GOVERNANCE AND AUDIT COMMITTEE

Thursday, 23rd November, 2023

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

Kent County Council
kent.gov.uk

AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 23rd November, 2023, at 10.00 am		Ask for:	**Katy Reynolds**
Council Chamber, Sessions House, County Hall, Maidstone		Telephone:	**03000 422252**

Membership (12)

Conservative (8)	Mrs R Binks (Chairman), Mrs S Hudson (Vice-Chairman), Mr D L Brazier, Mr N J D Chard, Mr P C Cooper, Mr D Robey, Mr D Ross and Mr S Webb
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr C Passmore
Green and Independent (1)	Mr M A J Hood
Independent Member (1)	Dr D A Horne

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Introduction/Webcasting
2. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 25 October 2023 (Pages 1 - 6)
5. Treasury Management Mid-Year Update (Pages 7 - 28)
6. Review of Annual Accounts (Pages 29 - 216)
7. External Audit Findings for KCC

   To follow.

8. Draft Annual Governance Statement 2022/23 (Pages 217 - 234)

9. Revisions to Internal Audit Plan (Pages 235 - 236)

10. Internal Audit Follow Up of SEND Transport Lessons Learned Review (Pages 237 - 254)

11. Other items which the Chairman decides are urgent

EXEMPT ITEMS

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

Benjamin Watts
General Counsel
03000 416814

Wednesday, 15 November 2023

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 25 October 2023.

PRESENT: Mrs R Binks (Chairman), Mrs S Hudson (Vice-Chairman), Mr A Brady, Mr D L Brazier, Dr D Horne, Mr M A J Hood, Mr C Passmore (Substitute) and Mr S Webb

ALSO PRESENT: Mr P Oakford, Mr H Rayner and Mr D Jeffrey

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr Paul Dossett, Mr J Flannery (Principal Auditor), Mr Parris Williams, Miss K Reynolds (Democratic Services Officer), Ms P Blackburn-Clarke (Customer Experience and Engagement Manager), Mr S Jones (Corporate Director of Growth, Environment and Transport) and Mr M Rolfe (Head of Kent Scientific Services)

UNRESTRICTED ITEMS

149. Introduction/Webcasting
(Item 1)

150. Apologies and Substitutes
(Item 2)

Apologies for absence had been received from Mr Hook, Mr Robey and Mr Cooper. Mr Passmore was present as substitute for Mr Hook.

Mr Ross attended virtually.

151. Declarations of Interest in items on the agenda for this meeting
(Item 3)

There were no declarations of interest.

152. Minutes of the meeting held on 14 September 2023
(Item 4)

RESOLVED that the minutes of the meeting on 14 September 2023 were a correct record and that they be signed by the Chair.

153. Internal Audit Progress Report - Procurement & Contract Extension
(Item 5)

1. The Head of Commercial and Procurement introduced the report which updated the Governance and Audit Cabinet Committee on the progress made against the Management Action Plans developed in response to the published Internal Audit Reports CA07-2023 (Procurement) and RB21-2023 (Contract Extensions). It was said that significant progress has already been made since the initial presentation of the findings of these two audits and the planned action to the 14 September 2023 meeting of the Governance and Audit Cabinet Committee.

2. In response to questions and comments from Members it was said that:
   a) Although the sample size of the audit was small, the Head of Internal Audit reassured the Committee that the findings were substantial. It was said that there was a strong management response.
   b) Further update reports, including one detailing the new Key Performance Indicators (KPIs), would be provided to the Committee as necessary to ensure that Members are kept fully appraised and retain the necessary oversight and assurance.

3. RESOLVED to consider and note this report and the progress made following the initial presentation of the findings of these two audits and the planned actions shared and agreed with Internal Audit in August 2023.

154. Counter Fraud Progress Report
(Item 6)

Mr Derek Murphy (Cabinet Member for Economic Development), Simon Mitchell (Assistant Director Adults Commissioning) and Mark Albiston (Director of Adult Social Care and Health West Kent) were in attendance for this item.

1. The Counter Fraud Manager introduced the report which detailed the Counter Fraud activity undertaken for the period of April 2023 to August 2023, including reported fraud and irregularities, and provided an update on the Counter Fraud Action Plan for 2023/24 covering reactive and pro-active activity. It was said that there had been an increase in referrals compared to the same period in 2022/23. The increase was primarily driven by blue badge referrals, following work with districts to improve awareness in this area. It was said that the cost-of-living crisis had contributed to increased motivation to commit fraud. The team were working to mitigate the opportunity for fraud and errors. Regarding blue badge enforcement, it was said that two further blue badge prosecutions had occurred since the drafting of the report.

2. It was highlighted that the Counter Fraud Team had completed a substantial investigation into the way providers invoice and the way KCC pays providers within the supporting living contract. The review identified improvements needed to ensure that there was a direct link between the care being delivered and the invoicing within the provider. It was said that there was a lack of information reported to KCC by the provider and, therefore, there was a lack of reconciliation occurring.

3. A report issued by Thanet District Council reviewed the way in which consultancy services were procured for East Kent Opportunities (EKO) and had identified a failure to adhere to the procurement rules. It also identified that there was a lack of metrics to inform the performance of the regeneration project to the Governance and Audit Committee.

4. In response to questions and comments from Members it was said that:
   a) The Department of Transport was exploring the digitisation of blue badges to reduce fraud risk.
   b) Members were reminded that there was a legal obligation to provide a direct payment option to individuals in receipt of adult social care. There was a low level of take-up in Kent compared to that in other councils. Payment errors primarily occurred through the Mosaic system when the recording of a date-of-death did not result in a cancelled payment package. The Director of Adult Social Care and Health West Kent said that while fraud risk may increase in this area, there was ongoing cross-directorate work and engagement with the partners to mitigate this risk.
   c) Data provided by the Kent Intelligence Network gave insight into existing and emerging fraud risks. The Counter Fraud team used this data to inform their work with district councils.
   d) The Corporate Director Growth, Environment and Transport confirmed that the relevant management actions to ensure compliance with the financial and procurement regulations in EKO procurement would be implemented by December 2023.
   e) The General Counsel highlighted to Members that there was an upward trend in the number of fraud and irregularity referrals per month. The Head of Internal Audit said that a key challenge was determining the priority of the referrals.

5. RESOLVED to:
   a) Note the Counter Fraud Update report for 2023/24
   b) Note the progress of the Counter Fraud Action Plan for 2023/24
   c) Agree that a progress report on the management actions undertaken in response to the Supporting Living investigation be provided to the Governance and Audit Committee in six months.

155. Verbal Update on the Review of the Financial Regulations
(Item 7)

1. The Director Finance provided a verbal update on the review of KCC's Financial Regulations. It was said that, while the Financial Regulations had been updated annually in response to changes in legislation and structural changes, they had not been fundamentally reviewed for several years. Committee Members were invited to nominate themselves, through the Chair, to be part of the cross-party, informal Working Group to aid the review.

2. RESOLVED to note the verbal update.

156. Annual Customer Feedback Report 2022/23
(Item 8)

Mark Albiston (Director of Adult Social Care and Health West Kent) and Sarah Hammond (Corporate Director Children, Young People and Education) were in attendance for this item.

1. The Customer Experience and Relationship Manager introduced the report which provided a summary of the compliments, comments and complaints recorded by the Council. The report included statistics relating to customer feedback received by the Council and a sample of complaints considered by the Ombudsman. It was said that key changes – including Homes for Ukraine, SEND and changes to

transport provision – had increased complaints in a number of areas. The increase in Member and MP enquiries was attributed to the level of backlogs. However, there were improvements being made, particularly in the CYPE and GET directorates. It was expected that the cases would remain high while the backlogs were still being addressed.

2. The Corporate Director Children, Young People and Education told Members that the new leadership structures for SEND had been in place from 1st of April 2023. There was a dedicated backlog team working to address the issue of outstanding complaints in relation to SEND. It was said that there were observed improvements since the introduction of the team, and this would be reported on in the Annual Customer Feedback Report 2023/24.

3. The Director of Adult Social Care and Health West Kent said that there had been a deep dive into the complaint themes in Adult Social Care and Health. The key drivers behind the increase in complaints included a 43% increase in blue badge complaints regarding renewals and response times for new applications. Members were assured that there were lessons being learnt through the complaints received in the directorate and these lessons were being considered as part of a quality improvements process. It was highlighted that the Ombudsman had commented that the high volume of complaints could be seen to reflect an open, transparent, and easily accessible complaints process.

4. In response to questions and comments from Members it was said that:
   a) Table 9, which showed the breakdown of the root causes of ‘quality of service’ complaints where they were upheld, had been incorrectly referred to as Table 10 in paragraph 3.22 of the report.
   b) The levels of complaints were only slightly higher than those received by county councils of similar size which provided similar services to KCC.
   c) The 30-working day response time to Mental Health complaints only applied to those requiring a joint response from health services. It was said that the priority was to address the issues raised as the subject of the complaint. The Customer Experience and Relationship Manager would provide Members with the data on response times to Mental Health complaints.
   d) The Annual Customer Feedback Report 2023/24 would include greater detail regarding the work undertaken in response to feedback received in the form of complaints.

5. RESOLVED to note the contents of the report for assurance.

157. Covert Enforcement Techniques Activity 2022-23
(Item 9)

1. The Interim Head of Community Protection introduced the report on use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2022 – 31 March 2023. It was said that the statutory codes of practice that govern the use of covert investigative techniques require that elected Members were given the opportunity once a year to satisfy themselves that the techniques are used lawfully and proportionately. It was highlighted that the usage was low and was only used in the most serious of cases where there is no alternative, which was demonstrated by the outcomes of previous cases. Officers had an ongoing duty to review their application of these techniques and to consider ongoing intrusion.

In one case in this reporting period officers had withdrawn their application when it became apparent that intrusion was no longer necessary.

2. In response to questions and comments from Members it was said that the new regulatory controls on electronic cigarettes was not expected to increase the use of covert surveillance.

3. RESOLVED to note for assurance the use of covert investigative techniques during the period and endorse the policy in relation to the use of covert investigative techniques.

158. External Audit Governance Review

(Item 10)

The Leader was in attendance for this item.

1. Mr Paul Dossett introduced the report which detailed the findings of the external audit governance review and recommendations for improvement. The review had been undertaken following concerns raised during the Council's annual Value for Money Audit for the audit year 2021/22 and the Council's Annual Governance Statement about poor progress being made to resolve governance and service issues. It was emphasised that a holistic approach to the recommendations was required to achieve the intended outcomes. The report was accompanied by a presentation which is appended to the minutes.

2. The Leader thanked Mr Dossett for the report. He highlighted that it was important to address the cultures and behaviours identified by the auditors. The Leader agreed that there were significant improvements to be made across the council to ensure that the Council operated cohesively. It was said that there was progress made towards achieving this through the Chief Executive model.

3. The General Counsel said that there was ongoing work to provide a robust training package for Members. There were also a number of projects that had been undertaken in response to the Annual Governance Statement 2021/22. Further details would be provided on the delivery of these projects at the November meeting. The General Counsel highlighted that these activities would be insufficient in improving the Council's governance without collective buy-in from all Members and officers.

4. In response to comments and questions from Members it was said that:
    a) As former Cabinet Member for Highways & Transport, Mr Brazier compared the findings of the report with his own experience in the Executive. He made assertions that the issues contained in the report had been misrepresented or not wholly understood by the author of the report.
    b) In general, the Committee welcomed the report and the recommendations by the external auditor. However, a number of Members expressed their concern regarding the recommendation to abolish Cabinet Committees. The Leader agreed that any changes to the Cabinet Committee structure would be put to a cross-party working group for consideration.
    c) When asked how Grant Thornton would enforce the recommendations in the paper, Mr Dossett reminded Members that these were not statutory recommendations. However, Grant Thornton would continue to monitor the Council's progress towards achieving better governance and, if necessary, there would be further actions taken by the external auditors.

5. It was proposed and seconded that a report from the Cabinet Member for Communications and Democratic Services be brought to the January Governance and Audit Committee meeting for assurance. The report would update Members on the Executive response to the governance review recommendations.

6. RESOLVED to:
    a) Note the report and Governance Review by External Audit.
    b) Note that a further report be brought to the Governance and Audit Committee in April 2024 for assurance.
    c) Note the presentation of the Annual Governance Statement at the next meeting and the inclusion of relevant sections of the report in the statement.
    d) Note that a report from the Cabinet Member for Communications and Democratic Services be brought to the Governance and Audit Committee in January 2024 for assurance.

159. External Audit Progress Report and Sector Update
(Item 11)

1. Mr Parris Williams introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments.

2. RESOLVED to note the report for assurance.

160. External Audit- Pension Fund Audit Findings Report
(Item 12)

1. Mr Paul Dossett introduced the report which detailed the findings and matters arising from the statutory audit of Kent County Pension Fund and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023. It was said that there had been additional data testing undertaken as part of the triennial review. There were no identified adjustments to the financial statements and, therefore, the Pension Fund's reported financial position remained unchanged from the published draft financial statements for audit.

2. RESOLVED to note the report for assurance.

161. Other items which the Chairman decides are urgent
(Item 13)

There were no matters arising.

From:	Peter Oakford, Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services Zena Cooke, Corporate Director Finance
To:	Governance and Audit Committee – 23 November 2023
Subject:	Treasury Management Mid-Year Update
Classification:	Unrestricted
Future Pathway of report	County Council

Summary: This report provides an overview of Treasury Management activity and developments in 2023-24 to the end of September 2023. There are no recommended changes to the approved strategy in this report.

Recommendation: The Committee is asked to endorse this report and recommend that it is submitted to County Council.

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1. Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in accordance with the Council's priorities of security, liquidity and finally yield (in order).

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 Accordingly, treasury management is defined as:

> "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Introduction

2.1 This report covers Treasury Management activity up to the end of September 2023 and developments in 2023-24 up to the date of this report.

2.2 If agreed by the Committee, this report will be presented to County Council.

2.3 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report therefore ensures this Council is embracing best practice in accordance with CIPFA's recommendations.

2.4 The Council's Treasury Management Strategy for 2023-24 was approved by the County Council on 9 February 2023.

2.5 There are no recommended changes to the approved strategy in this report.

3. External context

Economic background:

3.1 The following economic commentary has been provided by the Council's retained treasury advisor, Link Group.

3.2 "The first half of 2023/24 saw:

- *Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.*
- *Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.*
- *A 0.5% m/m decline in real GDP in July, mainly due to more strikes.*
- *CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.*
- *Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.*
- *A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).*

3.3 The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

3.4 The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.

3.5 The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales *volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.*

3.6 *As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.*

3.7 *The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.*

3.8 *But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.*

3.9 *CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.*

3.10 In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.

3.11 Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".

3.12 This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

3.13 The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

3.14 The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.

3.15 The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914."

Interest rate forecast:

3.16 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

3.17 The latest forecast, dated 7th November, sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

4. Local context

4.1 The treasury management position on 31 March 2023 and the change over the 6 months to 30 September 2023 is shown in the following table. Borrowing and investment activity occurring over the first half of the year is discussed further in sections 6 and 7 below.

	31-Mar-23 Balance £m	2023-24 Movement £m	30-Sep-23 Balance £m	30-Sep-23 Average Rate %
Long-term borrowing	802.5	-15.4	787.0	4.42
Total borrowing	**802.5**	**-15.4**	**787.0**	**4.42**
Long-term investments	312.0	-28.7	283.3	4.72
Short-term investments	45.7	86.2	131.8	5.18
Cash and cash equivalents	134.7	-2.7	132.0	5.30
Total investments	**492.4**	**54.7**	**547.1**	**5.01**
Net borrowing	**310.1**	**-70.2**	**239.9**	

5. Capital Plans

5.1 The Council's borrowing requirement arises from the approved capital programme and represents the portion of cumulative and planned capital expenditure that is not immediately financed by capital grants, capital receipts, reserves and revenue. As shown in the table below, the Council's estimated capital financing requirement (CFR) for 2023/24 is £1,272.9m, and this is expected to remain broadly stable over the medium term.

	31-Mar-23 Actual £m	31-Mar-24 Estimate £m	31-Mar-25 Estimate £m	31-Mar-26 Estimate £m	31-Mar-27 Estimate £m
Capital Financing Requirement	1,292.4	1,272.9	1,330.1	1,315.7	1,274.5
External Borrowing	802.5	771.9	742.6	710.3	685.1

Other Long-Term Liabilities	222.4	222.4	222.4	222.4	222.4
Total Debt	1,024.9	994.3	965.0	932.7	907.5
Internal Borrowing	267.6	278.6	365.1	383.0	367.9

5.2 The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

6. Borrowing Strategy during the period

6.1 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

6.2 Interest rates rose over the first half of the financial year in both the long and short term, with rates at the end of September around 1% - 1.25% higher than those at the beginning of April. The PWLB 10-year maturity certainty rate stood at 5.28% at 30 September 2023, 20 years at 5.64% and 30 years at 5.63%.

6.3 As shown above, our treasury advisors forecast rates to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and Link forecast 50-year rates to stand at 4.00% by the end of September 2025. However, there is considerable gilt issuance to be digested by the market over the next couple of years, as a minimum, which implies a high degree of uncertainty as how far rates will decline.

