 £0.7m at 31 March 2025 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2025 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 £'000	Total £'000
Opening Balance as at 01/04/23	(32)	(46)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(32)	(32)
Amounts written-off	17	17
Balance as at 31/03/24	(47)	(47)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(7)	(7)
Amounts written-off	15	15
Balance as at 31/03/25	(39)	(39)

## 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. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to

borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than x% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31/03/24		31/03/25
£'000		£'000
( 13,756)	Less than one year	( 12,333)
-	Between one and two years	( 2,600)
( 2,600)	Between two and five years	-
( 12,003)	More than five years	( 11,495)
<u>( 28,359)</u>	Total	<u>( 26,428)</u>

## Market Risk

### Interest Rate Risk

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

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

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

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

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

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

### Price Risk

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

### Foreign Exchange Risk

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

## Note 13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and wood stocks at Farningham Woods. Properties constructed for resale relates to residential properties that are built for the purposes of resale in order to fund capital schemes. Further details can be found in Note 4.1.



	Property constructed for resale 2023/24 £'000	Other Inventory 2023/24 £'000	Property constructed for resale 2024/25 £'000	Other Inventory 2024/25 £'000	Total 2023/24 £'000	Total 2024/25 £'000
Balance outstanding at start of the year	148	48	5,709	48	195	5,757
Purchases	3,721	362	3,092	345	412	3,437
Reclassified to Inventory	7,621	-	-	-	-	-
Reclassified to other	( 935)	-	-	-	-	-
Disposals	( 4,846)	-	( 4,221)	-	-	( 4,221)
Recognised as an expense in the year	-	( 362)	-	( 356)	( 299)	( 356)
Balance outstanding at end of the year	5,709	48	4,579	37	195	4,617

## Note 14. Debtors

### Short Term Debtors

31/03/24 £'000		31/03/25 £'000
1,163	Central Government Bodies	714
1,087	Other Local Authorities	1,033
657	Council Tax Payers	489
1,799	Non Domestic Rate	5,300
2,241	Other entities and individuals	3,125
<u>6,947</u>	Total	<u>10,661</u>

### Long Term Debtors

31/03/24 £'000		31/03/25 £'000
8,523	Loans to Subsidiary Companies	8,518
188	Registered charges and Car Loans	143
<u>8,711</u>	Total	<u>8,661</u>

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

## Note 15. Cash and Cash Equivalents

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

	31/03/24	31/03/25
	£'000	£'000
Cash held by the Authority	0	1
Bank current accounts	637	909
Short-term deposits with:		
Money Market Funds	647	5,757
Total Cash and Cash Equivalents	<u>1,285</u>	<u>6,667</u>

## Note 16. Assets Held for Sale

	2023/24	2024/25
	£'000	£'000
Balance at start of the year	175	26
Purchases	-	-
Disposals	( 149)	-
Net Gains/ (losses) from fair value adjustment	-	-
Assets newly classified as held for sale	-	-
Reclassifications Other	-	-
	<u>26</u>	<u>26</u>

## Note 17. Creditors and Receipts in Advance

### Short Term Creditors

31/03/24		31/03/25
£'000		£'000
( 363)	Central Government Bodies	( 409)
( 950)	Other Local Authorities	( 1,311)
( 40)	Council Tax Payers	112
( 5,148)	Non Domestic Rate	( 6,107)
( 1,542)	Other entities and individuals	( 2,321)
<u>( 8,043)</u>	Total	<u>( 10,036)</u>

### Short Term Receipts in Advance

31/03/24		31/03/25
£'000		£'000
( 397)	Central Government Bodies	( 87)
( 5)	Other Local Authorities	( 438)
( 331)	Council Tax Payers	( 299)
( 306)	Non Domestic Rate	( 931)
( 1,269)	Other entities and individuals	( 557)
<u>( 2,309)</u>	Total	<u>( 2,312)</u>

## Note 18. Provisions

The following provisions have been made by the Council:

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. The settlement of claim is dependant a court ruling as such is dependent on a future even as such due to the uncertainty regarding the MMI figures in the Financial Statements reflects the best estimate for this provision.

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 2025.

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 Business Rates Retention scheme mean that the Council has to provide for its share of the costs arising from successful appeals.

## Other Provisions

All other provisions are individually insignificant.

## 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

	31/03/24	Movement in Year	31/03/25
	£'000	£'000	£'000
Capital Adjustment Account	(29,722)	(1,243)	(30,965)
Revaluation Reserve	(47,466)	(1,461)	(48,927)
Accumulated Absences Account	203	(4)	198
Collection Fund Adjustment Account	425	(1,479)	(1,054)
Pensions Reserve	10,205	(3,096)	7,109
Deferred Capital Receipts Reserve	(93)	23	(70)
Total Unusable Reserves	(66,449)	(7,260)	(73,709)

## 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

2023/24 £'000		2024/25 £'000
( 29,038)	Balance at 1 April	( 29,722)
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
1,436	Charges for depreciation and impairment of non current assets	1,777
334	Revaluation Losses on Property, Plant and Equipment	-
6,117	Revenue expenditure funded from capital under statute	7,581
-	Disposal of Inventory recognised as Capital Under Statute	-
-	Deferred Capital Receipts movement	-
5,645	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	4,242
13,532		13,600
( 158)	Adjusting Amounts written out of the Revaluation Reserve	( 1,488)
13,374	Net Written out amount of the cost of non current assets consumed in the year	12,112
	<b>Capital Financing applied in the year:</b>	
( 1,282)	Use of the Capital Receipts Reserve to finance new capital expenditure	( 3,960)
( 4,087)	Repayment of Internal borrowing from disposal in inventory	-
( 133)	Repayment of Internal borrowing from revenue	( 136)
( 5,280)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	( 6,076)
-	Non-specific capital grant	-
( 949)	Application of Grants to capital financing from the Capital Grants Unapplied Account	( 1,950)
( 1,199)	Capital Expenditure charged against the General Fund	( 532)
( 672)	Statutory provision for the repayment of debt	( 678)
( 13,602)		( 13,332)
( 457)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	( 24)
( 29,722)	Balance at 31 March	( 30,965)

## 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.

2023/24		2024/25	
£'000	£'000	£'000	£'000
	(30,371)		(47,466)
(17,306)		(2,503)	
54		592	
(17,252)	(17,252)	(1,911)	(1,911)
	157		450
	-		-
(47,466)		(48,927)	
	Balance at 31 March		

## Accumulated Absences Account

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

2023/24		2024/25
£'000		£'000
268	Balance at 1 April	203
-	Settlement or cancellation of accrual made at the end of previous year	-
(65)	Amounts accrued at the current year end	(4)
-	Expenditure Statement on an accruals basis is different from remuneration chargeable in	-
203	Balance at 31 March	198

## 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.

2023/24 £'000		2024/25 £'000
( 790)	Balance at 1 April	425
	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	
1,215		( 1,479)
425	Balance at 31 March	( 1,054)

## 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 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.

2023/24 £'000		2024/25 £'000
14,396	Balance at 1 April	10,205
( 3,339)	Actuarial Gains/(Losses) on pensions assets and liabilities	( 1,802)
	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	
3,449		3,102
( 4,301)	Employer's pensions contributions and direct payments to pensioners payable in the year	( 4,396)
10,205	Balance at 31 March	7,109

## 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.

2023/24 £'000		2024/25 £'000
( 114)	Balance at 1 April	( 93)
21	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	23
-	Transfer to the Capital receipts reserve upon receipt of cash	-
( 93)	Balance at 31 March	( 70)

## Note 21. Cash Flow Statement – Operating Activities

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

2023/24 £'000		2024/25 £'000
( 1,436)	Depreciation	( 1,326)
123	Impairment and downward valuations	-
-	Amortisation	-
( 141)	Increase/(Decrease) in impairment provision for bad debts	-
686	(Increase)/Decrease in creditors	( 2,073)
653	Increase/(Decrease) in debtors / payments in advance	3,157
5,561	Increase/(Decrease) in stock	( 1,140)
852	Pension liability	3,096
( 799)	Carrying amount of non-current assets sold	( 1,017)
( 14,817)	Other non-cash items charged to the net surplus or deficit on the provision of services	( 2,237)
( 9,318)	<b>Net cashflows from operating activities</b>	<b>( 1,541)</b>

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

2023/24 £'000		2024/25 £'000
-	Purchase of short-term and long-term investments	-
2,485	Proceeds from short-term and long-term investments	-
1,502	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	294
3,987		294



The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
( 1,047)	Interest received	( 1,068)
376	Interest paid	214

#### Note 22. Cash Flow Statement – Investing Activities

2023/24 £'000		2024/25 £'000
3,642	Purchase of property, plant & equipment, investment property and intangible assets	-
4,918	Purchase of short term and long term investments	-
-	Other payments for investing activities	3,048
( 1,262)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	( 318)
( 638)	Proceeds from sale of short-term and long-term investments	-
( 1,826)	Other receipts from investing activities	1,469
4,834	<b>Net Cash Flow from Investing activities</b>	<b>4,199</b>

#### Note 23. Cash Flow Statement – Financing Activities

2023/24 £'000		2024/25 £'000
( 927)	Cash receipts of short and long term borrowing	1,543
( 17)	Other receipts from financing activities	-
( 20)	Cash receipts for finance leases	( 23)
2,030	Other payments for financing activities	-
1,066	<b>Net Cash Flow from Financing activities</b>	<b>1,520</b>

## 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
<b>Chief Officer Income and Expenditure 2023/24</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(4,118)	549	(604)	(183)	(7,289)	(3,137)	(14,782)
Grants	823	(19,892)	145	-	(103)	246	(18,781)
Total Income	(3,295)	(19,343)	(459)	(183)	(7,392)	(2,891)	(33,563)
Employee Expenses	1,791	2,933	1,015	1,446	6,308	3,928	17,421
Other Service Expenses	4,012	20,914	1,242	693	8,463	1,601	36,925
Total Expenditure	5,803	23,847	2,257	2,139	14,771	5,529	54,346
Net Expenditure	2,508	4,504	1,798	1,956	7,379	2,638	20,783
<b>Chief Officer Income and Expenditure 2024/25</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(7,674)	776	(654)	(1,538)	(7,742)	(3,426)	(20,258)
Grants	3,480	(18,098)	(20)	992	(122)	(130)	(13,898)
Total Income	(4,194)	(17,322)	(674)	(546)	(7,864)	(3,556)	(34,156)
Employee Expenses	2,033	2,854	1,471	1,011	6,537	4,045	17,951
Other Service Expenses	4,436	19,143	1,134	1,386	8,572	1,875	36,546
Total Expenditure	6,469	21,997	2,605	2,397	15,109	5,920	54,497
Net Expenditure	2,275	4,675	1,931	1,851	7,245	2,364	20,341

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.

2023/24		2024/25
£'000		£'000
20,785	Net Expenditure in Chief Officer Analysis	20,341
1,421	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(4,086)
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
22,206	Cost of Services in Comprehensive Income and Expenditure Statement	16,255

## 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 2023/24	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(14,782)	(6,860)	-	(21,642)	-	(21,642)
Interest Income	-	-	-	-	(1,014)	(1,014)
Investment Income	-	-	-	-	(1,847)	(1,847)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(684)	(684)
Income from Council Tax and NDR	-	-	-	-	(20,733)	(20,733)
Movement on Fair Value of Investment Property	-	-	-	-	(457)	(457)
Government Grants and Contributions	(18,780)	-	-	(18,780)	(1,371)	(20,151)
Capital Grants and Contributions	-	(3,822)	-	(3,822)	(1,318)	(5,140)
<b>Total Income</b>	<b>(33,562)</b>	<b>(10,682)</b>	<b>-</b>	<b>(44,244)</b>	<b>(27,425)</b>	<b>(71,669)</b>
Employee Expenses	17,421	(1,429)	-	15,992	590	16,582
Other Service Expenses	36,925	12,125	-	49,050	-	49,050
Depreciation, amortisation and Impairment	-	1,439	-	1,439	-	1,439
Interest Payments & similar payments	-	(34)	-	(34)	376	342
Precepts & Levies	-	-	-	-	5,231	5,231
Appropriations from Capital Reserve	-	-	-	-	246	246
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>54,346</b>	<b>12,101</b>	<b>-</b>	<b>66,447</b>	<b>6,443</b>	<b>72,890</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>20,784</b>	<b>1,419</b>	<b>-</b>	<b>22,203</b>	<b>(20,982)</b>	<b>1,223</b>