6.4 The Council's borrowing activity in the 6 months to 30 September is as follows:

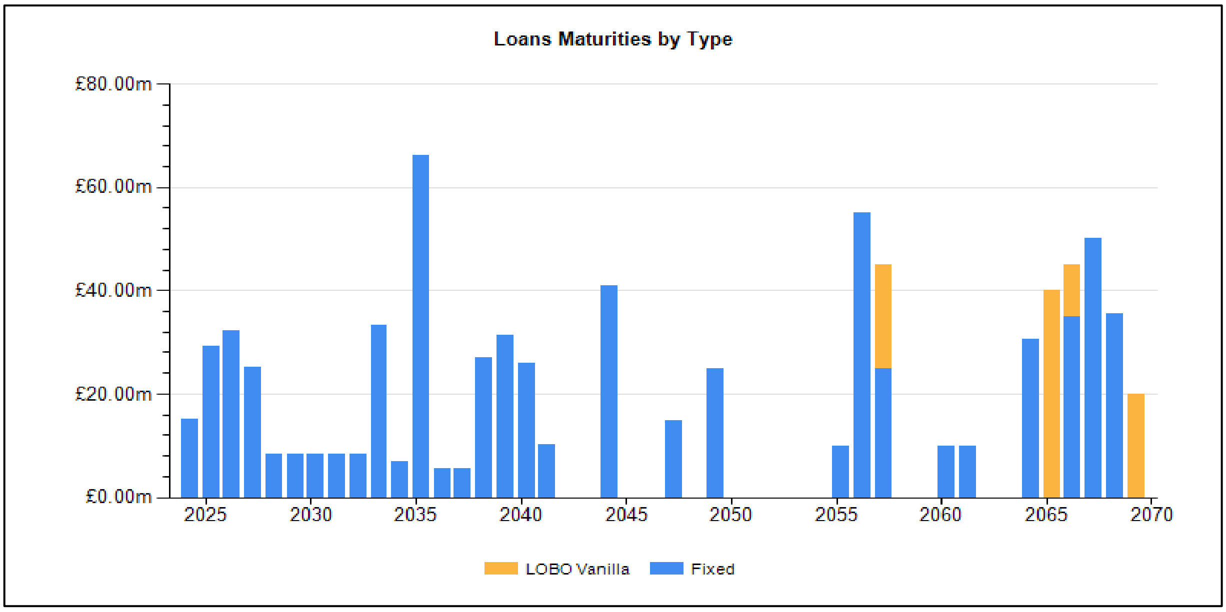
	31/03/2023	**2023-24**	**30/09/2023**	**30/09/2023**	**30/09/2023**
	Balance	**Movement**	**Balance**	**Average Rate**	**Value Weighted Average Life**
	£m	**£m**	**£m**	**%**	**yrs.**
Public Works Loan Board	484.0	-13.9	470.1	4.46%	15.05
Banks (LOBO)	90.0	0.0	90.0	4.15%	40.38
Banks (Fixed Term)	216.1	0.0	216.1	4.54%	38.73
Streetlighting project	12.4	-1.6	10.8	2.31%	13.75
Total borrowing	**802.5**	**-15.4**	**787.0**	**4.42%**	**24.43**

6.5 At 30 September 2023, the Council held £787.0m of loans as part of its strategy for funding the capital financing requirement. No new borrowing has been undertaken in the year to date and £15.4m of existing loans have been allowed to mature without replacement. This strategy enabled the Council to avoid locking in relatively high borrowing rates for the long term while rates remain elevated.

6.6 As shown in paragraph 5.1 above, the Council is expected to have external borrowing of £771.9m as at the 31 March 2024 (a slightly reduced balance from the position as at 30 September 2023 owing to maturities arising in the second half of the year) and expects to have utilised £278.6m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if further upside risk to gilt yields prevails.

6.7 The Council continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Rising interest rates increases the likelihood of a lender exercising their option.

6.8 The maturity profile of the Council's outstanding debt on 30 September was as follows:



6.9 The following table shows the maturity profile of the debt portfolio in 5-year tranches.

Loan Principal Maturity Period	Total Loan Principal Maturing	Balance of Loan Principal Outstanding
	£m	£m
Balance 30/09/2023		**787.0**
Maturity 0 - 5 years	73.1	713.9
Maturity 5 - 10 years	25.0	688.9
Maturity 10 - 15 years	181.8	507.1
Maturity 15 - 20 years	75.2	431.9
Maturity 20 - 25 years	55.8	376.1
Maturity 25 - 30 years	25.0	351.1
Maturity 30 - 35 years	110.0	241.1
Maturity 35 - 40 years	20.0	221.1

Maturity 40 - 45 years	201.1	20.0
Maturity 45 - 50 years	20.0	0.0
Total	**787.0**	

7. Treasury investment activity

7.1 The Council holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During the period, the Council's investment balance ranged between £470.8m and £641.4m due to timing differences between income and expenditure.

7.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.3 The Council continues to hold significant cash balances in money market funds (£132.0m as at 30 September), where funds are diversified across a wide range of high credit quality counterparties, as well as in overnight deposits with the Debt Management Office, an agency of HM Treasury (£93.7m). These highly liquid investments help the Council to manage both credit and liquidity risks.

7.4 Investments in covered bonds amounted to £97.3m as at 30 September. Most of this allocation is held in floating (variable) rate bonds (£86.5m). These instruments have been valuable in the current rising rate environment: as the interest rate on these investments is variable (it is linked to the SONIA rate), returns have increased in line with money market rates.

7.5 The allocation to treasury bills (issued by the UK Government) has increased over the first half of the year to £37.2m. These investments are relatively short term in nature (with terms of up to six months).

7.6 During the 6 months the Council loaned £4.8m to the no use empty loans programme. On 30 September, the Council had outstanding loans totalling £15.3m in the programme achieving a return of 4.0% which is available to fund general services. £19.5m of covered bonds matured in the 6 months bringing the total bond portfolio up to £97.3m. These instruments are negotiable, have the benefit of collateral cover and pay an about base rate return.

7.7 The Council's investments during the 6 months to the end of September are summarised in the table below and a detailed schedule of investments as at 30 September is in Appendix 1.

	31-Mar-23	2023-24	30-Sep-23	30-Sep-23	30-Sep-23
	Balance	**Movement**	**Balance**	**Rate of Return**	**Average Credit Rating**
	£m	**£m**	**£m**	**%**	
Call Deposits (Banks)	1.3	-0.3	1.0	1.92	A+
Money Market Funds	134.7	-2.7	132.0	5.30	AAA
Covered Bonds	116.7	-19.5	97.3	4.79	AAA
DMADF Deposits (DMO)	34.6	59.1	93.7	5.18	AA-
Treasury Bills (UK Government)	9.8	27.4	37.2	5.26	AA-
No Use Empty Loans	22.0	-6.7	15.3	4.00	
Equity	1.3	0.0	1.3		
Internally Managed Cash	**320.4**	**57.3**	**377.7**	**5.12**	
Strategic Pooled Funds	**172.0**	**-2.5**	**169.4**	**4.78**	
Total	**492.4**	**54.7**	**547.1**	**5.01**	

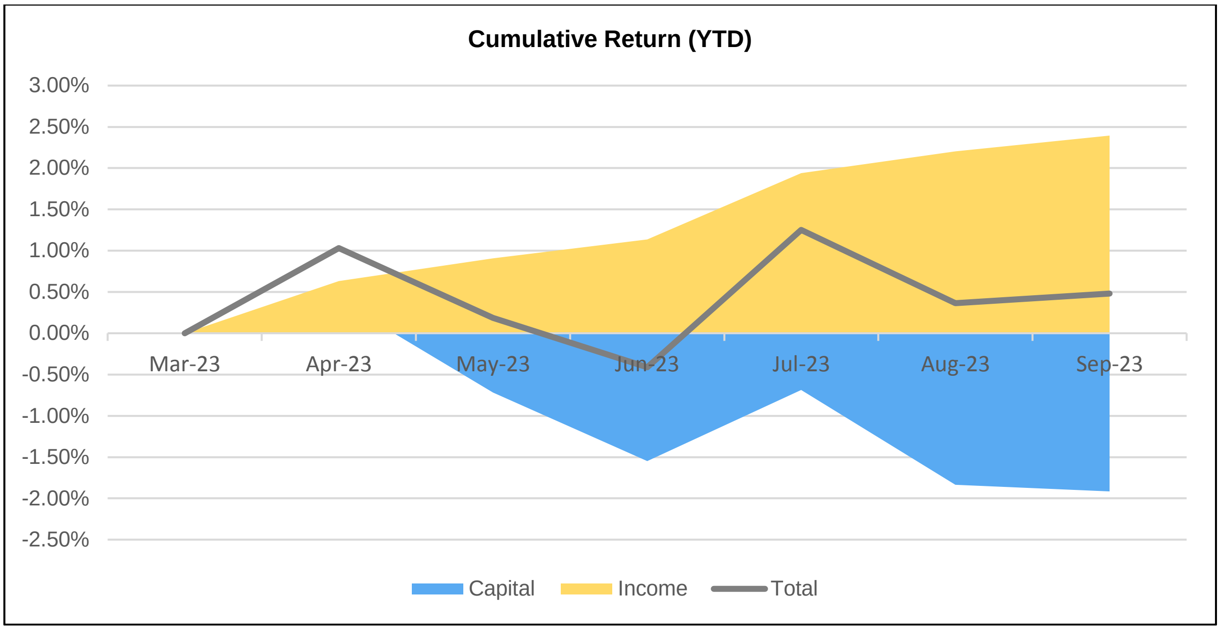
8. Externally managed investments

8.1 The Council is invested in equity, multi-asset and property funds. Because the pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s investment objectives are regularly reviewed.

8.2 Although expected returns are higher over the long term than comparable short term cash instruments, returns on pooled fund investments can be volatile from one year to the next, and therefore the Council only holds long term (strategic) cash balances in the strategic pooled funds portfolio.

Performance YTD:

8.3 The value of our holdings decreased to £169.4m at the end of September 2023, equating to an unrealised loss of £2.5m (-1.92%) over the period since the end of March 2023. This was offset by income earned over the period (2.39%), and the total return (comprised of both income and capital returns) on the pooled fund investments over the 6 months since 31 March 2023 is 0.48%, as shown in the table below.

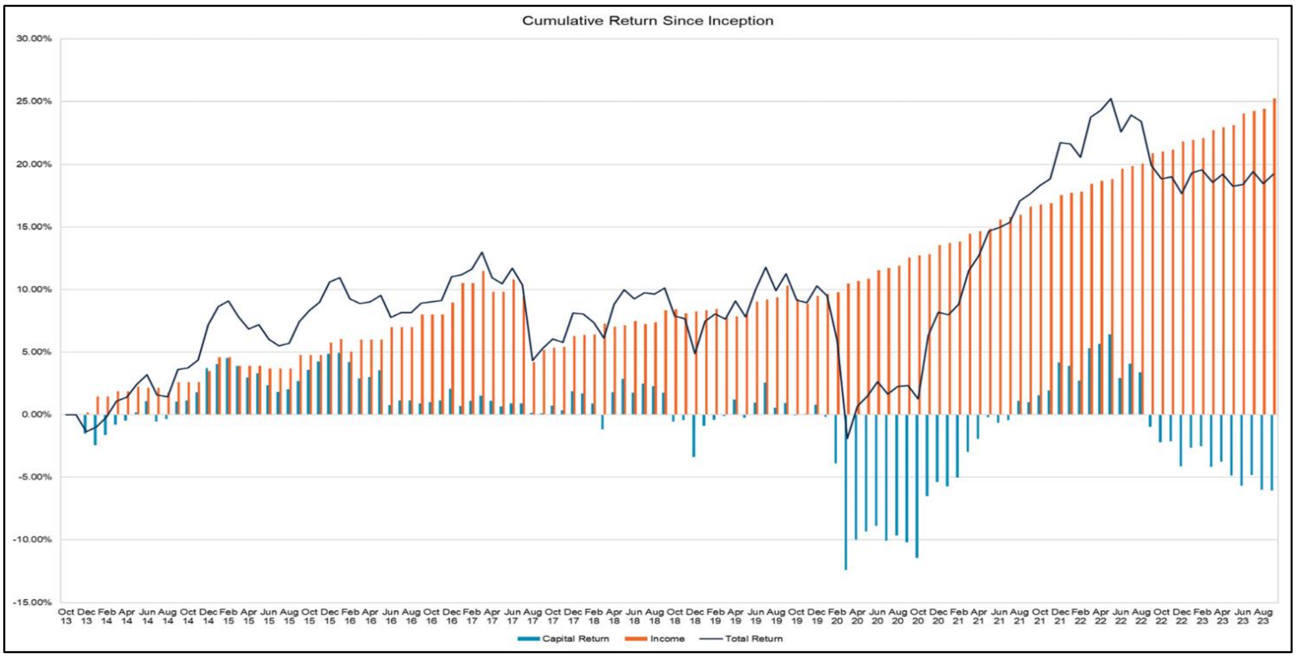


8.4 The market value of the pooled fund investments as at 30 September 2023 compared to the position as at 31 March 2023 is shown in the table below.

		31-Mar-23	2023-24	30-Sep-23	30-Sep-23	
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value**	**6 months return**	
					Income	**Total**
	£m	**£m**	**£m**	**£m**	**%**	**%**
Aegon (Kames) Diversified Monthly Income Fund	20.0	17.7	-0.2	17.5	3.38%	1.94%
CCLA - Diversified Income Fund	5.0	4.7	-0.1	4.6	1.65%	0.20%
CCLA – LAMIT Property Fund	60.0	56.4	-0.7	55.7	2.13%	0.90%
Fidelity Global Multi Asset Income Fund	25.0	22.7	-0.4	22.3	2.35%	-0.69%
M&G Global Dividend Fund	10.0	13.8	-0.2	13.6	2.76%	-2.49%
Ninety-One (Investec) Diversified Income Fund	10.0	9.1	-0.2	8.9	2.01%	-0.73%
Pyrford Global Total Return Sterling Fund	5.0	5.1	0.1	5.2	0.95%	-0.13%
Schroder Income Maximiser Fund	25.0	20.4	-0.5	19.8	3.19%	1.07%
Threadneedle Global Equity Income Fund	10.0	11.8	-0.3	11.5	1.89%	-0.80%
Threadneedle UK Equity Income Fund	10.0	10.3	0.1	10.4	1.71%	2.33%
Total Externally Managed Investments	**180.0**	**172.0**	**-2.5**	**169.4**	**2.39%**	**0.48%**

Performance since inception:

8.5 KCC initially invested in pooled funds in 2013. By the end of September 2023 they had achieved a total income return of £45.6m, 25.31%, with a fall in the capital value of the portfolio of £10.6m, -5.90%. Total returns since inception have been far in excess of the returns available from cash and these instruments are an effective way of managing the Council's longer term cash balances. The following chart tracks the returns earned on the pooled funds over the period from inception.



9. Actual and forecast outturn

9.1 Forecast net debt costs are £6.5m lower than budget as yields from short-term and variable long-term cash investments have increased. Indications are that this position may improve further.

10. Compliance

10.1 The Corporate Director Finance reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

11. Treasury Management Indicators

11.1 The Council measures and manages its exposures to treasury management risks using the following indicators:

11.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Actual 30/09/2023	Target

Portfolio average credit rating	AA	AA

11.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Actual 30/09/2023**	**Target**
Total cash available within 3 months	£254.1m	£100m

11.4 **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Actual 30/09/2023**	**Upper Limit**
One-year revenue impact of a 1% rise in interest rates	£1.3m	£10m
One-year revenue impact of a 1% fall in interest rates	-£1.3m	-£10m

11.5 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

	Actual 30/09/2023	**Upper limit**	**Lower limit**
Under 12 months	1.27%	100%	0%
12 months and within 5 years	8.02%	50%	0%
5 years and within 10 years	3.18%	50%	0%
10 years and within 20 years	32.65%	50%	0%
20 years and within 40 years	26.78%	50%	0%
40 years and longer	28.09%	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

11.6 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	**2023/24**	**2024/25**	**2025/26**	**No Fixed Date**
Limit on principal invested beyond	£150m	£100m	£50m	£250m

year end				
Actual as at 30 September 2023	£88.8m	£53.1m	£32.1m	£184.7m

12. Recommendation

Members are asked to endorse this report and recommend that it is submitted to Council.