## Reconciliation to Subjective Analysis (Cont).

Reconciliation to Subjective Analysis 2024/25	Chief Officer Analysis £'000	Amounts not reported to manage- ment £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	( 20,258)	( 3,287)	-	( 23,545)	-	( 23,545)
Interest Income	-	-	-	-	( 1,068)	( 1,068)
Investment Income	-	-	-	-	( 2,032)	( 2,032)
Disposal of Items of Property Plant & Equipment	-	-	-	-	( 26)	( 26)
Income from Council Tax and NDR	-	-	-	-	( 25,083)	( 25,083)
Movement on Fair Value of Investment Property	-	-	-	-	( 457)	( 457)
Government Grants and Contributions	( 13,899)	-	-	( 13,899)	( 1,776)	( 15,675)
Capital Grants and Contributions		( 7,483)		( 7,483)	( 1,833)	( 9,316)
Total Income	( 34,157)	( 10,770)	-	( 44,927)	( 32,275)	( 77,202)
Employee Expenses	17,950	( 2,045)	-	15,906	394	16,300
Other Service Expenses	36,548	11,375	-	47,923	-	47,923
Depreciation, amortisation and Impairment	-	1,294	-	1,294	-	1,294
Interest Payments & similar payments	-	( 34)	-	( 34)	214	180
Precepts & Levies	-	-	-	-	5,559	5,559
Appropriations from Capital Reserve	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
Total Expenditure	54,498	10,590	-	65,089	6,167	71,256
(Surplus) or deficit on the provision of services	20,341	( 180)	-	20,162	( 26,108)	( 5,945)

## Note 24.d Expenditure and Income analysed by nature.

2023/24 £'000	Expenditure and Income analysed by nature	2024/25 £'000
	<b>Expenditure</b>	
16,582	Employee Benefit Expenses	16,300
49,050	Other Service Expenses	47,923
1,439	Depreciation, amortisation and impairment	1,294
-	Loss on Disposal of non current assets	-
342	Interest payments	180
5,231	Precepts and levies	5,559
246	Appropriations from Capital Reserve	-
72,890	Total Expenditure	71,256
	<b>Income</b>	
(21,642)	Fees and Charges and other service income	(23,545)
(20,733)	Income from Council Tax and Business Rates	(25,083)
(20,151)	Government Grants and contributions	(15,675)
(2,861)	Interest and Investment income	(3,100)
(684)	Gain on disposal of non current assets	(26)
(457)	Movement on Fair Value of Investment Property	(457)
(5,140)	Capital Grants and Contributions	(9,316)
(71,669)	Total Income	(77,202)
1,223	Net Service cost/income	(5,945)

## Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis							
2023/24	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	1,657	2,949	1,364	935	5,321	3,768	15,994
Other Service Expenses	8,150	17,602	1,409	1,152	14,186	6,550	49,049
Depreciation, amortisation & impairment	623	100	-	18	699	-	1,440
Interest payments	-	-	-	-	(34)	-	(34)
Total Segmental Expenditure	10,430	20,651	2,773	2,105	20,173	10,318	66,450
<b>Income</b>							
Fees and Charges and other service income	(4,094)	381	(186)	(756)	(13,850)	(3,137)	(21,642)
Benefits and other Gov. grants	(2,324)	(19,892)	-	-	(103)	(284)	(22,603)
Total Segmental Income	(6,418)	(19,511)	(186)	(756)	(13,953)	(3,421)	(44,245)
Net Segmental Expenditure	4,012	1,140	2,587	1,349	6,220	6,897	22,205
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							(20,982)
Net Service Expenditure							1,223

## Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis							
2024/25	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	2,170	3,189	1,587	1,156	3,375	4,429	15,906
Other Service Expenses	8,056	15,880	1,848	1,151	14,287	6,701	47,923
Depreciation, amortisation & impairment	474	-	-	-	820	-	1,294
Interest payments	-	-	-	-	(34)	-	(34)
Total Segmental Expenditure	10,700	19,069	3,435	2,307	18,449	11,130	65,090
<b>Income</b>							
Fees and Charges and other service income	(4,952)	629	(657)	(756)	(14,502)	(3,451)	(23,689)
Benefits and other Gov. grants	(2,370)	(18,098)	-	-	(122)	(636)	(21,226)
Total Segmental Income	(7,322)	(17,469)	(657)	(756)	(14,624)	(4,087)	(44,915)
Net Segmental Expenditure	3,378	1,600	2,778	1,551	3,825	7,043	20,175
Reconciliation to CIES							(26,109)
Other Income and Expenditure not segmentally reported							
Net Service Expenditure							(5,934)

## Note 25. Members' Allowances

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

2023/24 £'000		2024/25 £'000
458	Allowances	498
5	Expenses	4
463	Total	502

## 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.

2023/24	Salary £	Bonuses £	Com- pensation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive - Pav Ramewal	172,164	4,142	-	36,672	8,116	221,093
Deputy Chief Executive and Chief Officer Finance & Trading	117,384	2,651	-	24,967	-	145,002
Deputy Chief Executive and Chief Officer Customer & Resources	117,384	2,651	-	24,967	399	145,401
Deputy Chief Executive and Chief Officer People & Places	117,384	2,651	-	24,967	-	145,002
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	117,384	2,651	-	24,967	-	145,002
Assistant Chief Executive Transformation and Strategy	101,144	2,245	-	21,505	399	125,293
Strategic Head of Property & Commerical Economic Development and Property	108,984	2,048	-	23,095	-	134,127
Head of Legal & Democratic Services	89,590	1,843	-	19,018	-	110,451