Appendices

Appendix 1 – Investments as at 30 September 2023
Appendix 2 – Glossary of Terms

James Graham – Pension Fund and Treasury Investments Manager

T: 03000 416290

E: James.Graham@kent.gov.uk

13 November 2023

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Investments as at 30 September 2023

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Treasury Bills	DMO	4,934,307	5.3400%	09/10/23
Treasury Bills	DMO	4,886,475	4.6850%	30/10/23
Treasury Bills	DMO	2,955,155	4.7400%	13/11/23
Treasury Bills	DMO	4,877,611	5.0600%	27/11/23
Treasury Bills	DMO	4,873,633	5.2000%	18/12/23
Treasury Bills	DMO	4,932,244	5.5100%	18/12/23
Treasury Bills	DMO	4,860,404	5.7600%	08/01/24
Treasury Bills	DMO	4,865,120	5.5600%	18/03/24
Total Treasury Bills		**37,184,949**		
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	9,100,000	5.1700%	02/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	13,860,000	5.2500%	03/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	8,300,000	5.1700%	04/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	920,000	5.1700%	06/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	8,300,000	5.1700%	09/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	13,240,000	5.1700%	10/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	1,520,000	5.1700%	10/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	8,300,000	5.1700%	11/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	6,225,000	5.1700%	12/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	16,100,000	5.1700%	13/10/23
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	7,785,000	5.1700%	17/10/23
Total DMADF		**93,650,000**		
Call Account	National Westminster Bank plc	1,000,000	1.92%	
Total Bank Call Accounts		**1,000,000**		
No Use Empty Loans		**15,300,154**	4.00%	
Registered Provider	**£10m loan facility – non utilisation fee**		0.40%	31/03/24
Registered Provider	**£5m loan facility – non utilisation fee**		0.40%	16/06/24
Money Market Funds	LGIM GBP Liquidity Class 4	19,989,190	5.3454%	
Money Market Funds	Aviva Investors GBP Liquidity Class 3	19,990,619	5.3171%	
Money Market Funds	Aberdeen GBP Liquidity Class L3	19,988,892	5.2916%	
Money Market Funds	Federated Hermes Short-Term Prime Class 3	14,989,184	5.3510%	
Money Market Funds	HSBC GBP Liquidity Class F	19,990,518	5.2403%	
Money Market Funds	Northern Trust GBP Cash Class F	19,990,420	5.3112%	
Money Market Funds	Deutsche Managed GBP LVNAV Platinum	17,043,858	5.2250%	
Total Money Market Funds		**131,982,681**		

Equity	Kent PFI (Holdings) Ltd	**1,298,620**		n/a

Bond Portfolio

Bond Type	Issuer	Adjusted Principal £	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,246,471	1.7146%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	6,530,502	0.4259%	20/12/24
Floating Rate Covered Bond	Nationwide Building Society - Bonds	4,000,777	5.8505%	10/01/24
Floating Rate Covered Bond	Santander UK - Bonds	2,000,336	5.9710%	12/02/24
Floating Rate Covered Bond	TSB Bank - Bonds	2,500,423	6.1143%	15/02/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	8,981,541	5.2584%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	1,793,802	5.4971%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	5,021,953	4.8775%	30/01/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	5,059,905	5.0319%	14/03/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	4,029,693	5.3158%	14/03/25
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,087,018	5.0446%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	5,087,951	5.0356%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	10,126,894	4.7252%	15/12/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	713,114	5.3566%	26/01/26
Floating Rate Covered Bond	Nationwide Building Society - Bonds	501,193	5.6803%	20/04/26
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,405,746	5.7358%	20/04/26
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	10,121,119	5.4587%	22/06/26
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	4,053,246	5.1851%	13/07/26
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	3,006,058	5.3741%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	2,002,773	5.3955%	18/01/27
Floating Rate Covered Bond	Leeds Building Society Bonds	3,998,473	5.7561%	15/05/27
Floating Rate Covered Bond	Leeds Building Society Bonds	3,003,808	5.6913%	15/05/27
Total Bonds		**97,272,795**		

Total Internally managed investments	**377,689,199**

2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	6 months return to	
	£	30-September-23	30-September-23	
		£	Income	Total
Aegon (Kames) Diversified Monthly Income Fund	20,000,000	17,455,253	3.38%	1.94%
CCLA - Diversified Income Fund	5,000,000	4,649,988	1.65%	0.20%
CCLA - LAMIT Property Fund	60,000,000	55,681,587	2.13%	0.90%

Fidelity Global Multi Asset Income Fund	25,038,637	22,338,381	2.35%	-0.69%
M&G Global Dividend Fund	10,000,000	13,563,722	2.76%	-2.49%
Ninety-One (Investec) Diversified Income Fund	10,000,000	8,869,492	2.01%	-0.73%
Pyrford Global Total Return Sterling Fund	5,000,000	5,156,569	0.95%	-0.13%
Schroder Income Maximiser Fund	25,000,000	19,836,974	3.19%	1.07%
Threadneedle Global Equity Income Fund	10,000,000	11,508,484	1.89%	-0.80%
Threadneedle UK Equity Income Fund	10,000,000	10,358,561	1.71%	2.33%
Total External Investments	**180,038,637**	**£169,419,011**	**2.39%**	**0.48%**

3. Total Investments

Total Investments	**£547,108,210**

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GLOSSARY

Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest

	250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender’s Option Borrower’s option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as ‘pooled funds’).
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. The Code was update din December 2021
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative	Process by which central banks directly increase the quantity of money in the economy in order

easing (QE)	to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year
SONIA	Based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
Weighted average life (WAL)	The weighted average time for principal repayment, that is, the average time it takes for every dollar of principal to be repaid. The time weights are based on the principal payments,
Weighted average maturity (WAM)	The weighted average maturity or WAM is the weighted average amount of time until the securities in a portfolio mature.

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By: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford – Peter Oakford
Corporate Director Finance – Zena Cooke

To: Governance and Audit Committee – 23 November 2023

Subject: DRAFT STATEMENT OF ACCOUNTS 2022-23

Classification: Unrestricted

Summary: This report asks Members to consider and note the draft Statement of Accounts for 2022-23.

FOR INFORMATION

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1. INTRODUCTION

1.1 The draft Statement of Accounts of the County Council for 2022-23 follows this report. The Accounts and Audit (Amendment) Regulations 2022 state that;

… the publication date for final, audited accounts is by 30 September 2023. The authority must, following the conclusion of the period of public inspection, in the following order:
i) consider, either by way of a Committee or by the Members meeting as a whole, the Statement of Accounts;
ii) approve the Statement of Accounts by a resolution of that Committee or meeting;
iii) ensure that the Statement of Accounts is signed and dated by the person presiding at the Committee or meeting at which that approval was given.

1.2 It is recommended that the Accounts are finalised and signed by the Committee Chairman today on the basis that the audit is almost completed.

1.3 The draft Statement of Accounts attached to this report are for comment and review; and reflect known required changes.

1.4 The public inspection period concluded on 11 August 2023.

1.5 As required by the Accounts and Audit Regulations 2015 – Regulation 10 as amended by the Accounts and Audit Regulations 2022; the Council has published a ‘Delayed Opinion Notice’ on the website.

1.6 Letters of Representation are provided in connection with the audits of the financial statements for the Council and the Kent Pension Fund; and they will be required to be formally minuted by the Committee to confirm they are approved.

1.7 The Committee's Terms of Reference set out the Committee's responsibilities in relation to the accounts as follows:

(a) to ensure the Council's financial affairs are properly and efficiently conducted and;
(b) the Council's financial statements (including the pension fund accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective;
(c) any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound;
(d) accounting policies are appropriately applied across the Council.

2. STATEMENT OF ACCOUNTS - CONTENTS

2.1 The content and format of the Accounts is as prescribed in the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is known as the Code.

2.2 The Statement of Accounts for 2022-23 is prepared on an International Financial Reporting Standards (IFRS) basis.

2.3 The remainder of Section 2 of this report highlights the key facts, figures, and issues from the attached draft Accounts.

Narrative Pages 3-17

2.4 The narrative provides clarification on the relationship between the Statement of Accounts and other financial information that the Council reports on externally. The 2022-23 narrative provides information on the funding strategy applied during 2022-23 and the direction of travel for 2023-24 onwards.

2.5 The details of the revenue outturn are shown on page 12. This shows an overspend of £44.4m before roll forwards against the non-schools' budgets. Details of under/overspends within the directorates have been detailed in the monitoring reports throughout the year and were reported in the Final Outturn report which was considered by Cabinet on 29 June 2023. After committed roll forwards and bids approved by Cabinet on 29 June, the resulting overspend was £47.1m.

2.6 The £47.1m overspend was funded by drawdowns from an earmarked and the general fund reserve.

2.7 The level of general revenue reserves is £37.4m, a net decrease of £19.2m. There was a £2.9m injection to the reserve as part of budget setting to maintain the 5% of our net revenue budget position. £22.1m was drawn down as part of the funding of the 2022-23 overspend referred to in paragraphs 2.5 and 2.6. The Corporate Director Finance deemed this to be an acceptable level of general reserves based on the current budget, and the Council's identified risks subject to them being replenished back to 5% of the net revenue budget within two years.

2.8 Capital expenditure excluding that incurred by schools under devolved arrangements was £158.4m less than the revised cash limits. Of this, £159.2m reflects re-phasing of capital expenditure plans across all services and an overspend of £0.8m was due to variations on a small number of projects. These unspent capital resources will be carried forward into 2023-24 and beyond in order to accommodate the revised profiles of capital expenditure.

2.9 The 2022-23 International Accounting Standard (IAS) 19 report shows a decrease in the Pensions' Reserve deficit of £1.5bn. See Paragraph 2.19 for more information.

Statement of Responsibilities Page 18

2.10 This statement sets out the respective responsibilities of the Council and the Corporate Director Finance in relation to the production of the final accounts.

<u>Financial Statements Pages 19-24</u>

Comprehensive Income and Expenditure Statement

2.11 The Comprehensive Income and Expenditure Statement (CIES) consolidates all the gains and losses experienced by a council during the financial year. As councils do not have any equity in their Balance Sheets, these gains and losses should reconcile to the overall movement in net worth.

2.12 The CIES has two sections:

i) Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.

ii) Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

Movement in Reserves Statement (MiRS)

2.13 This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be

3

applied to fund expenditure or reduce local taxation) and unusable reserves. The unusable reserves are required due to accounting practices and are not cash-backed. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. Usable reserves have decreased by £19m in 2022-23. The main movements are:

	£m
S31 Grant Compensation for Covid-19 related Business Rate Reliefs	-15
General Fund – decreased due to funding 2022-23 overspend	-19
Funding of DSG Deficit following entering into Safety Valve agreement	-17
S31 Grants Compensation for irrecoverable Business Rates and Council Tax Losses	-2
Unapplied Capital Grants, reflecting increase in capital grants received in year and will be used to fund capital projects in future years	28
Capital Receipt Reserve, proceeds from sale of fixed assets and loan repayments and will be used to fund capital projects in future years.	6
Total of major movements in usable reserves	**-19**

2.14 The MiRS is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

i) The increase or decrease in the net worth of the council as a result of incurring expenses and generating income.

ii) The increase or decrease in the net worth of the council as a result of movements in the fair value of its assets.

iii) Movements between reserves to increase or reduce the resources available to the council according to statutory provisions.

Balance Sheet

2.15 The Balance Sheet summarises the Council's financial position at 31 March each year. The top half contains the assets and liabilities that it holds or has accrued with other parties. As local councils do not have equity, the bottom half consists of reserves that show the disposition of a council's net worth, falling into two categories:

i) Usable Reserves, which include the revenue and capital resources available to meet future expenditure (e.g. the General Fund Balance and the Capital Receipts Reserve), and

ii) Unusable Reserves, which include:
unrealised gains and losses, particularly in relation to the revaluation of property, plant, and equipment (e.g., the Revaluation Reserve);
adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

2.16 Property, Plant & Equipment has increased by £196m. This includes revaluation increases of £216m and additions of £183m offset by disposals (£115m), depreciation (£102m) and other smaller adjustments.

2.17 Current assets increased by £56m, £22m is due to an increase in short term investments. Receipt of £66m first tranche of additional "Safety Valve" agreement grant towards schools' funding deficit was agreed by DFE in March and received on 31 March which increased cash inflows leading to a variance in working capital from prior year. Short-term debtors increased by £27m due to an increase in debtors with Government departments in respect of grant income due, social care client income debtors and Commercial Services (Core and Laser) trade receivables mainly relating to increased energy costs.

2.18 Current liabilities increased by £88m, mainly due to an increase in short-term creditors. £32m is an increase in grant income received in advance and £69m Commercial Services (Core and Laser) mainly relating to increased energy costs.

2.19 Long term liabilities have decreased by £1,545m. The pension liability decreased by £1,497m which is related to defined benefit pensions schemes under IAS 19 reporting. There are a range of key variables that are taken into consideration to calculate the pension liability, the significant increase in the discount rate and a decrease in the future inflation assumptions has led to the improved position. The note to explain the increase can be found in Note 37 from page 104 of the Accounts.

2.20 Net worth has increased from a surplus of £1,259m to a surplus of £2,975m. This is mainly due to the property, plant & equipment increases and pension liability decrease explained in paragraphs 2.16 and 2.19 respectively.

Cash Flow Statement

2.21 This statement summarises the changes in cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

<u>The Expenditure and Funding Analysis</u>

2.22 The Expenditure and Funding Analysis detailed on pages 25 to 26 shows how the Council's expenditure is allocated for decision making purposes between the directorates. It also shows how the annual expenditure is used and funded from resources by the Council compared with the resources consumed or earned in accordance with generally accepted accounting practices.

<u>Significant Notes to the Accounts pages 27-122</u>

Adjustments between accounting basis and funding basis under regulations

2.23 This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It also supports this line in the MiRS and provides more detail on how this is split across usable and unusable reserves.

Officers Remuneration

2.24 Note 6 on pages 32-44 provides details of officers' remuneration over £50,000 and details on exit packages in bands of £20,000 split between compulsory redundancy and other departures.

Note to the Expenditure and Funding Analysis

2.25 Note 9a on pages 46 to 49 provides an analysis and explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund and Adjustments between the Funding and Accounting Basis that were set out in the Expenditure and Funding Analysis explained in paragraph 2.23.

Property, Plant and Equipment

2.26 Note 16 on pages 56-69 shows the movements on these assets, which have increased in value (relatively) from £3.54bn to £3.74bn.

Reserves

2.27 Details of reserves can be found in the following notes, usable reserves in Note 22 which also include earmarked reserves, unusable reserves in Note 23, and earmarked reserves in Note 24. Earmarked reserves have decreased by £34m; the remainder of usable reserves have increased by £14m and unusable reserves have increased by £1,734m.

Prior Year Adjustment page 124

2.28 A prior year adjustment was required to write out fully depreciated Vehicles, Plant & Equipment (VPE) that should have been written out in prior years as the assets became obsolete. The adjustments, totalling £56.4m (£53.5m prior to 31.3.21 and £2.9m in 21-22) had no impact on the Net Book Value of VPE and no impact on the balance sheet or CIES. The restatement only affects the Gross Book Value and accumulated depreciation disclosed within the PPE note and revised figures can be seen in the restated PPE note – Note 16 on pages 61 to 62.

Group Accounts pages 124-139

2.29 The Group Accounts section contains:

i) Group Comprehensive Income and Expenditure Statement on pages 128 to 129
ii) Group Movement in Reserves Statement on pages 130 to 131
iii) Group Balance Sheet on page 132
iv) Group Cash Flow Statement on page 133

All of the above statements are presented in the same format as the single entity account. Each entity's financial position has been consolidated by elimination of inter-company balances and the realignment of accounting policies where required.

2.30 Notes to the Group Accounts are provided where there are material differences to the single entity accounts.

Pension Fund Accounts pages 140-167

2.31 Pages 140 to 167 contain a summarised extract of a more detailed statement produced for the Pension Fund.

Glossary

2.32 A glossary of some of the terms used within the Accounts is provided on pages 178 to 179.

3. RECOMMENDATION

Members are asked to:

3.1 Consider and approve the Statement of Accounts for 2022-23.

3.2 Approve the Letters of Representation

3.3 Note the recommendations in the Audit Findings Report and the management responses to the recommendations.

Emma Feakins
Chief Accountant
Ext: 416082

Cath Head
Head of Finance Operations
Ext: 416934

Draft Statement of Accounts 2022-23

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03000 421447

Notes to the Accounting Statements index

Narrative

The purpose of this Statement of Accounts (Accounts) is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees, and other interested parties clear information on the financial performance for the year 2022-23 and the overall financial position of the Council.

The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). To make the document as useful as possible to its audience and make more meaningful comparisons between authorities, the Code requires:

- all Statements of Accounts to reflect a consistent presentation;
- interpretation and explanation of the Statement of Accounts to be provided; and
- the Statement of Accounts and supporting notes to be written in plain English.

The Statement of Accounts comprises various sections and statements, which are briefly explained below:

• Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2022-23.

• The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director Finance concerning the Council's financial affairs and the actual Statement of Accounts.

• The main Accounting Statements, comprise:

~ The Comprehensive Income and Expenditure Statement (CIES) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year. (See pages 19 and 20)

~ The Movement in Reserves Statement (MIRS) - this statement shows the movement in the year on the different reserves held by the Council , analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves', which are held either for statutory purposes or to comply with proper accounting practice. (See pages 21 and 22)

~ The Balance Sheet - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council. (See page 23)

~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 24)

• The Expenditure and Funding Analysis - this note brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund presented on the basis of how the Council is structured for decision making purposes. (See pages 25 to 26)

• Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. Note 2 - General Accounting Policies details the policies where there are not accompanying notes.

• The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2023 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kent Holdco Group. (See pages 124 to 139)

• The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council, however, the Pension Fund has to be completely separate from the Council's own finances. (See pages 140 to 167)

• The Independent Auditor's Report to the Council - this is provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit. (See pages 168 to 177)

• The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. The Accounts are presented as simply as possible, however it is still a very technical document. A glossary of terms is provided on pages 178 and 179 to make the Statement of Accounts more understandable for the reader.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. These Statement of Accounts for 2022-23 are prepared on an IFRS basis, as adapted and implemented by the Code.

There are no significant changes to accounting practice to report for 2022-23

Organisational Overview and External Environment

Kent County Council (KCC) operates under the legislation set out in the Local Government Act and provides statutory and discretionary services. KCC is organised on a directorate and divisional basis as set out below:

Directorates/Departments	**Divisions**
Adult Social Care & Health (ASCH)	Strategic Management & Directorate Budgets
	Adult Social Care & Health Operations
	Public Health
	Business Delivery
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets
	Special Educational Needs and Disabilities
	Education
	Integrated Children's Services (East & West)
	Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets
	Economic Development
	Highways, Transportation & Waste
	Environment, Planning & Enforcement
	Libraries, Registration & Archives
Chief Executive's Department	Strategic Management & Departmental Budgets
	Finance
	Governance, Law & Democracy
	Strategic Commissioning
	Strategic, Policy, Relationships & Corporate Assurance
Deputy Chief Executive's Department	Strategic Management & Departmental Budgets
	Infrastructure
	Corporate Landlord
	Human Resources & Organisational Development
	Marketing & Resident Experience
	Technology
Non Attributable Costs	Non Attributable Costs including Corporately Held Budgets

Governance

Kent County Council (KCC) is responsible for ensuring that services and operations are conducted in accordance with the law and proper standards. The authority has a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. There is also a duty to continuously review and improve the way we work whilst offering services that are efficient and provide value for money.

KCC operates an Executive scheme of governance with major decisions taken by nine Cabinet Members and a Leader executing the policies and strategies supported by a majority of Members. Where there are powers and functions reserved to the Council, these are taken by or on behalf of the full Council. The County Council sets an annual budget which determines the resource available to deliver these decisions, strategies, and functions.

KCC's Code of Corporate Governance describes the principles applied by KCC as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this.

Strategic and Corporate Plans

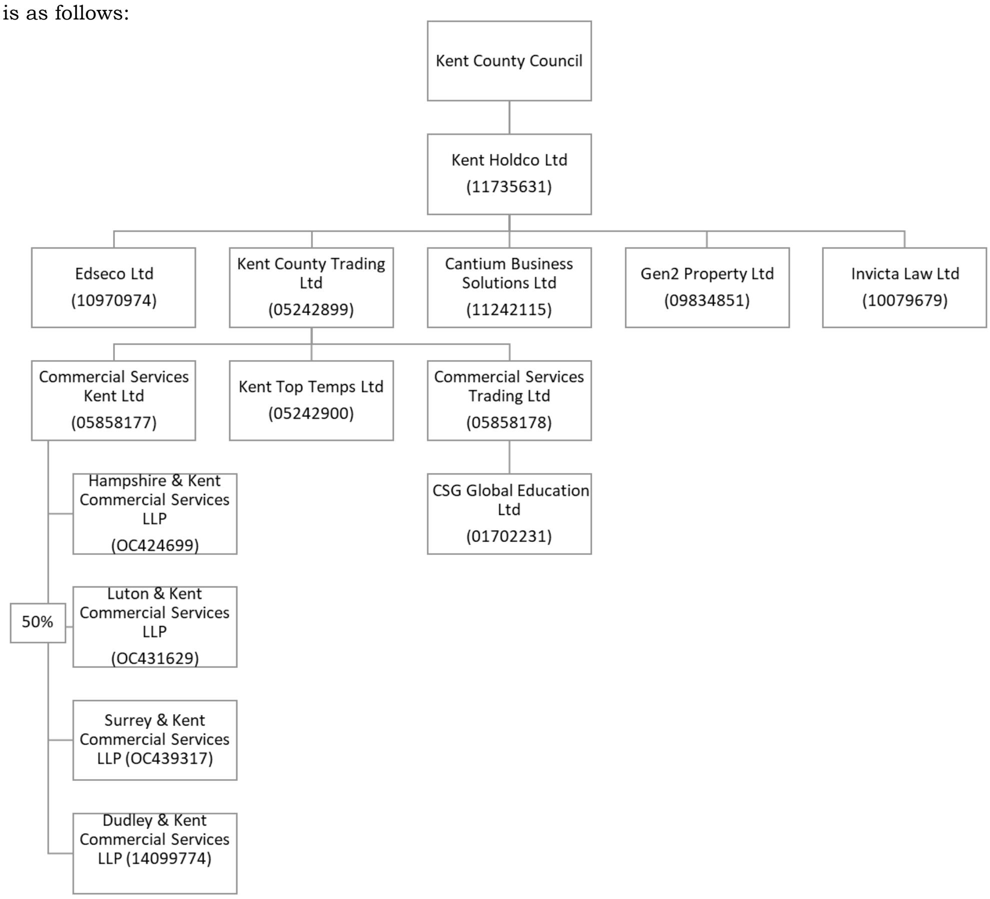
KCC produces a Strategic Statement every few years to set the strategic direction for the Council – this is our flagship strategy and shapes business and resource planning. In May 2022, 'Framing Kent's Future' was approved by County Council as the council's strategy for the period 2022 to 2026. This sets out ambitious commitments across the four priorities of Levelling Up Kent, Infrastructure for Communities, Environmental Step Change, and New Models of Care and Support. While ambitious, it captures the challenges and pressures we face, has been informed by national policy agendas and local needs, and shaped by valuable input from our Members, services and partners.

In order to support delivery of Framing Kent's Futures and the shifting pressures affecting the council, KCC has produced a council-wide Business Plan, which brings together in one place all the activity to be undertaken for the forthcoming year across both front line and support services of the council. The business plan focuses on the significant activities that will take place across the organisation, over and above the council's core service delivery.

Delivery of the activity within the KCC business plan will be taken forward through the existing management structures of the council and high-level monitoring reports being undertaken. Business planning at a divisional level within KCC's directorates will also support delivery of both Framing Kent's Future and the annual KCC Business Plan.

Council's wholly-owned subsidiaries

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. This is a common model of operation for local authorities as they seek alternative ways of achieving their aims within reduced funding arrangements. Kent County Council's subsidiary structure is as follows:



Kent Holdco Ltd - a wholly owned company of KCC established to provide KCC a single point of contact with a streamlined management and executive function. The intention is for Holdco to help generate efficiencies and consistency between the companies. As of 13 May 2023 Kent Holdco Ltd is known as Global Commercial Services Group.

Kent County Trading Ltd - provides a broad range of services covering different industry sectors through its various units and subsidiaries. This includes energy switching services (Lumina), solar farm (Bowerhouse II), international educational supplies (CES Holdings), temporary and permanent staff recruitment (Connect2Kent, Connect2Staff, Connect2Hampshire, Connect2Luton, Connect2Surrey and Connect2Dudley), managed services in relation to procurement solutions and frameworks (energy and education supplies), landscape services, fleet services, vehicle maintenance services, pallet storage and waste management. The clients served are both private and public sector including KCC.

GEN^2 Property Ltd - to provide property services and property management consultancy.

Invicta Law Ltd - the company's purpose is to provide a range of legal services to KCC and other public sector clients. The legal services offered include, but not exhaustively, public protection, child protection, dispute and resolution and employment.

Cantium Business Solutions Ltd - the company provides a range of IT services to KCC and other external clients. Cantium provides IT services including a “one stop shop” from the provision of hardware to support, professional management IT services and General Data Protection Regulation (GDPR) management.

EDSECO Ltd - The company operates under the trading name of “The Education People” or “TEP”. The principal trading activities are the provision of resources and services to educational establishments from early years to young adults. The main clients are schools within Kent.

Financial Report

Setting the Revenue Budget for 2022-23 - the budget strategy

The Council previously had a tremendous financial track record and has delivered a small net surplus on its revenue budget in each of the last 22 years up to 2021-22. This is built on a robust approach to budget setting and medium-term financial planning, combined with a rigorous budget management and monitoring regime. Together these are designed to ensure the budget reflects the Council’s core strategic objectives but at the same time builds in financial prudence and resilience.

In previous years KCC has faced a significant and unprecedented financial challenge. This challenge arose from a combination of rising spending demands/costs, coupled with reductions in central government funding and freezes/limits on raising council tax. Combined, this has led the Council to make annual savings averaging around £71m each year since 2010 (totalling £777m over the 11 years between 2011-12 to 2021-22). The scale of savings had lessened in recent years with net savings/drawdown from reserves/income (excluding specific grants) planned for 2018-19 of £50.2m, £38.6m in 2019-20 and £34.6m in 2020-21 (based on the original approved budget prior to an additional £12.8m of savings agreed in the budget amendment in September following Covid-19 pandemic). In recent years there have been increases in the Council's budget in cash terms through council tax and increases in government grants for social care after a period of flat cash settlements or reductions. However, these cash increases should not be confused with real-term increases and were not enough to fund rising demands and costs.

The 2021-22 budget saw further increases in the net revenue funding but still not enough to fully fund rising demands and costs. The budget was balanced with a further £59.1m of net savings/drawdown from reserves/income (excluding specific grants). This represented a reversal of the previous trend of reductions in savings/reserves/income due to a combination of increasing spending growth following recovery from the pandemic and reduced income (notably an unprecedented council tax base reduction).

The 2022-23 budget

A high-level presentation of the changes between the original approved revenue budget for 2021-22 and the final 2022-23 budget including the amendments approved at the County Council meeting on 10th February and the inclusion of the Council's share of retained business rates and final local government finance settlement 2022-23 approved by Cabinet on 31st March 2022 is shown in the table below. This presentation shows the change in the council's net budget requirement and the change in net funding from central government and local taxation.

Change in Net Spending	£m	Change in Net Funding	£m
Proposed additional spending	83.6	Removal of one-off grants in 2021-22	-46.6
Proposed savings from spending reductions	-25.2		
Proposed changes in income	-8.7	Net Increase in government grants	49.3
Increases in specific government grants	-3.4	Change in council tax base	20.5
Proposed net changes in reserves	12.8	Proposed increase in council tax charge	23.9
		Change in retained business rates	1.0
		Change in net collection fund balances/S31 compensation	11.0
Total change in Net Spending	**59.1**	**Total change in Net Funding**	**59.1**

Although 2022-23 was a further one-year settlement (effectively the 4th consecutive one-year settlement) unlike in 2021-22 a detailed medium-term financial plan (MTFP) was published setting out spending, savings and funding projections for the forthcoming year (2022-23) as well as 2023-24 and 2024-25. The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that while there is statutory requirement to set an annual budget, a longer-term perspective is also essential if local authorities are to demonstrate their financial sustainability. CIPFA recognises that while formal publication of the MTFP may only reflect government settlements, it is the responsibility of the leadership of the organisation to have a long-term financial view.

The budget for 2022-23 was approved by full Council on 10th February 2022. The net revenue budget for 2022-23 was £1,182.7m an increase of £50.3m on 2021-22 comprising of £83.6m increased spending, £37.9m savings and income and £4.5m net change in reserves (including additional contributions and drawdowns for 2022-23 as well as reversal of one-off drawdowns and contributions from 2021-22). This £50.3m increase was funded by a £7m net reduction in government grants (£39.6m additional grants mainly for social care and new Services Grant, and £46.6m removal of one-off Covid-19 grants from 2021-22) and £57.2m increased local tax receipts including council tax base, council tax increases, retained business rate increases and collection fund balances. At the time the budget was approved the final local government finance settlement or local retained share of business rates was not included.

The capital programme was extended to ten years. The phasing of individual projects where funding has been secured was shown over the anticipated duration of the projects. Projects where funding had not yet been confirmed were included in a separate appendix to the capital programme. The ten-year capital programme for 2022-23 to 2031-32 was £1,702m funded by a combination of government grants (£997m), borrowing (£424m, of which £264m was increased borrowing reflecting the extension to 10 year programme) and other sources (£281m).

The revenue and capital budgets represented the culmination of a long evolution process starting in May 2021 with Corporate Management Team (CMT) and Cabinet and included public consultation in the summer and cabinet committee scrutiny of the final draft proposals in January. The estimates were prepared against the backdrop of increased uncertainty and risk following recovery from the Covid-19 pandemic. It was noted the Council faced increased spending pressures associated with latent demand and increased complexity following the changes to social and working lives post pandemic, as well rising inflation during autumn 2021 albeit at the time the expectations from the Office for Budget Responsibility (OBR) and Bank of England (BoE) were that this would be temporary, and inflation was expected to remain subdued over the medium term. Spending growth forecasts were based on these expectations.

The MTFP showed a balanced position over the three years 2022-23 to 2024-25 albeit with a drawdown from smoothing reserves in 2022-23 and 2023-24 to reflect the timing of savings. The MTFP maintained a general reserve of 5% of net revenue spending, and income from insecure sources (New Homes Bonus Grant, Company Dividends and Business Rate Pool) was added to smoothing reserves rather than supporting core spending. These changes in reserves were deemed prudent due to the increased risk and uncertainty following Covid-19 recovery and inflation forecasts in autumn 2021. The risk reserve established in 2021-22 also continued to be available to mitigate risks in the 2022-23 budget.

Two reports were taken to Cabinet on 31st March 2022 affecting the 2022-23 budget. The first report set out the increased financial risks since the budget was approved in February including the latest inflation forecasts and the potential further economic impacts following the invasion of Ukraine including the likely higher inflation impacting on revenue and capital spending as well as risks to investment earnings and potential supply chain disruption. The second report set out the final share of retained business rates and final local government finance settlement. These increased the funding for 2022-23 to £1,191.5m (an increase of £8.8m on the approved budget in February, of which £7.7m was deemed to be recurring funding and £1.1m one-off). Savings were reduced by £0.4m to reflect the amendments approved by County Council and contributions to reserves were increased by £8.4m to maintain general reserves at 5% of the higher net revenue budget and add a further £8m to the risk reserve for 2022-23 reflecting the higher risk profile identified in the other report to Cabinet.

Narrative

The 2022-23 budget included an assessment of the main financial risks that have not been included in spending plans. The highest rated risks include:

- Ongoing rises in demand to support children and young people with Special Educational Needs and Disability (SEND This demand is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and is included in phase 2 of government's "Safety Valve" programme.

- Inflation increases over and above estimated price levels included within capital and revenue budgets.
- Demand increases over and above estimated levels included within the revenue budget.
- Market sustainability of adult social providers.
- Shortfalls in capital grants for highways asset management.
- Reduced income from capital receipts and developer contributions.
- Under or non-delivery of savings plans.

Risk Strategy

Please refer to the draft Annual Governance Statement on Kent.gov.uk for details of the Council's governance arrangements.

The operating environment for local government has become increasingly challenging over the past decade, in terms of growing and complex service demand, additional statutory requirements and increasing resident expectations, all set against a backdrop of local government funding restraint. This continuing trend requires greater collaboration, system-wide planning and a strong understanding of risk across public services. In addition, economic disruption from the aftermath of the coronavirus pandemic and from the Ukraine war, high levels of inflation and severe labour shortages have had a massive impact on the council's services and finances. This affects the risk environment, which is likely to be volatile, complex and ambiguous for a number of years. The risks arising in this environment will often have no simple, definitive solutions and will require whole-system-thinking, aligned incentives, positive relationships and collaboration, alongside relevant technical knowledge, to support multi-disciplinary approaches to their effective management. The operating environment will also require the Council to continually review its risk appetite, not only to ensure the right balance is struck between risk, innovation and opportunity, but to consider how much control can be exerted over risks, many of which cannot be directly mitigated by the Council alone. In the context of continual and fast-paced change, our elected Members will need to make challenging policy and budgetary decisions, while maintaining a longer-term view, so officers will need to provide the right balance of evidence, insight, advice and understanding of risk and opportunity.

Revenue Strategy

The overall revenue strategy was based on the following key elements:

- Funding estimate - Government Grants, Council Tax, and Business Rates
- Spending growth forecasts
- Changes in Reserves
- Savings and income options
- Consultation and engagement.

Funding Estimate

The early funding estimates for 2022-23 were difficult to predict in the absence of an indicative settlement from government and reduced council tax base in 2021-22. Consequently, these were based on a prudent approach. The initial forecasts included:

- 1% increase in council tax base compared to 2021-22
- Council tax referendum limit allowing an increase in the household charge up to but not exceeding 2%
- The social care council tax levy that had been allowed in the previous settlements remaining unchanged at a further 2% increase in the household charge
- A council tax collection fund deficit from 2021-22 (due to recession) albeit spread over 3 years
- Retained business rates increasing in line with inflationary uplifts to the business rate multiplier with a small loss on collection from 2020-21
- Government grants would rollover at the same amounts as 2021-22 with inflationary uplifts to revenue support grant and business rates top-up in line with uplifts in business rates multiplier and £46.6m of one-off Covid-19 grants in 2021-22 would not be repeated

These assumptions resulted in an initial forecast reduction in available funding of around 1% (largely due to the removal of one-off Covid-19 grants offsetting local taxation increases).

Narrative

The Chancellor of the Exchequer announced the outcome of the 2021 Autumn Budget and Spending Review (setting out high level government departmental spending plans for 2022-23) on 27th October 2021. The announcement included an expectation for council tax referendum thresholds of 2% for the general precept and 1% for adult social care, and additional grant funding for local government for social care reforms and other services. The spending review together with an increased assumption of 2% council tax base resulted in a forecast funding increase of 1.9% compared to 2021-22.

The provisional local government finance settlement was published on 16th December 2021 confirming the Spending Review allocations for individual grants and council tax referendum limits. KCC's draft budget was published on 5th January 2022 and showed a total revenue funding estimate of £1,178.5m (an increase of £46.0m or 4.1% on the approved budget for 2021-22). The estimated council tax base increase for the draft budget was based on initial returns from district councils.

The final local finance settlement was confirmed on 7th February 2020 and included some minor changes, the most significant being an adjustment to the compensation for the under indexing of business rates multiplier based on Retail Price Index (RPI) rather than Consumer Price Index (CPI). The Council's share of retained business rates from NNDR1 returns also needed to be included in the final budget, this includes the estimated grant from government for the compensation for Covid-19 reliefs on business rates which was not included in the final local government finance settlement. KCC published the draft budget for the County Council meeting on 2nd February 2022, this was before the final settlement or NNDR1 returns had been received. The impact of final settlement and retained business rates was covered a separate subsequent report to Cabinet under powers delegated by the County Council budget resolution.

The evolution of funding estimates from the Spending Review onwards to the final budget is shown below.