2024/25	Salary £	Bonuses £	Com- pensation Loss of employment £	Pension £	Other Emol- uments £	Total £
Chief Executive - Pav Ramewal	176,468	4,246	-	37,588	5,626	223,928
Deputy Chief Executive and Chief Officer Finance & Trading	120,318	2,717	-	25,591	-	148,627
Deputy Chief Executive and Chief Officer Customer & Resources	120,318	2,717	-	25,591	800	149,427
Deputy Chief Executive and Chief Officer People & Places	120,318	2,717	-	25,591	-	148,627
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	120,318	2,717	-	25,591	-	148,627
Assistant Chief Executive Transformation and Strategy	103,672	2,301	-	22,042	2,483	130,499
Strategic Head of Property & Commerical Economic Development and Property	111,132	2,099	-	23,552	-	136,783
Head of Legal & Democratic Services	91,830	1,889	-	19,493	-	113,212
	-	-	-	-	-	-

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



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

Number of Employees	Remuneration Bands		Number of Employees
	2023/24	2024/25	
8	50,000 - 55,000	13	
9	55,001 - 60,000	7	
8	60,001 - 65,000	6	
1	65,001 - 70,000	8	
1	70,001 - 75,000	1	
3	75,001 - 80,000	2	
-	80,001 - 85,000	1	
1	85,001 - 90,000	1	
1	90,001 - 95,000	2	
-	95,001 - 100,000	-	
-	100,001 - 105,000	-	

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	23/24	24/25	23/24	24/25	23/24	24/25	23/24 £'000	24/25 £'000
£0 - £20,000	1	2	7	9	8	11	44	24
£20,001 - £40,000	2	2	-	-	2	2	49	59
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100k	-	-	-	-	-	-	-	-
Total	3	4	7	9	10	13	93	83

## Note 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.

2023/24 £'000		2024/25 £'000
152	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	176
-	Fees Payable to external auditors in respect of statutory inspections	-
36	Fees payable to external auditors for the certification of grant claims and returns	33
-	Fees payable in respect of other services provided by external auditors during the year	-
39	Other - Prior Year Charges	24
<u>226</u>	<b>Total</b>	<u>233</u>

## Note 28. Grant income

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

2023/24 £'000		2024/25 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
( 2,357)	S31 Small Business Rate Reduction (DLUHC)	( 3,157)
( 184)	New Homes Bonus (DLUHC)	( 14)
( 1,318)	Community Infrastructure Levy	( 1,833)
-	S31 Council Tax Family Annexes (DLUHC)	-
( 103)	Energy Rebate (Discretionary)	( 198)
( 27)	Energy Rebate (Non Discretionary)	-
( 56)	Energy Bills Support Scheme	-
( 50)	Alternative Fuels Payment	-
( 4,095)	<b>Total</b>	( 5,202)
	<b>Credited to Services</b>	
( 18,107)	Benefit Subsidy (DWP)	( 16,193)
( 908)	Funding Guarantee	( 1,547)
( 4)	Ex Offenders Grant (AFEO)	-
-	Better Care Fund (was Disabled Facilities Grant) (KCC)	-
( 158)	Council Tax Admin	-
( 131)	Council Tax Hardship Fund (MHCLG)	( 211)
( 371)	Housing Benefit Administration (DWP)	( 233)
-	Flexible Homelessness (DLUHC)	( 392)
( 353)	Housing Support (KCC/Other LA)	( 48)
( 122)	New Burdens	-
( 9)	Contain Outbreak Managemnet (KCC)	( 103)
( 1,448)	Homelessness (MHCLG/KCC)	( 1,707)
( 128)	Choosing Health PCT (KCC)	( 125)
( 132)	Sports England	-
-	Lower Tier Services Grant	( 318)
( 93)	Services Grant	( 16)
( 92)	Net Zero	( 38)
( 40)	Communities against Drugs (KCC/PCC)	-
( 38)	Domestic Abuse Grant	( 39)
-	Cyber Support Grant BEIS)	( 28)
( 64)	Home Upgrade Fund (BEIS)	( 26)
( 403)	Other	( 331)
( 22,602)	<b>Total</b>	( 21,355)

## Breakdown of Business Rates Grants

2023/24 £'000		2024/25 £'000
	<b>Business Rates</b>	
1,228	NNDR Safety Net/Levy	933
( 91)	NNDR Pool Growth	( 971)
100	NNDR Net (Surplus)/Deficit	( 226)
<u>1,237</u>	<b>Total</b>	<u>( 264)</u>

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

2023/24 £'000		2024/25 £'000
	<b>Capital Grants Receipts in Advance</b>	
( 598)	Better Care Fund (KCC)	( 1,302)
( 65)	Home Upgrade Grant £403k -(BEIS)	( 224)
( 7)	UK Shared Prosperity Fund	( 227)
( 1,855)	Local Authority Housing Fund	( 2,376)
( 1,397)	KCC Local Authority Housing Fund	( 1,397)
( 1,215)	Brownfield Land Release Fund	-
( 42)	Rural England Prosperity Fund	( 415)
		( 506)
		( 563)
	Swimming Pool Support fund	( 473)
( 8)	Regional Housing Pot (KCC/MHCLG)	-
<u>( 5,187)</u>	<b>Total</b>	<u>( 7,483)</u>

2023/24 £'000		2024/25 £'000
	<b>Revenue Grants Receipts in Advance</b>	
( 446)	Section 106 receipts	( 284)
<u>( 446)</u>	<b>Total</b>	<u>( 284)</u>

## **Note 29. Related Party Transactions**

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

### **Central Government**

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2025 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 2024/25 is shown in note 25. Related party disclosure forms were sent to all members and chief officers in respect of the 2024/25 financial year requesting details of any transactions that had taken place between them or close family members.

### **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. There have been no material transactions with any entity that is a related party through senior officer individuals for 2024/25 other than Quercus 7 and Quercus Housing.

### **Kent County Council pension fund**

See note 34.