	2021-22	Spending Review Estimate November 2021	Draft Budget January 2022	County Council Papers February 2022	Final Budget March 2022	Final Change on 2021-22
	£m	£m	£m	£m	£m	£m
Council Tax	778.7	818.1	823.1	823.1	823.1	44.4
Retained Business Rates	51.8	54.8	54.8	54.8	52.8	1.0
Collection Fund & Compensation for losses	-1.1	-3.4	4.6	8.8	9.9	11.0
						0.0
General Grants	168.6	171.9	174.4	174.4	184.1	15.5
Existing Social Care Grants	87.7	87.7	104.5	104.5	104.5	16.8
New Grants		25.0	17.1	17.1	17.1	17.1
Covid-19 Grants	46.6					-46.6
Total Funding	**1,132.3**	**1,154.1**	**1,178.5**	**1,182.7**	**1,191.5**	**59.2**

A full reconciliation of the funding changes between 2021-22 and 2022-23 is shown below.

	2021-22	2022-23
	£'m	£'m
Council Tax		
Tax Base	676.5	709.5
General increase up to referendum level	14.8	16.0
Adult Social Care Precept	87.3	97.6
Total Council Tax	778.6	823.1
Local Share of Business Rates		
Business Rates	51.8	52.8
Collection Fund Balances	-30.3	-4.4
Compensation for Collection Losses	29.2	14.2
Government Grants		
Revenue Support Grant	9.7	10.0
Business Rate Top-Up	138.4	138.4
Business Rate Compensation Grant for additional reliefs	13.9	29.3
New Homes Bonus	4.6	4.4
Other Grants	2.0	2.0
Social Care Support Grant	39.1	54.5
Improved Better Care Fund	48.5	50.0
Market Sustainability & Fair Cost of Care Grant (new)	0.0	4.2
Service Grant (new)	0.0	13.0
Covid-19 Emergency & Council Tax Support Grants	46.6	0.0
	302.8	305.8
Total Funding	**1,132.1**	**1,191.5**

The council tax base notification from District Councils showed a 2.63% increase on 2021-22. This represented a recovery from the reduction in 2021-22 as well as growth from new dwellings and changes in mandatory discounts as well as the impact of local decisions on the level of Council Tax discounts for working age tax payers in receipt of benefits/on low incomes through the Council Tax Reduction Scheme (CTRS) and other additional local discretion on Council Tax discounts and exemptions on empty properties permitted under the Local Government Finance Act 2012.

Households had an increase in the County Council's element of council tax of 1.998% plus the additional 0.996% for the Adult Social Care precept levy for 2022-23. This increased the County Council charge for a band D household from £1,418.76 in 2021-22 to £1,461.24 in 2022-23.

Spending, Changes in Reserves, Savings and Income

Forecasts for spending demands are based upon a combination of in-year monitoring of budgets and estimates for the impact of anticipated changes over the forthcoming year. The forecasts are regularly refreshed as part of developing the budget proposals over the summer and autumn and include estimates for staff pay, prices, demographic demand, legislation, and service improvements.

The final budget showed £83.6m of additional spending growth in 2022-23, the breakdown is as follows:

- £28.6m for forecast index linked contractual price increases and negotiated contracts
- £20.7m for forecast increases in demand and demographic changes
- £11.2m net base budget changes for in year variances in 2021-22
- £9.2m for increases in Kent scheme pay and changes in employers National Insurance and pension contributions (including 1.25% increase in National Insurance to social care reforms and NHS backlogs)
- £9.2m for local service strategies and improvements
- £4.2m forecast costs for preparation of social care reforms to replace one-offs used to fund base budget spending in 2019-20
- £0.7m legislation
- £1.2m reduction in specific grant

Changes in Reserves

The net movement in reserves comprises £22.6m additional contributions to reserves (including £11.4m from insecure funding, £8m risk reserve and £3.0m general reserve) and £8.8m drawdown to support 2022-23 budget (including £5.0m from Smoothing reserves and £3.8m from Public Health reserve). The change in reserves also includes removal of £20.5m of previous year contributions and removal £19.6m draw down from reserves in 2021-22 budget.

Savings and Income

Although the 2022-23 funding settlement represented an increase over previous years with additional funding both from government grants and local taxes, the total increase of £59.1m was not sufficient to fully fund the additional spending growth of £83.6m and net £12.8m changes in contributions and drawdown from reserves. Additional savings and income of £37.3m were required to balance the budget:

- £5.0m from efficiency savings from staffing, contracts and managing premises (doing the same for less money)
- £9.2m policy savings (service reductions)
- £8.9m from service transformation (improved outcomes at lower cost)
- £2.1m rephasing of capital financing
- £3.4m increases in specific grants
- £8.7m income generation

Budget Consultation and Engagement

Consultation on budget strategy was launched on 28th July 2021 and was open for 7 weeks until 19th September 2021. The consultation sought views on the future of KCC services and how comfortable would respondents be to see spending reductions on a range of services; Council Tax and whether modest increases would be acceptable if they helped to sustain the most valued services; doing things differently in the way the council interacts with residents/clients/partners. Responses to the consultation were set out in a report considered by elected Members (Councillors) at Cabinet Committee meetings during January 2022 in advance of the budget debate and approval by County Council on 10th February 2022.

2,028 people responded to the consultation including just over 1,800 KCC residents, around 100 KCC employees plus a few others (e.g., business owners, etc). This response rate was 32% down on the previous year's consultation (2,985 responses), but up 49% on the year before that (1,360). Overall, Older People and Children's Social Care services were the areas where people were most uncomfortable with spending reductions, followed by Waste Services, Vulnerable Adults and Highways. The areas with more than 50% of respondents either comfortable or partly comfortable with spending reductions were Community Services (68%), Regeneration & Economic Development (68%), Libraries, Registration & Archives (63%), Transport (55%), and Public Protection (52%).

Respondents were marginally not in favour of an increase in Council Tax up to the referendum limit with 49% of respondents not agreeing with Council Tax increases up to an assumed 2% referendum limit whilst 47% did agree with an increase up to referendum limit. Many commented that a small Council Tax rise is acceptable, but others were concerned about the impact of rises at the same time as rising costs. There was marginal support for the Adult Social Care Levy specifically for the additional costs of Adult Social Care, 46% were in favour, while 42% disagreed.

The most popular responses to doing things differently were to continue to identify opportunities to deliver lower cost value for money services, to look to meet the needs of different places and communities where possible rather than one size fits all, and to look to join up more with our partners.

Revenue Budget and Outturn

In February 2022 the Council approved a net revenue budget for 2022-23 of £1,191.5m. In addition £7.745m of 2021-22 underspending was rolled forward and added to the budget. The final outturn position for the year against the revised budget is set out in the table below, together with the sources of income from which the Council's net revenue expenditure was financed.

DIRECTORATE/DEPARTMENT		Budget £000's	Outturn £000's	Variance £000's
Adult Social Care & Health including Public Health	ASCH	455,073	479,488	24,415
Children, Young People & Education	CYPE	305,572	338,294	32,722
Growth, Environment & Transport	GET	178,662	179,608	946
Chief Executive's Department	CED	33,372	29,906	-3,466
Strategic & Corporate Services	DCED	70,110	71,707	1,597
Non-Attributable Costs including Corporately Held Budgets	NAC	156,450	151,166	-5,284
		1,199,239	1,250,169	50,930
Schools' Delegated Budgets	CYPE	0	37,037	37,037
Delegated Schools Budgets - DfE contribution to DSG Deficit	CYPE	0	-56,300	-56,300
		1,199,239	1,230,906	31,667
FUNDED BY:				
Reserves (2021-22 revenue budget underspend)		-7,745	-7,745	0
Reserves (Funding of 2022-23 overspend)		0	-47,110	-47,110
Formula Grant		-10,018	-10,018	0
Council Tax Yield including Collection Fund		-830,704	-830,704	0
Local Share of Business Rates & Business Rate Collection Fund		-40,888	-45,369	-4,481
Business Rate Tariff		-138,429	-138,429	0
Business Rate Compensation Grant		-29,263	-29,151	112
New Homes Bonus (NHB)		-4,382	-4,381	1
Improved Better Care Fund (iBCF)		-50,015	-50,015	0
Social Care Support Grant		-58,639	-58,639	0
Services Grant		-12,953	-12,953	0
Compensation for Covid-19 related Business Rate Reliefs Grant		0	2,508	2,508
Compensation for Covid-19 related Business Rate Reliefs - Transfer to/from Reserves		-11,887	-15,345	-3,458
Compensation for irrecoverable Local Taxation Losses - Transfer to/from Reserves		-2,347	-2,347	0
Other Un-ringfenced Grants		-1,969	-3,157	-1,188
Total Funding		-1,199,239	-1,252,855	-53,616
NET OUTTURN POSITION		0	-21,949	-21,949

The net overspending within the directorates is £44.424m, being +£50.930m and -£6.506m funding variance (excluding -£19.263m delegated schools net underspend). There are £2.686m roll forward requests and these will be added to the 2023-24 budget to support the rescheduling of projects. The overspend (including roll forwards) have been funded by a £47.110m drawdown from earmarked reserve and the general fund.

What the money is spent on

	2021-22	2022-23
KCC Employees	355,184	373,206
Schools Employees	508,862	520,694
Support Services	57,137	66,257
Premises related costs	43,197	50,028
Transport related costs	57,781	77,820
Supplies and Services	43,169	37,367
Professional Fees, Grants & Subscriptions	99,482	114,222
Commissioned Services	1,142,578	1,205,247
Accounting Adjustments	155,683	53,093
Schools revenue expenditure	199,506	218,819
	2,662,579	**2,716,753**

Where the money came from

	2021-22	2022-23
General Grants	358,110	367,553
Specific Government Grants	1,070,910	1,166,452
Council Tax	775,447	830,447
Fees, Charges and Other Income	256,151	284,375
Reserves	12,558	54,855
	2,473,176	**2,703,682**

Schools

In total, schools' reserves have decreased by £0.2m, this amount is made up of academy conversions of £1.5m, an increase in the value of schools' deficit balances of £0.4m and an increase in schools' surplus balances of £1.7m.

In addition, there was a £37.6m net overspend in year on the Central DSG Reserve made up of £38.3m overspend on High Needs budgets, £1.5m overspend relating to School Block related spend, £1.7m underspend on Early Years and an underspend on central DSG budgets of £0.5m. The council made contributions to the reserve of £17m and as part of the safety valve agreement Kent received £56.8m towards the historic deficit. The net impact on the Central DSG Reserve is an increase of £36.2m.

Schools reserves, including the Central DSG reserve, have therefore increased by £36m by in 2022-23 (£36.2m Central DSG less £0.2m schools reserves). Schools now have £61.1m of revenue reserves as reflected in note 22 on page 85 and there is a deficit balance of £61.4m in the Central DSG Reserve as reflected in note 23 on page 87. The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit.

Earmarked Reserves

The financial statements set out the detail and level of the Council's earmarked reserves. Earmarked reserves are an essential tool that allows the Council to manage risk exposure and smooth the impact of major costs. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP 99: Local Authority Reserves and Balances.

Revenue earmarked reserves are £317.071m and Note 24 on pages 94 to 95 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2023. The general reserve position as at 31 March 2023 is £37.428m which is a net decrease of £19.193m. There was an injection of £2.951m to maintain our general reserves up to 5% of our net revenue budget position as agreed in the MTFP. £22.144m was drawn down as part of the funding of the 2022-23 overspend reported in the table on page 12.

At 31 March 2023 the Council has usable capital reserves of £141.430m as shown on page 85.

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2023 totalled £26.376m, see Note 25 on page 96.

The level of the County Council General Fund is consistent with the overall financial environment and the key financial risks faced by the Council. Our Corporate Director of Finance, who is responsible for setting the level of reserves, has deemed the level to be 'adequate' given the level of risk that we face. A thorough review of our reserve policy and balances was undertaken in 2020-21, and a subsequent review is to be undertaken during the first half of 2023-24.

Capital

Capital expenditure is defined as expenditure on the purchase, improvement, or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure is funded from a variety of sources including: grants, capital receipts, borrowing, external contributions including developer contributions, and revenue contributions. Capital expenditure for the year was £257.672m. The expenditure analysed by portfolio was:

PORTFOLIO	Revised Budget £'000s	Outturn £'000s	Variance £'000s
Children, Young People & Education	99,810	58,568	-41,242
Adult Social Care & Health	3,006	2,627	-379
Growth, Environment & Transport	255,403	154,810	-100,593
Chief Executive's Department	647	254	-393
Deputy Chief Executive's Department	39,281	23,497	-15,784
	398,147	239,756	-158,391
Devolved Capital to Schools	9,500	17,916	8,416
TOTAL	407,647	257,672	-149,975

Expenditure excluding that incurred by schools under devolved arrangements was £158.391m less than cash limits. Of this, -£159.216m reflected re-phasing of capital expenditure plans across all services and +£0.825m was due to real variations on a small number of projects. Rephased capital resources will be carried forward into 2023-24 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2022-23 was £17.916m.

Details of the financing of capital expenditure are on pages 88 and 89.

Insurance Fund

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires that full provision should be made for all known insurance claims.

Based on current estimates of the amount and timing of fund liabilities, the insurance provision at 31 March 2023 is established at a level sufficient to meet all known insurance claims where the likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37. Details can be found on page 96.

Pension Fund

Local Authorities are required to comply with the disclosure requirements of IAS 19 - Employee Benefits. Under IAS 19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. IAS 19 is based upon the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

IAS 19

The 2022-23 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £62m. This is a decrease in the deficit of £1,497m in year.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2022-23, earlier years and for future years. The balance currently stands at £812m (short- and long-term) as shown on the balance sheet on page 23. Future capital expenditure will be financed from revenue contributions, sale of surplus fixed assets, capital grants and contributions, borrowing, and relevant funds within earmarked reserves.

East Kent Opportunities

East Kent Opportunities LLP (EKO) is a 'Jointly Controlled Operation' and in 2022-23 the transactions and balances of EKO relating to KCC have been incorporated into the financial statements and notes of the Council's Statement of Accounts.

2023-24 onwards

Local authorities in the United Kingdom will continue to keep their Accounts in accordance with 'proper practices'. CIPFA/LASAAC continue to consider future changes to IFRS for Local Government, as it reinforces the drive to improve financial reporting and enhance accountability for public money.

Consultation on the 2023-24 budget was carried out over a similar timeframe to 2022-23 from 19th July 2022 to 5th September. The consultation recognised that the financial outlook for the Council is highly volatile, and more risky/uncertain than before with rising costs of fuel, energy and inflation more generally resulting in increased costs for most services. These cost increases are compounded by market supply and sustainability issues for key providers of council services and increasing demands on council services due to complexity of need as well as increasing client numbers in some key services. This combination means that forecasting future spending and income is much harder than in previous years.

There is a large national public sector budget deficit arising from the financial measures the Government implemented during the pandemic and more recently from their support to the cost-of-living crisis. The government has recognised that this will need to be addressed and has set targets for debt to be falling as a % of gross domestic product (GDP) and for borrowing to not exceed 3% of GDP, both by 2027-28. However, there is very little detail in spending plans beyond 2024-25 and the impact on local government is difficult to predict. Consequently, the council is having to make plans for a number of different potential scenarios, although in all probability, as in previous years, there will continue to be budget gaps between available funding and planned spending to be closed.

The 2023-24 budget was agreed by the County Council on 9th February 2023. As in 2022-23 this early date meant that not all the information from the final local government finance settlement and retained business rates was available in time for the budget meeting and a subsequent report was presented to Cabinet in March with the final details. The 2023-24 County Council report recognised that the budget was being set against the extraordinary impact of economic consequences of global and national circumstances which have had a significant impact on public sector spending and borrowing, as well as local spending.

The final 2023-24 revenue proposals include £219.3m of spending growth (18.4% of the 2022-23 net budget), this includes £37m of spending from specific government grants including Household Support Fund, Family Hubs and Start for Life Grant, Domestic Abuse and Public Health Grant. This growth is exceptionally higher than we would normally expect from population demographic changes and inflation at the government target level. This excess growth includes the full year effect of current year forecast overspends, and forecasts for future price and demand increases.

The greatest areas of spending growth are in Adult Social Care services and Children's services. In Adult Social Care there has been the most significant pressure on residential and nursing care placements for older persons where the weekly costs for placements have been rising throughout 2022-23 over and above the annual contractual uplift in fees. This arises from a combination of factors including increased complexity of need e.g. clients discharged from hospital, increased use of short-term beds, recruitment shortages in the care sector pushing up wages as well as inflationary pressures. There have also been spending pressures in care services for older persons non- residential, vulnerable adults and mental health services although to a lesser extent than older persons residential. The most significant spending pressures in Children's services are home to school transport and children in care. In both cases this is a combination of higher prices and higher than budgeted demand.

A high-level presentation of the changes between the approved revenue budget for 2022-23 and 2023-24 is shown in the table below. This presentation shows the change in the council's net budget requirement and the change in net funding from central government and local taxation.

Change in Net Spending	**excluding grants £m**	**including grants £m**	**Change in Net Funding**	**£m**
Additional spending	182.3	219.3	Net increase in government grants	63.8
Savings from spending reductions	-37.0	-39.2	Change in council tax base	12.0
Changes in income	-14.9	-15.6	Increase in council tax charge	41.7
Changes in specific grants		-34.7	Change in retained business rates	7.4
Change in reserves	-6.3	-5.7	Change in collection fund and compensation	-0.8
Total Change in Net Spending	**124.1**	**124.1**	**Total Change in Net Funding**	**124.1**

Narrative

The 2023-24 budget continues to include an assessment of the main financial risks that have not been included in spending plans. The highest rated risks include:

• Unacceptable deficit on the high needs block of Dedicated Schools Grant (DSG) due to continuing increases in demand for Education and Health Care Plans (EHCPs) and requests for more specialist placements to support children and young people with Special Educational Needs and Disability (SEND). These demands mean spending is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and agreed a recovery plan under the government's "Safety Valve" programme.