## 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.

2023/24 £'000		2024/25 £'000
( 51,334)	<b>Opening Capital Financing Requirement</b>	( 52,190)
	Capital Investment:	
2,019	Property Plant and Equipment	1,731
3,721	Inventory	3,092
-	Investment Properties	-
2,600	Long term debtors relating to capital	-
6,117	Revenue Expenditure Funded from Capital under Statute	7,581
-	Investments	-
<b>14,457</b>		<b>12,404</b>
	<b>Sources of Finance:</b>	
( 1,282)	Capital Receipts	( 3,920)
( 6,229)	Government Grants and other contributions	( 6,504)
( 1,199)	Sums set aside from revenue	( 610)
( 4,219)	Repayment of Internal Borrowing	-
<b>( 12,929)</b>		<b>( 11,034)</b>
<b>672</b>	<b>MRP for the year</b>	<b>678</b>
<b>( 52,190)</b>	<b>Closing Capital Financing Requirement</b>	<b>( 52,882)</b>

## Note 31 Leases

### Leases Authority as Lessee

#### 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.

Unaudited		
31/03/23		31/03/24
£'000		£'000
1,212	Not later than one year	1,613
3,177	Later than one year and not later than five years	4,446
5,562	Later than five years	5,139
<u>9,951</u>		<u>11,198</u>

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

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

### Finance Leases Authority as Lessee

In 2023/24 the Council entered into a finance lease for waste collection vehicles with direct services. The Council entered into an additional vehicle lease during 2024/25. These leases are for 3 years with an option to buy.

Payments under finance leases the year amounted to £391,000 (£359 in 2023/24).

These assets are recognised within Property, Plant and Equipment on the Balance sheet.

The minimum lease payments are payable over the following periods.

31/03/24		31/03/25
£'000		£'000
391	Not later than one year	449
1,254	Later than one year and not later than five years	863
-	Later than five years	-
<u>1,646</u>		<u>1,312</u>

### Finance Lease Liability

31/03/24		31/03/25
£'000		£'000
391	Not later than one year	449
1,254	Later than one year and not later than five years	863
-	Later than five years	-
<u>1,646</u>		<u>1,312</u>

There were no contingent rents payable for the period.

## 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 while the debtor remains outstanding. The gross investment is made up of the following amounts.

31/03/24 £'000		31/03/25 £'000
111	Net Investment in the lease	89
17	Unearned Finance Income	-
31	Estimated Residual value	31
<b>159</b>	<b>Gross Investment In the Lease</b>	<b>120</b>

31/03/24 £'000		31/03/25 £'000
<b>The gross investment in the lease will be received over the following periods.</b>		
35	Not later than one year	35
124	Later than one year and not later than 5 years	55
-	Later than 5 years	-
<b>159</b>	<b>Total</b>	<b>90</b>
<b>The minimum lease payments will be received over the following periods.</b>		
7	Not later than one year	7
23	Later than one year and not later than 5 years	23
-	Later than 5 years	-
<b>30</b>	<b>Total</b>	<b>30</b>

No contingent rents were received in the period.

## Note 32. Impairment Losses

Disclosure is required by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other comprehensive income and expenditure

During 2024/25 there were no specific impairment events that affected the Council's assets.



## **Note 33. Termination Benefits**

The Authority terminated the contracts of 13 employees in 2024/25, incurring costs of £83,000 (£93,000 in 2023/24) – 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.

### **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:

2023/24 £'000		2024/25 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
	Cost of Services	
	Service cost comprising:	
2,750	Current Service cost	2,590
-	Past Service costs	-
	Administrative Expenses	118
699	Net Interest Expense (includes administration expense)	394
	Total post-employment benefits charged to the Surplus or Deficit on the	
3,449	Provision of Services	3,102
Other post employment charged to the Comprehensive Income and Expenditure Statement		
	Remeasurement of the net defined liability comprising:	
	Return on plan assets (excluding the amount included in the net interest	
1,255	expense)	1,966
-	Other actuarial (gains)/losses on assets	-
( 1,907)	Actuarial (gains) and losses arising on change in demographic assumptions	( 357)
( 3,047)	Actuarial (gains) and losses arising on changes in financial assumptions	( 17,389)
360	Other	13,978
( 3,339)	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	( 1,802)
<b>Movement in Reserves Statement</b>		
	Reversal of net charges made to the Surplus or Deficit on the Provision of	
	Services for post employment benefit in accordance with the Accounting	
( 3,449)	Code of Practice	( 3,102)
	Actual Amount charged against the General Fund balance for pensions in the year	
4,301	Employers contributions payable to the scheme	4,396

## Pension Assets and Liabilities recognised in the balance Sheet.

2023/24 £'000		2024/25 £'000
<b>Present value of the Defined Obligations</b>		
( 133,613)	Present value of Funded Liabilities	( 120,679)
124,581	Fair Value of plan assets (at bid value)	128,869
( 9,032)	Total Defined Benefit Obligation	8,190
<b>Present Value of Unfunded Liabilities</b>		
( 1,173)	Impact of asset ceiling	( 1,002)
-		( 14,297)
( 10,205)		( 7,109)

## Reconciliation of movements in the fair value of scheme assets

2023/24 £'000		2024/25 £'000
120,808	Opening fair value of scheme assets	124,581
5,783	Interest on assets	6,114
( 1,255)	Return on assets less interest	( 1,966)
-	Other actuarial gains/(losses)	-
( 109)	Administration expense	( 118)
4,301	Contributions from employer	4,396
961	Contributions from scheme participants	966
( 5,908)	Estimated benefits paid plus unfunded net of transfers in	( 5,153)
	Settlement Prices received/(paid)	49
124,581	Closing Value of scheme assets	128,869

## Reconciliation of the movements in defined benefit obligation

2023/24 £'000		2024/25 £'000
135,204	Opening Defined Benefit Obligation	134,786
2,750	Current Service Cost	2,574
6,373	Interest Cost	6,508
961	Contributions by scheme participants	961
	<b>Remeasurements (gains) and losses:</b>	
( 3,047)	Change in Financial Assumptions	( 17,389)
( 1,907)	Change in Demographic assumptions	( 357)
360	Experience loss/(gain) on defined benefit obligation	( 319)
( 5,751)	Estimated benefits paid net of transfers in	( 4,993)
-	Past service costs including curtailments	29
( 157)	Unfunded pension payments	( 160)
-	Liabilities assumed / (extinguished) on settlements	36
134,786	Closing Defined Benefit Obligation	121,676

## Scheme Assets

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

31/03/24 %		31/03/25 %
58	Equity investments	57
7	Gilts	6
14	Bonds	15
9	Property	8
2	Cash	4
5	Absolute Return Fund	5
5	Infrastructure	5
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 2025.