• Overspends in 2022-23 requiring drawdown from reserves leaving the Council with reduced financial resilience and insufficient reserves to mitigate future budget risks.

• Under delivery of savings and income plans leading to budget overspends.

• Market sustainability leading to increased costs to recruit/retain staff and risk of supplier failure causing disruption to services for vulnerable clients.

• Inflation increases over and above estimated price levels included within capital and revenue budgets.

• Increased construction costs leading to overspends on capital budget with necessity to reprioritise schemes and/or reduced investment in preventative works.

• Demand increases over and above estimated levels included within the revenue budget.

The medium-term financial plan 2023-26 includes assumptions on further growth in social care grants for 2024-25 based on the principles for the 2024-25 set out in the 2023-24 settlement. These principles included council tax referendum indicative levels for 2024-25 which have also been included in the plan along with forecast tax base increases. There are no principles or indicative allocations beyond 2024-25 and the MTFP assumes rollover of existing grants and a return to previous council tax referendum levels and tax base growth. The medium-term plan for 2024-25 includes replacing and replenishing the use of reserves in 2023-24. The plans for 2024-25 and 2025-26 include the savings anticipated to close the gap between spending forecasts/reserves contributions and forecast funding.

The Council's Stewardship, Responsibilities and Financial Management Policies

The Council is responsible for handling a significant amount of public money. The Council's Financial Regulations must comply with the Constitution and set the control framework for five key areas of activity:

- Financial Planning
- Financial Management
- Risk Management and Control of Resources
- Systems and Procedures
- External Arrangements.

The Council needs to ensure that it has sound financial management and procedures in place and that they are adhered to. The Financial Regulations are reviewed regularly to reflect changes in structures and working practices; and to ensure our regulations reflect current best practice and strengthen areas where there were known gaps. The regulations provide clarity about the accountability of the following:

- Cabinet
- Members
- the Monitoring Officer
- the Chief Finance Officer (Corporate Director Finance)
- Corporate Directors.

Further information about the Accounts can be obtained from Emma Feakins, Chief Accountant.

Telephone (03000) 416082 or E-Mail emma.feakins@kent.gov.uk.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 23 November 2023 on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee

The Corporate Director Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023.

In preparing this Statement of Accounts the Corporate Director Finance has:

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

The Corporate Director of Finance has also:

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

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2023.

Certificate of the Corporate Director Finance

Zena Cooke
Corporate Director Finance

Comprehensive Income and Expenditure Statement

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

Service	Notes	Year ended 31 March 2023 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health including Public Health	ASCH	766,661	-278,982	487,679
Children, Young People & Education	CYPE	1,513,866	-1,139,897	373,969
Growth, Environment & Transport	GET	317,959	-80,750	237,209
Chief Executive's Department	CED	60,130	-30,277	29,853
Deputy Chief Executive's Department	DCED	106,054	-16,133	89,921
Non-Attributable Costs including Corporately Held Budgets	NAC	10,526	-9,259	1,267
Cost of Services		**2,775,196**	**-1,555,298**	**1,219,898**
Other operating Expenditure	**12**			115,421
Net Surplus on trading accounts	**33**			-4,027
Financing and Investment Income and Expenditure	**13**			58,301
Taxation and Non Specific Grant Income	**14**			-1,367,921
(Surplus) or deficit on Provision of Services				**21,672**
(Surplus)/deficit arising on revaluation of non current assets				-219,234
Remeasurement of the net defined benefit liability				-1,516,489
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-1,736,673**
Total Comprehensive Income and Expenditure				**-1,715,001**

Comprehensive Income and Expenditure Statement

Service	Notes	Restated Year ended 31 March 2022 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health including Public Health	ASCH	767,035	-322,757	444,278
Children, Young People & Education	CYPE	1,479,721	-1,033,737	445,984
Growth, Environment & Transport	GET	407,818	-168,261	239,557
Chief Executive's Department	CED	56,949	-23,134	33,815
Deputy Chief Executive's Department	DCED	100,883	-16,681	84,202
Non-Attributable Costs including Corporately Held Budgets	NAC	7,346	-954	6,392
Cost of Services		**2,819,752**	**-1,565,524**	**1,254,228**
Other operating Expenditure	12			70,398
Net Surplus on trading accounts	33			-3,553
Financing and Investment Income and Expenditure	13			67,290
Taxation and Non Specific Grant Income	14			-1,261,008
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	14			-15,345
(Surplus) or deficit on Provision of Services				**112,010**
(Surplus)/deficit arising on revaluation of non current assets				-174,076
Remeasurement of the net defined benefit liability				-239,211
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-414,237**
Total Comprehensive Income and Expenditure				**-302,227**

The Comprehensive Income and Expenditure Statement (CIES) for 2021-22 has been restated due to organisational changes within the Council. The Strategic & Corporate Services directorate was removed and replaced by the Chief Executive's Department and Deputy Chief Executive's Department. There has been no overall impact on the Total Comprehensive Income and Expenditure amount reported last year. The Expenditure and Funding Analysis prior year note round in Note 1a has been restated to reflect these organisational changes.

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 Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council'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 before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Year ended 31 March 2022				
	General Fund Balance	**Earmarked GF Reserves**	**S31 - 75% Tax Income Guarantee grant and Business Rates Relief Grant Reserves**	**Total GF incl. Earmarked Reserves**	**Capital Receipts Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2021	**-37,075**	**-383,824**	**-32,626**	**-453,525**	**-30,425**
Movement in reserves during 2021-22					
Total Comprehensive Expenditure & Income	**112,010**			**112,010**	
Adjustments between accounting basis & funding basis under regulations - Note 11	-127,865			**-127,865**	-2,866
Net increase/Decrease before Transfers to Earmarked Reserves	**-15,855**	**0**	**0**	**-15,855**	**-2,866**
Transfer between Usable and Unusable Reserves				**0**	
Transfers to/from Earmarked Reserves (total of *s on Note 22)	-3,258	-9,328	12,586	**0**	
Increase/Decrease (movement) in Year	**-19,113**	**-9,328**	**12,586**	**-15,855**	**-2,866**
	Year ended 31 March 2023				
Balance at 31 March 2022 carried forward	**-56,188**	**-393,152**	**-20,040**	**-469,380**	**-33,291**
Movement in reserves during 2022-23					
Total Comprehensive Expenditure & Income	**21,672**			**21,672**	
Adjustments between accounting basis & funding basis under regulations - Note 11	14,491			**14,491**	-5,936
Net increase/Decrease before Transfers to Earmarked Reserves	**36,163**	**0**	**0**	**36,163**	**-5,936**
Transfer between Usable and Unusable Reserves		17,000		**17,000**	
Transfers to/from Earmarked Reserves (total of *s on Note 22)	-16,892	-800	17,692	**0**	
Increase/Decrease (movement) in Year	**19,271**	**16,200**	**17,692**	**53,163**	**-5,936**
Balance at 31 March 2023 carried forward	**-36,917**	**-376,952**	**-2,348**	**-416,217**	**-39,226**

Movement in Reserves Statement

	Capital Grants Unapplied	Total Usable Reserves	Unusable reserves	Total Council Reserves
	Year ended 31 March 2022			
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2021	**-49,783**	**-533,733**	**-423,603**	**-957,336**
Movement in Reserves during 2021-22				
Total Comprehensive Expenditure and Income		**112,010**	**-414,237**	**-302,227**
Adjustments between accounting basis & funding basis under regulations - Note 11	-24,400	**-155,131**	155,131	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-24,400**	**-43,121**	**-259,106**	**-302,227**
Transfer between Usable and Unusable Reserves		**0**	0	**0**
Transfers to/from Earmarked Reserves (total of *s on Note 22)		**0**	0	**0**
Increase/Decrease (movement) in Year	**-24,400**	**-43,121**	**-259,106**	**-302,227**
	Year ended 31 March 2023			
Balance at 31 March 2022 carried forward	**-74,183**	**-576,854**	**-682,710**	**-1,259,564**
Movement in reserves during 2022-23				
Total Comprehensive Expenditure & Income		**21,672**	**-1,736,673**	**-1,715,001**
Adjustments between accounting basis & funding basis under regulations - Note 11	-28,021	**-19,466**	19,466	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-28,021**	**2,206**	**-1,717,207**	**-1,715,001**
Transfer between Usable and Unusable Reserves		**17,000**	-17,000	**0**
Transfers to/from Earmarked Reserves (total of *s on Note 22)		**0**	0	**0**
Increase/Decrease (movement) in Year	**-28,021**	**19,206**	**-1,734,207**	**-1,715,001**
Balance at 31 March 2023 carried forward	**-102,205**	**-557,648**	**-2,416,917**	**-2,974,565**

Balance Sheet

The Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

		31 March 2023		31 March 22
	Notes	**£'000**	**£'000**	**£'000**
Property Plant & Equipment	**16**	3,741,347		3,544,894
Heritage Assets	**20**	7,986		7,014
Investment Property	**17**	51,140		50,745
Intangible assets		1,681		3,067
Long-term investments	**38**	323,487		317,126
Long-term debtors	**26**	50,940		51,043
Total long-term assets			4,176,581	3,973,889
Inventories		8,710		4,467
Assets held for sale (<1yr)		4,091		2,175
Short-term debtors	**26**	346,204		318,675
Short-term investments	**38**	60,423		38,534
Cash and Cash equivalents	**28**	135,958		135,898
Total current assets			555,386	499,749
Temporary borrowing	**38**	-90,155		-73,839
Short-term Lease Liability	**38**	-8,458		-8,447
Short-term provisions	**25**	-16,346		-19,911
Creditors	**27**	-466,545		-378,754
Cash and Cash equivalents	**28**	-4,244		-16,256
Total Current liabilities			-585,748	-497,207
Creditors due after one year	**27**	-35		-5,786
Provisions	**25**	-10,030		-10,627
Long-term borrowing	**38**	-721,893		-762,470
Other Long-Term Liabilities	**37/38**	-284,855		-1,790,763
Capital Grants Receipts in Advance	**15**	-154,842		-147,222
Long-Term Liabilities			-1,171,655	-2,716,868
Net Assets/(Liabilities)			2,974,564	1,259,563
Usable Reserves	**22**	-557,648		-576,854
Unusable Reserves	**23**	-2,416,916		-682,709
Total Reserves			-2,974,564	-1,259,563

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

	Notes	2022-23 £'000	2021-22 £'000
Net (Surplus) or deficit on the provision of services		21,672	112,010
Adjustments to net surplus or deficit on the provision of services for non cash movements	29	-354,114	-428,230
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	235,876	304,990
Net cash flows from operating activities		-96,566	-11,230
Investing Activities	30	56,639	4,389
Financing Activities	31	27,855	31,396
Net increase (-) or decrease in cash and cash equivalents		-12,072	24,555
Cash and cash equivalents at the beginning of the reporting period		119,642	144,197
Cash and cash equivalents at the end of the reporting period	28	**131,714**	**119,642**

Note 1a - Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Year ended 31 March 2023				
	As reported to Management	**Adjustments to arrive at the net amount chargeable to the General Fund Balance**	**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**
Adult Social Care & Health	479,488	2,065	481,553	6,127	**487,680**
Children, Young People & Education	338,294	7,241	345,535	28,433	**373,968**
Growth, Environment & Transport	179,608	4,208	183,816	53,394	**237,210**
Chief Executive's Department	29,906	-1,462	28,444	1,408	**29,852**
Deputy Chief Executive's Department	71,707	6,251	77,958	11,962	**89,920**
Non-Attributable Costs including Corporately Held Budgets	151,166	-147,897	3,269	-2,001	**1,268**
Schools' Delegated Budgets	-19,263	19,263	0	0	**0**
Cost of Services	**1,230,906**	**-110,331**	**1,120,575**	**99,323**	**1,219,898**
Other Income and Expenditure	-1,252,855	168,443	-1,084,412	-113,814	**-1,198,226**
Surplus or Deficit	**-21,949**	**58,112**	**36,163**	**-14,491**	**21,672**
Opening General Fund Balance			-469,380		
Less/Plus Surplus or (Deficit) on General Fund in Year			36,163		
Transfers between Usable & Unusable Reserves			17,000		
Closing General Fund Balance at 31 March 2023			**-416,217**		

Note 9a on pages 46 to 49 provides a explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Note 1a - Expenditure and Funding Analysis

	Restated Year ended 31 March 2022				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	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
Adult Social Care & Health	421,936	-2,770	419,166	25,112	**444,278**
Children, Young People & Education	295,492	6,581	302,073	143,911	**445,984**
Growth, Environment & Transport	176,826	5,831	182,657	56,900	**239,557**
Chief Executive's Department	25,684	381	26,065	7,750	**33,815**
Deputy Chief Executive's Department	65,095	3,539	68,634	15,568	**84,202**
Non-Attributable Costs including Corporately Held Budgets	154,182	-148,530	5,652	740	**6,392**
Schools' Delegated Budgets	41,197	-41,197	0	0	**0**
Net Cost of Services	**1,180,412**	**-176,165**	**1,004,247**	**249,981**	**1,254,228**
Other Income and Expenditure	-1,146,835	126,733	-1,020,102	-122,116	**-1,142,218**
Surplus or Deficit	**33,577**	**-49,432**	**-15,855**	**127,865**	**112,010**
Opening General Fund Balance			-453,525		
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020					
Less/Plus Surplus or (Deficit) on General Fund in Year			-15,855		
Transfers between Usable & Unusable Reserves			0		
Closing General Fund Balance at 31 March 2021			**-469,380**		

The Expenditure and Funding Analysis for 2021-22 has been restated due to organisational changes within the Council. The Strategic & Corporate Services directorate was removed and replaced by the Chief Executive's Department and Deputy Chief Executive's Department. There has been no impact on the Surplus or Deficit amount and the closing General Fund Balance reported last year.

The organisational change has required the 2021-22 comparator figures in note 9a and 9b to be restated.

Note 1b. Basis for Preparation/General

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the income and expenditure statement and the balance sheet where appropriate.

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result there is not a separate principal accounting policies note but note 2 details general accounting policies or those where there are not accompanying notes.

Details of the order of the notes can be found in the index on page 2 of the financial statements.

Note 2. General Accounting Policies (where there is no accompanying note)

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Authority Accounting in the UK 2022-23 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

Accruals of Income and Expenditure

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.

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 Council'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.

Accounting for Schools

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the Comprehensive Income and Expenditure Statement and assets and liabilities included on the Balance Sheet. The Schools Reserve is held in a separate reserve and is located within Usable Reserves. The DSG deficit is transferred to the DSG Adjustment Account via the Movement to Reserves Statement.

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body.

Intangible Assets

Assets that do not result in the creation of a tangible asset (which is an asset that has physical substance), but are identifiable and are controlled by the Council, e.g. software licences, are classified as intangible assets. This expenditure is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the life of the asset. For software licences this is normally between 3 to 5 years.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Fair Value Measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in Note 38. The Council also measures some of its non-financial assets such as investment properties and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Surplus assets are also valued at fair value in accordance with the valuation policy of surplus assets disclosed on page 69. Fair value 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 measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, or

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

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

When measuring the fair value of a non-financial asset, the Council 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 Council 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 for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Valuation techniques for levels 2 and 3 include market approach, cost approach and income approach.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Accounting for 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. VAT receivable is excluded from income.

Inventories

Stock is valued at the lower of cost or net realisable value. Spending on consumable items is accounted for in the year of purchase.

Interests in companies and other entities

The Council 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 Council's own single-entity accounts, the interests in the companies and other entities are recorded as financial assets held at fair value through profit and loss.

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

For 2022-23 there are the following amendments to accounting standards:

IFRS 16 - Leases: This standard was issued in January 2016 and was planned to be adopted by Local Authorities in 2020-21 but was initially deferred to 2021-22. Due to the pressures on finance teams the adoption has been deferred further to 2024-25. The impact of adopting this standard is that most of our leases where we are the lessee will require a 'right of use asset' to be recognised on the Balance Sheet. This is different from the current accounting standard where leases are classified as operating and finance leases, with only the assets and liabilities relating to finance leases recognised on our Balance Sheet. This accounting change will have a significant impact on our accounts, but this is not known and there are no reliable estimates to quantify the impact.

Note 4. Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Property, Plant and Equipment

The Council has a policy to revalue its land and buildings at least every 4 years and undertakes an annual review, based on applying percentage movements on revalued assets to the unvalued asset portfolio, to ensure that the carrying amount of assets not revalued in year is not materially different to their current value at the balance sheet date. £457m worth of assets in the balance sheet have not been revalued in 2022-23. Due to the value, valuation type and prior valuation date of these assets, and the percentage movements on the revalued assets, we are confident that the value of assets not revalued in 2022-23 is not materially different to their current value at the balance sheet date.

In order to meet the Authority's policy on accounting for non-current assets related to schools, each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

Kent County Council's - Interest in Companies

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. KCC have conducted tests of control on these companies and in considering the outcome of these tests we have concluded that we have no overall control or significant influence over these companies, and our level of control is less than or equal to 50%. The economic activity of these companies is not deemed material and therefore not consolidated into the group accounts. Payments made to any entity we have an interest in are shown in Note 36 on page 103. We annually review all companies we have an interest in and test the level of control.

Note 5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment: Useful lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall. The useful lives applied to our assets for depreciation calculations are provided by RICS qualified external valuers and we therefore consider this to be the most accurate estimate we can obtain. However, if assumptions do not materialise then there could be a material difference to depreciation and carrying amounts of assets.
Property, Plant and Equipment: Valuation Assumptions	Asset valuations are based on key assumptions. Assets valued on a Depreciated Replacement Cost basis, totalling £2,368.8m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees & externals. These require professional judgement and therefore are not certain. Assets valued on an Existing Use Value basis, totalling £232.1m on the balance sheet, are significantly influenced by assumptions around rents and yields. Surplus assets valued on a Fair Value basis, totalling £103.6m, are significantly influenced by assumptions around land values, rents and yields.	The assumptions on which valuations are based are provided by RICS qualified external valuers and challenged rigorously and therefore considered reliable. However, if assumptions within the methodology do not materialise then there could be a material impact on the valuation of land & buildings. It should be noted though that any differences in asset valuations would not have an impact on the General Fund balance.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a decrease of 1% in the discount rate would result in an increase in the pension liability of £360m. A 1 year increase to life expectancy assumptions would result in an increase in the pension liability of £131.5m. A reduction in the value of the assets would increase the pension liability on the Balance Sheet. The net pension liability carrying value for 2022-23 is £64.4m. More information on the carrying amount of the assets & liabilities impacted by estimation uncertainty can be found in Note 37 on pages 104 to 110.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates. Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16, 17 and 38.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.

Note 6. Officers Remuneration

Accounting Policy

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 salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Service lines within the Comprehensive Income and Expenditure Statement, but is then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council 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 Service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost for 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 Council 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 amounts payable but unpaid at the year-end.

Post Employment Benefits
The Council participates in two different pension schemes. Both schemes provide members with defined benefits (retirement lump sums and pensions), related to pay and service. The schemes are as follows:

Note 6 - Officers Remuneration

- **Teachers and former NHS Staff**

The Council contributes to the Teachers' Pension Scheme and the NHS Pension Scheme at rates set by the schemes actuary and advised by the Schemes Administrator. The schemes pay benefits on the basis of pre-retirement salaries of teaching staff and former NHS staff. While the schemes are of the Defined Benefit type, they are accounted for as Defined Contribution Schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

- **Other employees**

The liabilities of the Kent Pension Fund attributable to the Council 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 Kent Pension Fund attributable to the Council 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.

The change in the net pensions liability is analysed into the following 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 services 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 net defined benefit liability (asset), i.e. the net interest expense for the Council - 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 in 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 (assets) during the period as a result of contribution and benefit payments.

Remeasurement comprising:
– net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension 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 Kent 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits
The Council 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 (including teachers) 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.

Note 6 - Officers Remuneration

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2022 to 31 March 2023

Regulations require the Council to disclose remuneration for all employees earning over £50,000 plus additional disclosures for those senior officers reporting directly to the Head of Paid Service and those earning over £150,000.

This note shows the number of employees whose total remuneration in the financial year 2022-23, was £50,000 or more.

Remuneration includes:

a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice. This includes all payments, regardless of whether or not they were due in the year e.g. advance payment of salary in lieu of notice

b) expense allowances chargeable to tax i.e. the profit element of car allowances; and

c) the money value of benefits such as leased cars and health insurance

d) but excludes Employer's Pension contributions.

Senior Officer whose remuneration is disclosed on pages 36 to 43 are included in the renumeration bandings shown in the table below for completeness, even though there is a statutory provision that allows senior officers to be excluded from the banding analysis.

Remuneration	**Total number of employees**			
			Restated	
(£)	Non-Schools 31 March 2023	Schools 31 March 2023	Non-Schools 31 March 2022	Schools 31 March 2022
50,000 - 54,999	250	241	220	216
55,000 - 59,999	184	160	124	131
60,000 - 64,999	105	98	104	74
65,000 - 69,999	67	72	66	67
70,000 - 74,999	44	55	26	45
75,000 - 79,999	22	34	20	28
80,000 - 84,999	26	20	8	12
85,000 - 89,999	15	14	15	13
90,000 - 94,999	9	12	10	4
95,000 - 99,999	15	7	10	9
100,000 - 104,999	9	4	2	6
105,000 - 109,999	5	5	5	2
110,000 - 114,999	5	1	5	3
115,000 - 119,999	3	4	2	2
120,000 - 124,999	3	2	4	3
125,000 - 129,999	3	2	1	
130,000 - 134,999	2		2	1
135,000 - 139,999	1			
140,000 - 144,999	1	1		
145,000 - 149,999			2	
150,000 - 154,999	1		1	
155,000 - 159,999	3		1	
160,000 - 164,999				
165,000 - 169,999	1			
170,000 - 174,999			1	
175,000 - 179,999				

Note 6 - Officers Remuneration

Remuneration	Total number of employees			
			Restated	
(£)	Non-Schools 31 March 2023	Schools 31 March 2023	Non-Schools 31 March 2022	Schools 31 March 2022
180,000 - 184,999	1			
185,000 - 189,999				
190,000 - 194,999				
195,000 - 199,999				
200,000 - 204,999			1	
205,000 - 209,999			1	
210,000 - 214,999				
215,000 - 219,999	1			
Total	**776**	**732**	**631**	**616**

In preparing this year's note, an error was found in the 2021-22 disclosure and have been restated accordingly. The original number of employees in schools that received remuneration of more that £50,000 was 534 in 2021-22, this has been corrected to 616 employees. The error found was due to a mistake when collating information from individual schools. This has no impact on the main statements.

The number of employees shown against the above remuneration band will not tie-up with the information on the following pages. This is because the table above refers to remuneration which includes items a-c as per the note on the previous page, whereas the following table relates purely to salary entitlement in the year and requires the employer's pension contribution to be disclosed but only for senior officers. The Code defines senior officers as those whose annual salary is £150,000 or more, or those whose salary is above £50,000 and holds a chief officer position. Where a senior officer's annual salary is £50,000 or more, but less that £150,000, remuneration is disclosed by job title. For Senior Officers whose annual salary is £150,000 or more, their name is also disclosed. The following tables are set out in the format prescribed in the CIPFA Code, issued by The Chartered Institute of Public Finance and Accountancy.

The remuneration paid to the Authority's senior employees for 2022-23 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Chief Executive/Corporate Director Strategic & Corporate Services - David Cockburn	**5**	219,221					219,221	46,694	265,915
Corporate Director Adult Social Care & Health - Richard Smith		180,250					180,250	38,393	218,643
Corporate Director Children, Young People & Education - Matt Dunkley CBE	3	48,646					48,646	10,362	59,008
Corporate Director Children, Young People & Education - Sarah Hammond	4	130,359					130,359	27,766	158,125
Corporate Director Finance - Zena Cooke	1	136,284		4,871			141,155	34,722	175,877
Corporate Director Finance - John Betts	2	67,662					67,662		67,662

Note 6 - Officers Remuneration

The remuneration paid to the Authority's senior employees for 2022-23 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Corporate Director Growth, Environment & Transport - Simon Jones		150,106					150,106	31,973	182,079
Deputy Chief Executive/Corporate Director People & Communications - Amanda Beer	6	159,788					159,788	34,035	193,823
Director Public Health *		117,726		16,441			134,167	28,578	162,745
General Counsel - Ben Watts		123,891		14,475			138,366	953	139,319
Director of Infrastructure		123,891					123,891	26,674	150,565
Director of Strategy, Policy, Relationships & Corporate Assurance		118,532	6,700				125,232	26,674	151,906

Note 6 - Officers Remuneration

The remuneration paid to the Authority's senior employees for 2022-23 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Director of Technology		117,432		12,235			129,667	27,619	157,286
Strategic Commissioner (Interim)		107,280					107,280	22,851	130,131
Director of Human Resources & Organisational Development	7	81,900					81,900	17,445	99,345

* This includes all contractual entitlements.

Note 6 - Officers Remuneration

Notes	**The remuneration paid to the Authority's senior employees for 2022-23 is as follows:**
1	Mrs Cooke was on Maternity leave from April to August 2022
2	Mr Betts was appointed to cover Mrs Cooke's maternity leave
3	Mr Dunkly (CBE) left KCC in June 2022
4	Mrs Hammond as appointed as Corporate Director for Children, Young People & Education from June 2022
5	Mr Cockburn was Corporate Director Strategic & corporate Services from April to June and was appointed as Chief Executive From July 2022
6	Mrs Beer was Corporate Director People & Communications from April to June and was appointed as Deputy Chief Executive From July 2022
7	A new Director of Human Resources & Organisational Development was appointed from July 2022

The remuneration paid to the Authority's senior employees for 2021-22 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Corporate Director Strategic & Corporate Services - David Cockburn		207,884					207,884	44,071	251,955
Corporate Director Adult Social Care & Health - Richard Smith		175,000					175,000	37,100	212,100
Corporate Director Children, Young People & Education - Matt Dunkley CBE		201,616					201,616	42,743	244,359
Corporate Director Finance - Zena Cooke		147,152		7,436			154,588	32,773	187,361
Corporate Director Growth, Environment & Transport		147,888					147,888	31,352	179,240
Corporate Director Engagement, Organisation Design & Development		147,152					147,152	31,196	178,348

The remuneration paid to the Authority's senior employees for 2021-22 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Director Public Health *	1	19,572					19,572	2,814	22,386
Interim Director Public Health *	2	78,030					78,030	11,221	89,251
Director Public Health *	3	14,330		1,900			16,230	3,441	19,671
General Counsel - Ben Watts		117,432		14,475			131,907	9,954	141,861
Director of Infrastructure		117,432					117,432	24,896	142,328
Director of Strategy, Policy, Relationships & Corporate Assurance		110,471					110,471	23,420	133,891

Note 6 - Officers Remuneration

The remuneration paid to the Authority's senior employees for 2021-22 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Director of Technology	4	17,475		1,126			18,601	3,943	22,544
Strategic Commissioner (Interim)		105,057					105,057	22,272	127,329

* This includes all contractual entitlements.

Note 6 - Officers Remuneration

Notes	The remuneration paid to the Authority's senior employees for 2021-22 is as follows:
1	The Director of Public Health on 31 May 2021. The annualised salary for this post is £117,432
2	An interim covered the role of Director of Public Health role between May 2021 and February 2022. The annualised salary for this post is £104,093
3	A new Director of Public Health was appointed on 16 February 2022. The annualised salary for this post is £117,432
4	The Director of Technology was appointed on 7 February 2022. The annualised salary for this post is £117,432

Note 6 - Officers Remuneration

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 67% of those are compulsory redundancies. We do not have the detail across bands £0 - £20,000, £20,001 - £40,000, and £40,001 - £80,000 and have applied this percentage equally to each of these bands. The total cost in 2022-23 of £0.6m includes schools and commitments in 2023-24.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £	2022/23 £
80,001 - 120,000	0	0	1	0	1	0	81,100	0
40,001 - 80,000	0	0	0	0	0	0	0	0
20,000 - 40,000	4	11	4	5	8	16	225,230	459,409
0 - 20,000	11	15	13	7	24	22	218,095	153,841
Total	15	26	18	12	33	38	524,425	613,250

Note 7. Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2022-23 £'000	2021-22 £'000
Allowances	1,975	1,911
Expenses	44	21
Total	**2,019**	**1,932**

In 2022-23 the cost of the County Cars was £33.5k (£3.9k in 2021-22).

Note 8. Material Items of Income and Expense

Accounting Policy

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Material Items of Income and Expense

The net loss on disposal of non-current assets of £113.1m includes a loss of £93.5m which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

Note 9a - Note to the Expenditure and Funding Analysis

Note 9a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2022-23	Drawdown to/from Reserves (Note 1)	Investment Income reported at Directorate Level (Note 1)	Chief Executive's Department Recharges (Note 1)	Realignment of Financing Items for Accounting Purposes (Note 1)	Adjustments for Trading Activities (Note 1)
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	2,046		19		
Children, Young People & Education	6,745	241	58	198	
Growth, Environment & Transport	3,226	420	626		-64
Chief Executive's Department	-759		-703		-1,141
Deputy Chief Executive's Department	5,506	1,886			
Non-Attributable Costs including Corporately Held Budgets	-50,612	11,592		-108,877	
Schools' Delegated Budgets	19,263				
Net Cost of Services	**-14,585**	**14,139**	**0**	**-108,679**	**-1,205**
Other income and expenditure from the Expenditure and Funding Analysis	72,548	-14,139		108,679	1,353
Total	**57,963**	**0**	**0**	**0**	**148**

2022-23	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (Note 2)	Net change for the Pensions Adjustments (Note 3)	Other Differences (Note 4)	Total Adjustment between Funding and Accounting Basis
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	**2,065**	2,530	3,597	-1	**6,126**
Children, Young People & Education	**7,242**	35,386	13,018	-19,971	**28,433**
Growth, Environment & Transport	**4,208**	50,390	2,437	567	**53,394**
Chief Executive's Department	**-2,603**	326	1,411	-329	**1,408**
Deputy Chief Executive's Department	**7,392**	11,293	670		**11,963**
Non-Attributable Costs including Corporately Held Budgets	**-147,897**		156	-2,157	**-2,001**
Schools' Delegated Budgets	**19,263**				**0**
Net Cost of Services	**-110,330**	**99,925**	**21,289**	**-21,891**	**99,323**
Other income and expenditure from the Expenditure and Funding Analysis	**168,441**	-100,852	-1,045	-11,917	**-113,814**
Total	**58,111**	**-927**	**20,244**	**-33,808**	**-14,491**

Note 9a - Note to the Expenditure and Funding Analysis

2021-22 - Restated	Drawdown to/from Reserves (Note 1)	Investment Income reported at Directorate Level (Note 1)	Chief Executive's Department Recharges (Note 1)	Realignment of Financing Items for Accounting Purposes (Note 1)	Adjustments for Trading Activities (Note 1)
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	-2,809		39		
Children, Young People & Education	6,337	63	11	170	
Growth, Environment & Transport	5,282	364	140		45
Chief Executive's Department	571		-190		
Deputy Chief Executive's Department	2,670	1,968			-1,099
Non-Attributable Costs including Corporately Held Budgets	-45,793	9,819		-112,556	
Schools' Delegated Budgets	-41,197				
Net Cost of Services	**-74,939**	**12,214**	**0**	**-112,386**	**-1,054**
Other income and expenditure from the Expenditure and Funding Analysis	25,144	-12,214		112,386	1,417
Total	**-49,795**	**0**	**0**	**0**	**363**

2021-22 - Restated	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (Note 2)	Net change for the Pensions Adjustments (Note 3)	Other Differences (Note 4)	Total Adjustment between Funding and Accounting Basis
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	**-2,770**	2,753	22,216	144	**25,113**
Children, Young People & Education	**6,581**	16,500	80,536	46,875	**143,911**
Growth, Environment & Transport	**5,831**	42,200	14,194	506	**56,900**
Chief Executive's Department	**381**	367	8,148	-765	**7,750**
Deputy Chief Executive's Department	**3,539**	11,878	3,690		**15,568**
Non-Attributable Costs including Corporately Held Budgets	**-148,530**		1,048	-308	**740**
Schools' Delegated Budgets	**-41,197**				**0**
Net Cost of Services	**-176,165**	**73,698**	**129,832**	**46,452**	**249,982**
Other income and expenditure from the Expenditure and Funding Analysis	**126,733**	-117,039	33,180	-38,258	**-122,117**
Total	**-49,432**	**-43,341**	**163,012**	**8,194**	**127,865**

Note 9a - Note to the Expenditure and Funding Analysis

1. Adjustments to arrive at amount charged to the General Fund

Drawdown to and from Reserves – for management reporting purposes the Council includes drawdowns to and from reserves, this needs reversing to arrive at the amount chargeable to the General Fund.

Investment Income and realignment of Financing Items for Accounting Purposes – the Council also includes investment income in its directorate reporting and within Financing Items are such items as interest payable, Minimum Revenue Provision (MRP) and bank fees, however this is reported in the financial statements below the cost of services line and the table above shows these items being reallocated.

Chief Executive's Department Recharges – for management reporting purposes the Council records Members Grants to Strategic and Corporate Services, however for accounting purposes this is reallocated across the other directorates.

Trading Activities – for management reporting purposes the Council includes the contribution received from its trading activities, however this needs adjusting to reflect the surplus or deficit of the trading activities. The Council also is required to consolidate a joint operation into its accounts.

2. Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

3. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

4. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services this represents the following:

i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.

ii) The officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis that is different from the remuneration charged in the year in accordance with statutory requirements.

iii) The Schools Budget deficit charged to the Comprehensive Income and Expenditure Statement.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 9b. Segmental Income

Income from Sales, Fees and Charges, including Internal Recharges, are analysed on a segmental basis below:

	2022-23 £000's	Restated 2021-22 £000's
Adult Social Care & Health	-98,083	-89,553
Children, Young People & Education	-103,500	-85,537
Growth, Environment & Transport	-45,986	-38,828
Chief Executive's Department	-11,385	-10,624
Deputy Chief Executive's Department	-16,202	-13,263
Non-Attributable Services	-9,219	-3,604
Total Income analysed on a segmental basis	**-284,375**	**-241,409**

Note 10. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	**2022-23 £000's**	**2021-22 £000's**
Expenditure		
Employee benefits expenses	922,078	1,000,149
Other services expenses	1,790,780	1,769,306
Support service recharges	66,257	57,137
Depreciation, amortisation, impairment	125,646	80,303
Interest payments including interest on Defined Liability of the Pension Fund	53,531	92,241
Precepts and levies	2,144	2,061
Loss/(Gain) on the disposal of assets	113,106	67,951
Total expenditure	**3,073,542**	**3,069,148**
Income		
Fees, charges and other service income	-325,774	-280,045
Interest and investment income	-19,677	-14,217
Income from council tax and non-domestic rates	-885,685	-840,236
Government grants and contributions	-1,820,734	-1,822,640
Total income	**-3,051,870**	**-2,957,138**
Surplus or Deficit on the Provision of Services	**21,672**	**112,010**

Included in the 2022-23 'Fees, charges and other services income' is £85.3m (£78.0m in 2021-22) of Revenue from Contracts with Service Recipients specifically relating to Social Care.