The principal assumptions used by the actuary have been:

2023/24		2024/25
Mortality Assumptions:		
Longevity at 65 for current pensioners		
20.8	Men	20.7
23.3	Women	23.3
Longevity at 65 for future pensioners		
22.0	Men	22.0
24.7	Women	24.7
Financial Assumptions		
2.90%	Rate of Inflation (CPI)	3.20%
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
4.90%	Rate for discounting scheme liabilities	5.80%
50.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%

Barnett Waddingham estimate the duration of SDC's Employers liabilities at 16 years and the Rate of Inflation (RPI) was 3.25%.

## Return on Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2025 is calculated to be 3.76% based on the Fund asset statements and Fund cashflows. The Employer's share of the assets of the Fund is approximately 1.53%

## 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 £135m.

## **Note 35. Contingent Liabilities**

### **Virgin Media Ltd**

Sevenoaks District Council is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on for the Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Sevenoaks District Council's share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Sevenoaks District Council's Accounts.

## **Note 36. Contingent Assets**

There are no contingent assets identified in the year.

## **Note 37. Heritage Assets**

Under the CIPFA code of practise where an authority has information on the cost or value of a heritage asset, the authority shall recognise the asset in accordance with Section 4.1 of the Code.

Where this information is not available, and cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet. Disclosure shall be made in respect of heritage assets not recognised in the Balance Sheet in accordance with Section 4.10.4 of the Code.

### **Otford Palace**

The site of Archbishop's Palace in Otford, Kent, dates back to 821 AD but it was in 1515 AD that Archbishop Warham built one of the largest palaces in England, comparable in size to Hampton Court. In the 17th Century, the buildings fell into disrepair and now all that remains is part of the North Range – the North West corner tower, part of the Northern Gatehouse and connecting wall

Therefore following the requirement set out above the Council does not have information on cost or valuation and as such Otford Palace is not recognised with the Financial Statements.

## 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.

## Note 39. Borrowing

The information below sets out the Council's borrowing. Short term borrowing shows the amount to be repaid with the next financial year whereas the Long term borrowing is due over 1 year.

### Short Term Borrowing

31/03/24 £'000		31/03/25 £'000
( 580)	Central Government Bodies	( 586)
( 5,134)	Other Local Authorities	( 4,110)
( 5,713)	Total	( 4,696)

### Long Term Borrowing

31/03/24 £'000		31/03/25 £'000
( 11,334)	Central Government Bodies	( 10,837)
( 2,933)	Other Local Authorities	( 2,929)
( 14,267)	Total	( 13,766)

## Note 40. Group Accounts

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)

These notes should be read in conjunction with the explanatory notes to the Council's single entity accounts.

The following notes are intended to add context to the Group columns in the Council's primary statements.

### 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.

During the year the company were given credit facilities for business expenses totalling £27,506. Quercus 7 Limited. Secured long term borrowing remained at £5.92m.

### 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. The Company has no commercial properties.

During the year the company were given credit facilities for business expenses totalling £333.099. Secured long-term borrowing remained at £2.6m.

The table below sets of the transactions between the Council and Subsidiaries and the balances held by the Subsidiary at year end.

The Accounting Policies of the group accounts are aligned to the Policies applied to the single entity Council accounts, laid out in Note 2.

Transaction and balances	Quercus 7		Quercus Housing	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Transactions during the year				
Expenses	38	96	67	92
Income	-	-	-	13
	-	-	-	-
Balances held at year end				
Fixed Assets	10,791	10,719	11,145	14,290
Debtors	31	13	38	46
Creditors	39	28	241	333
Group Undertakings	-	-	-	-
Loans	5,923	5,923	2,600	2,600
Share Capital	3,991	3,991	-	-
S106 and grant funding	-	-	8,574	11,419
	868	790	8,342	11,403

### Investment Property for the Group

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

	2023/24 £'000	2024/25 £'000
Rental income from investment property	(3,185)	(3,199)
Direct operating expenses from investment property	675	462
Net income from Investment Properties	<u>(2,510)</u>	<u>(2,737)</u>

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

	2023/24 £'000	2024/25 £'000
Balance at start of the year	49,367	54,085
Purchases	4,623	2,967
Reclassifications	(774)	-
Disposals	(798)	-
Net Gains/ (losses) from fair value adjustment	551	130
	<u>52,969</u>	<u>57,181</u>

	31st March 2024 £'000	31st March 2025 £'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	52,969	57,181
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>52,969</u>	<u>57,181</u>

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

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set



out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Chief Officer – Finance & Trading on a regular basis regarding all valuation matters.

## THE COLLECTION FUND

### INCOME AND EXPENDITURE ACCOUNT

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

#### Note 1 Council Tax

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

The tax base for 2024/25 was approved by Council on 20 February 2024 as follows:

2023/24				2024/25			
Council Tax £000	NDR £000	Total £000		Note	Council Tax £000	NDR £000	Total £000
<b><u>Income</u></b>							
115,220	-	115,220	Billed to Council Tax Payers	1	121,474	-	121,474
-	35,500	35,500	Income from Business Ratepayers	2	-	40,418	40,418
-	-	-	Reduction in Bad Debts Provision		10	-	10
-	4,343	4,343	Transitional Protection		-	1,607	1,607
-			Reimbursement of previous year's estimated Collection Fund deficit	3		-	-
	23	23	Kent County Council		58		58
	-	-	Police & Crime Commissioner for Kent		9		9
	3	3	Kent & Medway Fire & Rescue Authority		3		3
	100	100	Sevenoaks District Council		13		13
	125	125	Central Government				
<b>115,220</b>	<b>40,093</b>	<b>155,313</b>			<b>121,567</b>	<b>42,024</b>	<b>163,591</b>
<b><u>Expenditure</u></b>							
Precepts & Demands:							
79,765	3,631	83,396	Kent County Council		84,398	3,638	88,036
12,641	-	12,641	Police & Crime Commissioner for Kent		13,421	-	13,421
4,539	403	4,942	Kent & Medway Fire & Rescue Authority		4,711	404	5,115
12,306	16,137	28,443	Sevenoaks District Council		12,769	16,167	28,937
5,231	-	5,231	Town & Parish Councils		5,559		5,559
-	20,171	20,171	Payments to Government		-	20,209	20,209
							-
			Allowance for non collection				
752		752	Write Offs		752		752
(496)	498	2	Change in Allowance for Non Collection		(894)	454	(440)
-	168	168	Cost of Collection Allowance			169	169
			Provision for Alteration of Lists & Appeals				
	(957)	(957)	Settlement against Provision			(1,183)	(1,183)
-	(582)	(582)	Change In Provision		-	1,819	1,819
			Allocation of previous year's Estimated Collection Fund Surplus				
	-						
967		967	Kent County Council			51	51
151		151	Police & Crime Commissioner for Kent			-	-
54		54	Kent & Medway Fire & Rescue Authority			6	6
216		216	Sevenoaks District Council			226	226
		-	Central Government			282	282
<b>116,126</b>	<b>39,469</b>	<b>155,596</b>			<b>120,717</b>	<b>42,242</b>	<b>162,959</b>
<b>(906)</b>	<b>624</b>	<b>(282)</b>	(DEFICIT)/SURPLUS FOR YEAR		<b>850</b>	<b>(218)</b>	<b>632</b>
COLLECTION FUND BALANCE							
1,323	1,461	2,784	Balance at beginning of year		417	2,085	2,502
(906)	624	(282)	(Deficit)/Surplus for year		850	(218)	632
<b>417</b>	<b>2,085</b>	<b>2,502</b>	<b>BALANCE AT END OF YEAR</b>		<b>1,267</b>	<b>1,867</b>	<b>3,134</b>

2023/24				2024/25		
Band	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	5.90	5/9ths	3.30	6.80	5/9ths	3.80
A	1,070.85	6/9ths	714.20	1,109.20	6/9ths	739.50
B	2,140.75	7/9ths	1,665.20	2,179.50	7/9ths	1,695.20
C	8,745.51	8/9ths	7,773.70	8,805.00	8/9ths	7,826.70
D	10,225.16	9/9ths	10,225.30	10,346.80	9/9ths	10,346.80
E	6,903.96	11/9ths	8,438.20	6,933.70	11/9ths	8,474.50
F	5,635.50	13/9ths	8,140.40	5,656.40	13/9ths	8,170.40
G	7,465.84	15/9ths	12,443.40	7,505.50	15/9ths	12,509.20
H	1,447.19	18/9ths	2,894.40	1,465.10	18/9ths	2,930.00
	<u>43,640.66</u>		<u>52,298.10</u>	<u>44,008.00</u>		<u>52,696.10</u>
Contributions in lieu for Crown property			6.00			14.87
			<u>52,304.10</u>			<u>52,710.97</u>
Collection rate adjustment			99.40%			99.40%
<b>Council Tax Base</b>			<u><b>51,990.30</b></u>			<u><b>52,394.70</b></u>

A\* - Concessionary rate for adapted homes

The tax rate for a band D property in 2024/25 was £2,200.60 , excluding Town and Parish Council taxes (2023/24 = £2,101.38).

	2023/24	2024/25
	£	£
Kent County Council	1,534.23	1,610.82
Police & Crime Commissioner for Kent	243.15	256.15
Kent & Medway Fire & Rescue Authority	87.30	89.91
Sevenoaks District Council	236.70	243.72
	<u>2,101.38</u>	<u>2,200.60</u>
Town & Parish Councils (Average)	100.61	106.09
<b>TOTAL (including an average town &amp; parish rate)</b>	<u><b>2,201.99</b></u>	<u><b>2,306.69</b></u>

## **Note 2 Non-Domestic Rates (NDR)**

Non-domestic rates are calculated on a national basis. For 2024/25, the Government specified a “rate poundage” of 54.6p (2023/24: 51.2p) for large businesses or 49.9p (2023/24: 49.9p) for small businesses and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The NDR income after relief and provisions of £37,425,150 for 2024/25 (2023/24: £35,500,350) was based on the total rateable value for the Council’s area, which at 31 March 2025 was £109,650,459 (31 March 2024: £109,218,969).

## **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 2025, the estimated balance at 31 March 2025 in respect of council tax transactions was a surplus of £83,595. This surplus is to be shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2024/25 and taken into account by the respective authorities in the calculation of their council taxes for 2025/26. The actual position at 31 March 2025 was a surplus of £2,019,000

The actual surplus of £2,019,000 at 31 March 2025 in respect of council tax and the actual surplus of £1,867,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2025/26.

## GLOSSARY OF TERMS

Most terms are explained within the “Narrative Report” and “Statement of Accounting Policies” sections of the accounts.

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

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

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

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

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

**Budget.** A statement of the Council's plans for net revenue and capital expenditure over a specified period of time. And/or Estimate of income and expenditure for a set period of time.

**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.

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

**Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 ceremonies), 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.

**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.

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

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

**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 taxpayer 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.

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

**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.

**SDC or Sevenoaks.** Sevenoaks District Council

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

**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.

**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 2024/25

## 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, Scrutiny and Advisory 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, all of which are 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 and to ensure its business is conducted in accordance with the law, it should have proper standards and deliver 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 4 July 2023.

### **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 2025 and up to the date of approval of this document.

### **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 14 November 2023. The Council Plan sets out the actions that the Council has committed to undertake to deliver on its promises.
- The Council Plan promises are subject to considerable Member review and challenge by Cabinet, or the appropriate Advisory/Scrutiny Committee and ultimately by the full Council. The governance arrangements put in place on 14 May 2024 operated well during the year. The arrangements continue to include an Audit Committee, whose terms of reference are consistent with CIPFA standards. The promises and priorities within the Council Plan 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 2024/25, the Internal Audit Team worked to deliver the annual audit plan approved by the Audit Committee in March 2024. The service has provided regular updates to Members on the outcomes of audit work and progress on implemented audit actions.

Internal audit has issued two limited assurance audit reports in the 2024/25 audit plan to date. One was in relation to Health & Safety and all high priority findings have been addressed with each related agreed action being implemented. The second was the audit on Disabled Facilities Grants which was completed in June 2025.

Individual audit reports continue to be issued and distributed to relevant Chief Officers, with copies to the Chief Executive and Section 151 Officer.

A full independent external quality assessment was completed in 2020/21.

The outcomes, along with actions, were reported to the Audit Committee. These outcomes from the External Quality Assessment were used to create an audit strategy and action plan which was addressed. A new Quality Assurance & Improvement Plan is due to be developed ahead of the next External Quality Assessment due in 2026.

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.

In the value for money assessment for 2023/24, the external auditor concluded the following:

- Financial sustainability – no evidence of significant weakness.
- Governance – raised two key recommendations which are included in table 2 below.
- Improving economy, efficiency and effectiveness – no evidence of significant weakness.

A disclaimer opinion was issued for the 2023/24 financial statements.

#### **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.

#### **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 regularly and enhanced with commentaries from Heads of Service and Managers where performance is behind target. Strategic information is regularly reported to the Strategic Management Team, Cabinet, Scrutiny Committee and Advisory Committees.

#### **e) Arrangements for Partnerships**

The Council enhances value for money in service delivery through innovative and cost-effective partnership working but will also end partnerships that no longer provide value for money or meet policy objectives. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services including Licensing, Revenues and Benefits and Internal Audit.

#### **f) Arrangements for Council Owned Companies**

Governance arrangements for the Council owned companies were agreed by Council as part of the set up process. Those arrangements have continued to be followed during the year.

The Companies accounts are separately audited, and the Council produces group accounts which incorporate the companies.

#### **g) Risk Management**

The Council's Risk Management Strategy was updated and approved by the Audit Committee on 1 February 2024.

Strategic risks are aligned to the Council's promises and objectives and are actively monitored and updated throughout the year. There is an operational risk management framework in place with operational risk registers to support delivery of each service.

#### **h) Relationships and Ethics**

Good co-operative relationships exist between the Council and its external auditors and inspectors, and between officers and Members. Relationships between officers and Members are guided by a protocol embedded in the Council's Constitution. 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.

#### **i) 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 February 2023. 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. As part of the ongoing commitment to develop and nurture staff the Council continued to design, deliver and develop bespoke training courses over the year through the 'Sevenoaks Learning Hub' which is available to all staff and consists of a variety of courses.

#### **j) Monitoring Officer**

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

#### **k) Counter Fraud and Corruption**

The Council has a Counter Fraud and Corruption Strategy and a Whistle Blowing Policy. The Council also has a Counter Fraud Team and a 'fraud hotline', available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all 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 Counter Fraud and Corruption Strategy and Whistle Blowing Policy were both updated and then reviewed by the Audit Committee on 5 October 2023.

### **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 Deputy Chief Executive and Chief Officer - Finance and Trading during 2024/25.

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 2024/25, it has complied fully with the governance requirements of the Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution ensure that all the appropriate responsibilities are delegated and reserved to the Section 151 Officer as the Statement recommends.

### **6. Review of Effectiveness**

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal 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.

6.2 The External Auditor in their last value for money assessment for 2023/24 concluded that there was no evidence of significant weakness within 'Improving economy, efficiency and effectiveness'.

6.3 Internal audit reports are available to the Audit Committee upon request, and the outcomes of audit work are reported regularly. Each year the Committee receive the Annual Internal Audit Report, which includes the Annual Opinion on the Council's governance, risk management and control arrangements. The opinion for 2024/25 is that they are managed effectively with reasonable assurance.

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

6.5 There was two governance issues raised in last year's AGS process regarding fraud risk assessments and assurance mapping. Details are included in **Table 1 below**. Both of these issues remain outstanding due to the Audit Team resource issue mentioned below.

6.6 Two further governance issues have been raised in this year's AGS regarding resource issues within the Audit Team and to further strengthen the control environment specifically in relation to Counter Fraud arrangements. Both of these issues were highlighted in the external auditor's latest value for money assessment. Details are included in **Table 2 below**.

## Certification

Signed:

Dr. Pav Ramewal

Chief Executive

Date:

Signed:

Cllr Roddy Hogarth

Leader of the Council

Date:



## Issues Identified

**Table 1: Governance Issues raised in the previous (2023/24) AGS.**

Identified from	Issue	Description	Responsible Officer(s)
Audit Manager	Fraud Risk assessments need refreshing	Identification, assessment and mitigation of fraud risk to be documented.	Senior Managers – Coordinated by Audit Manager
Audit Manager	Assurance mapping	Document the Council's sources of assurance.	Senior Managers – Coordinated by Audit Manager

**Table 2: Governance Issues raised in the current (2024/25) AGS.**

Identified from	Issue	Description	Responsible Officer(s)
Audit Manager and External Audit	Resource issues within the Audit Team	<p>The Audit Committee has been kept informed of the difficulties in achieving a fully resourced Audit Team.</p> <p>A new team structure was approved in April 2025 which consists of some different posts to before that is hoped will be more attractive to potential applicants.</p>	Audit Manager
External Audit	Control environment is further strengthened specifically in relation to Counter Fraud arrangements.	<p>Secure external specialist resource to provide a further assessment into the control environment.</p> <p>External specialist resource has been commissioned to provide further assessment including a view on effectiveness of current controls and any additional recommended actions.</p> <p>Embed and strengthen a fraud prevention culture within the</p>	<p>Chief Officer – Customer &amp; Resources</p> <p>Fraud Manager and Audit Manager</p>

		<p>organisation by a programme of officer training.</p> <p>The Fraud Manager in conjunction with the Audit Manager are working on bringing a report through SMT backed up by further training and awareness as required.</p>	
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## **INDEPENDENT AUDITOR'S REPORT – TO FOLLOW**