Note 11. Adjustments between accounting basis and funding basis under regulations

31 March 2023	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-102,330			102,330
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-2,936			2,936
Movements in the fair value of Investment Properties	-1,749			1,749
Amortisation of intangible assets	-1,544			1,544
Capital Grants and contributions applied	119,596			-119,596
Income in relation to donated assets	30,767			-30,767
In year revenue expenditure funded from capital under statute	-61,631			61,631
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments				0
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	-123,908			123,908
Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,723			1,723
Realised & unrealised gains/(losses) on financial assets held at FVPL	-3,455			3,455
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	58,273			-58,273
Capital expenditure charged against the General Fund	27,211			-27,211
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	68,496		-68,496	0
Application of grants to capital financing transferred to the Capital Adjustment Account			40,475	-40,475
Cessation of recyclable grant repaid to accountable body	-1,607	1,607		0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,353	-10,353		0

Note 11 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement				0
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	2,046	-2,046		0
Use of the Capital Receipts Reserve to finance new capital expenditure		13,389		-13,389
Loan repayments	477	-8,533		8,056
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,189			-2,189
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	-15,408			15,408
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-105,201			105,201
Employer's pensions contributions and direct payments to pensioners payable in the year	84,956			-84,956
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	19,263			-19,263
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	11,188			-11,188
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,168			-1,168
Total Adjustments	**14,491**	**-5,936**	**-28,021**	**19,466**

Note 11. Adjustments between accounting basis and funding basis under regulations

31 March 2022	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	-99,210			99,210
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	8,932			-8,932
Movements in the fair value of Investment Properties	-1,550			1,550
Amortisation of intangible assets	-1,803			1,803
Capital Grants and contributions applied	198,757			-198,757
Income in relation to donated assets	20,056			-20,056
In year revenue expenditure funded from capital under statute	-161,326			161,326
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	4,274			-4,274
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	-78,274			78,274
Realised & unrealised gains/(losses) on financial assets held at FVPL	-2,717			2,717
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	57,431			-57,431
Capital expenditure charged against the General Fund	28,904			-28,904
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	47,173		-47,173	0
Application of grants to capital financing transferred to the Capital Adjustment Account			22,773	-22,773
Cessation of recyclable grant repaid to accountable body	-2,125	2,125		0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,600	-10,600		0

Note 11 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		22,416		-22,416
Loan repayments	22	-16,807		16,785
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	829			-829
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/(losses) on financial assets held at FVPL	14,197			-14,197
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-244,391			244,391
Employer’s pensions contributions and direct payments to pensioners payable in the year	81,379			-81,379
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-46,567			46,567
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	37,179			-37,179
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**365**			-365
Total Adjustments	**-127,865**	**-2,866**	**-24,400**	**155,131**

Note 12. Other Operating Expenditure

	2022-23 £000's	2021-22 £000's
Levies	2,144	2,061
(Gains)/Losses on the disposal of non-current assets	113,106	67,951
Assets held for Sale - revaluation movements ((Gains)/Losses)	171	386
	115,421	70,398

Note 13. Financing and investment income and expenditure

	2022-23 £000's	2021-22 £000's
Interest payable and similar charges	54,947	58,647
Net interest on the net defined benefit liability	-1,022	33,995
(Gain)/loss from settlements	-2,015	-2,724
Pensions - Administration expenses and curtailments	1,992	1,909
Interest receivable and similar income	-12,898	-10,782
Income & expenditure in relation to investment properties and changes in fair value	985	665
Changes in fair value of Financial Assets held at fair value through profit and loss	18,835	-11,779
Other investment income	-2,523	-2,641
	58,301	67,290

Note 14. Taxation and non specific grant income

Collection Fund Accounting Policy

To reflect that billing authorities act as agents for major preceptors in collecting their share of Council Tax and Non-Domestic Rating income, transactions and balances will be allocated between billing authorities and major preceptors. Thus, the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could vary from that predicted will be shared proportionately by the billing authorities and major preceptors.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Revenue relating to such things as Council Tax and Non-Domestic Rates, are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

A debtor/creditor position between billing authorities and major preceptors is required to be recognised for the cash collected by the billing Council from Council Tax and Non-Domestic Rates debtors that belongs proportionately to the billing Council and the major preceptors. This is because the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers and Non-Domestic Ratepayers. The effect of any bad debts written off, or movement in the impairment provision, are also shared proportionately.

Part of the arrangement for the retention of business rates is that authorities will assume the liability for refunding ratepayers that have successfully appealed against the rateable value of their property. At the end of 31 March 2023 the Council's estimated share of these liabilities is £10.2m.

Note 14 - Taxation and non specific grant income and Note 15 - Grant Income

	2022-23 £000's	2021-22 £000's
Income from Council Tax	-829,729	-796,208
Non-domestic rates income and expenditure	-55,956	-44,028
Non-ringfenced government grants	-305,873	-318,696
Capital Grants and Contributions	-176,363	-117,421
	-1,367,921	-1,276,353

KCC's share of surplus on the Council Tax is £10.9m (2021-22 deficit of £11.9m). For 2022-23 the Business Rate Collection Fund has a deficit of £0.2m (2021-22 a deficit of £12.4m). See the Collection Fund Adjustment Account detailed in Note 23.

Note 15. Grant Income

Accounting Policy

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 Council when there is reasonable assurance that:

- the Council 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 or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022-23:

	2022-23 £'000	2021-22 £'000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Yield including Collection Fund	-829,729	-796,208
Local Share of Business Rates & Business Rate Collection Fund	-55,956	-44,028
Revenue Support Grant (RSG)	-10,018	-9,695
Social Care Support Grant	-54,478	-39,143
Business Rate Top-Up	-138,429	-138,429
Business Rate Compensation Grant	-30,727	-13,124
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-50,015	-48,544
New Homes Bonus (NHB) & NHB Adjustment Grants	-4,381	-4,629
Covid-19 Grant	0	-32,357
Covid 19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	0	-30
Covid 19 Compensation for Covid related business rate reliefs	2,508	-16,513
Covid 19 Compensation for Loss of Sales, Fees & Charges	0	759
Covid 19 Local Council Tax Support Grant	0	-14,289
Other Un-ringfenced Grants	-20,333	-2,702
Capital Government Grants & Contributions	-176,363	-117,421
Total	-1,367,921	-1,276,353

	2022-23 £'000	Restated 2021-22 £'000
Credited to Services		
Dedicated Schools Grant	-842,657	-757,840
Education Funding Agency	-85,648	-66,221
Other DFES Grants	-45,998	-66,294
Department of Health Grants	-104,334	-189,068
Department for Transport	-8,983	-79,250
Asylum	-33,192	-27,015
Department of Business, Energy & Industrial Strategy	-198	-25,359
Department for Housing, Levelling-up, Communities & Housing	-33,617	-16,187
Department for Environment Food & Rural Affairs	-9,398	-767
Other	-37,789	-37,490
Total	-1,201,814	-1,265,491

In preparing this year's note, an error was found in the 2021-22 disclosure and have restated accordingly. The original 2021-22 grant income credited to services was disclosed as £1,217,350k and has been corrected to £1,265,491k, an increase of £48,141k. The error found was in the formula to calculate 'Other' grant income which meant too much income was removed. Due the error, a full review of 'Other' grants has been undertaken and means that some grant income has moved between Government department to provide more transparency. This has no impact on the main statements

The Council has received a number of 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 donor. The balances at the year-end are as follows:

	2022-23 £'000	2021-22 £'000
Capital Grants Receipts in Advance		
Department for Education	-197	-197
Other Grants	-59,155	-55,964
Other Contributions	-95,490	-91,061
Total	-154,842	-147,222

Note 16. Property, Plant and Equipment

Accounting Policy

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.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our de minimus of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – fair value based on 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
- 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 current 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Note 16 - Property, Plant and Equipment

The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every four years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

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

- writing down the balance on the Revaluation Reserve for that asset up to the accumulated gains
- writing down the relevant service line in the Comprehensive Income and Expenditure Statement where there is no balance or insufficient balance on the Revaluation Reserve.

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 calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- 3-60 years (as determined by the valuer)
Vehicles, plant and equipment	- 3-25 years
Roads & other highways infrastructure	- 5-120 years
Community assets	- nil
Assets under construction	- nil
Investment properties, Assets Held for Sale	- nil
Heritage Assets	- nil

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.

Property will be split into five components:

Land

Structure

Mechanical and Electrical

Fixtures and Furnishings

Temporary Buildings.

These components are a significant value of the asset as a whole and have significantly different useful lives.

Under component accounting, the Authority applies a de minimus threshold of £2m per asset except Secondary Schools which have a threshold for componentisation of £8m.

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

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. 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.

Gains and Losses on Disposal of Non Current Assets

When an asset is disposed of or decommissioned, the difference between the capital receipt from the sale and the carrying amount of the asset in the Balance Sheet, after identified costs have been removed, 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. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £113.1m includes a loss of £93.5m which relates to schools transferring to academy status.

Capital receipts

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then normally only be used for new capital investment. There are certain circumstances that allow revenue expenditure to be funded from capital receipts, for example the revenue costs associated with transformation. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Conditional receipts are not included in these figures until it is prudent to do so.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Note 16 - Property, Plant and Equipment

Movement on balances - Movements in 2022-23

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation at 1 April 2022	2,467,248	55,559	10,604	82,514	122,945	2,738,870	396,383
Additions	30,874	6,468		51,520	36	88,898	2,925
Donations	30,767					30,767	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	180,196				-4,543	175,653	14,890
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	376				-4,976	-4,600	
Derecognition - Disposals	-97,362	-274			-18,522	-116,158	-65,985
Derecognition - Other	-6,743	-2,480				-9,223	
Assets reclassified (to) / from Held for Sale					-4,262	-4,262	
Transfers from Assets Under Construction	23,827	37		-32,005		-8,141	
Other Movements in cost or valuation	-8,077	20	-4,577		13,135	501	
At 31 March 2023	**2,621,106**	**59,330**	**6,027**	**102,029**	**103,813**	**2,892,305**	**348,213**

Note 16 - Property, Plant and Equipment

Movement on balances - Movements in 2022-23

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment at 1 April 2022	-8,972	-36,397	0	0	-157	-45,526	-2,597
Depreciation Charge	-45,689	-4,731			-95	-50,515	-7,392
Depreciation written out to the Revaluation Reserve	42,885				173	43,058	4,120
Depreciation written out to Surplus / Deficit on the Provision of Services	1,757				77	1,834	
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-146	-68		-527		-741	
Derecognition - Disposals	623	196			16	835	582
Derecognition - Other	95	2,422				2,517	
Other movements in Depreciation and Impairment	386	68		527	-241	740	
At 31 March 2023	**- 9,061**	**-38,510**	**0**	**0**	**-227**	**-47,798**	**-5,287**
Net Book Value At 31 March 2023	**2,612,045**	**20,820**	**6,027**	**102,029**	**103,586**	**2,844,507**	**342,926**
Net Book Value At 31 March 22	**2,458,276**	**19,162**	**10,604**	**82,514**	**122,788**	**2,693,344**	**393,786**

Note 16 - Property, Plant and Equipment

Movement on balances - Comparative Movements in 2021-22 Restated

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation at 1 April 2021	2,299,494	55,246	10,505	89,340	117,147	2,571,732	410,820
Additions	39,330	5,220	300	45,421	2,104	92,375	2,970
Donations	20,056				5,977	26,033	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	129,639				5,492	135,131	15,297
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	10,416				-4,867	5,549	2,647
Derecognition - Disposals	-73,017	-1,993	-60		-5,652	-80,722	-33,647
Derecognition - Other		-2,961				-2,961	
Assets reclassified (to) / from Held for Sale					-1,016	-1,016	
Transfers from Assets Under Construction	40,123	47	36	-52,729	19	-12,504	
Other Movements in cost or valuation	1,207		-177	482	3,741	5,253	-1,704
At 31 March 2022	**2,467,248**	**55,559**	**10,604**	**82,514**	**122,945**	**2,738,870**	**396,383**

Note 16 - Property, Plant and Equipment

Movement on balances - Comparative Movements in 2021-22 Restated

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment at 1 April 2021	-9,131	-35,911			-75	-45,117	-2,383
Depreciation Charge	-43,036	-5,220			-156	-48,412	-8,209
Depreciation written out to the Revaluation Reserve	38,836				32	38,868	6,968
Depreciation written out to Surplus / Deficit on the Provision of Services	3,721				48	3,769	474
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-132	-272		-330		-734	
Derecognition - Disposals	626	1,786			6	2,418	553
Derecognition - Other		2,949				2,949	
Other movements in Depreciation and Impairment	144	271		330	-12	733	
At 31 March 2022	**-8,972**	**-36,397**	**0**	**0**	**-157**	**-45,526**	**-2,597**
Net Book Value At 31 March 2022	**2,458,276**	**19,162**	**10,604**	**82,514**	**122,788**	**2,693,344**	**393,786**
Net Book Value At 31 March 21	**2,290,363**	**19,335**	**10,505**	**89,340**	**117,072**	**2,526,615**	**408,437**

Roads and Other Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022-23 £000's	2021-22 £000's
Net Book Value as at 1 April	**851,550**	799,685
Additions	94,442	91,360
Derecognition		
Depreciation	-51,074	-50,065
Impairment		
Transfers from Assets Under Construction	1,922	10,570
Other movements in cost		
Net Book Value as at 31 March	**896,840**	**851,550**

Reconciliation to Property, Plant and Equipment (PPE) balance

	2022-23 £000's	2021-22 £000's
Infrastructure Assets	896,840	851,550
Other PPE Assets	2,844,507	2,693,344
Total PPE Assets	**3,741,347**	**3,544,894**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amount to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Note 16 - Property, Plant and Equipment

Valuations of Property, Plant and Equipment carried at current value

The following statement shows an analysis of the Net Book Value of revalued assets by the year of valuation. The valuations as at 31 March 2023 were carried out by Wilks Head & Eve, overseen by Guy Harbord MRICS.

Valuation date of revalued assets:	Land & Buildings NBV £'000	Surplus Assets NBV £'000	Total NBV £'000
31/03/2021	179,241	87,562	**266,803**
31/03/2022	164,525	15,228	**179,753**
31/03/2023	2,257,714	797	**2,258,511**
TOTAL	**2,601,480**	**103,587**	**2,705,067**

In addition, land and buildings totalling £10.6m are held at cost as at 31st March 2023, reflecting new assets that will be revalued in 2023-24.

The basis for valuation is set out in the statement of accounting policies, and further explained below.

Basis of valuation

All valuations of land and buildings were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors (RICS). In 2022-23 all land and buildings which have not had a valuation within the last four years have been valued. All schools, adult education centres, children centres, nurseries, youth and community centres were revalued. In addition, all assets from other portfolios valued on a Depreciated Replacement Cost basis have been revalued.

The following methods/assumptions have been applied in estimating the current values:
- Existing Use Value where the property is not specialised and is owner occupied, for example county offices;
- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools;
- Fair value for surplus assets.

We have considered and analysed the assets which have not been revalued in 2022-23 and are confident that the carrying amount of these assets as at 31 March 2023 is not materially different to their current value as at 31 March 2023.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Note 16 - Property, Plant and Equipment

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2023 are shown below.

Recurring fair value measurements using:	**Level 2 inputs**	**Level 3 inputs**	**Fair value as at 31 March 2023**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
	£000's	**£000's**	**£000's**		
Residential developments/conversions	850	74,091	74,941	*Market approach*	*Income & Market approach*
Car Park		263	263		*Income & Market approach*
Residential dwellings		1,323	1,323		*Income & Market approach*
Non-residential institutions		3,515	3,515		*Income approach*
Assembly & Leisure		269	269		*Income approach*
Amenity land /woodland/grazing land		3,702	3,702		*Market approach*
Educational land/agricultural land		8,564	8,564		*Income & Market approach*
Industrial development/Commercial development/Mixed Development		10,754	10,754		*Market approach*
Commercial warehousing/units		256	256		*Income approach*
	850	**102,737**	**103,587**		

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 (excluding in year additions) are as follows:

Recurring fair value measurements using:	**Level 2 inputs**	**Level 3 inputs**	**Fair value as at 31 March 2022**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
	£000's	**£000's**	**£000's**		
Residential developments/conversions	850	93,227	94,077	*Market approach*	*Income & Market approach*
Car Park		57	57		*Income approach*
Residential dwellings	227	1,811	2,038	*Market approach*	*Income & Market approach*
Non-residential institutions		3,530	3,530		*Income approach*
Assembly & Leisure		272	272		*Income approach*
Amenity land /woodland/grazing land		3,702	3,702		*Market approach*
Educational land/agricultural land		8,843	8,843		*Income & Market approach*
Industrial development/Commercial development/Mixed Development		10,009	10,009		*Market approach*
Commercial warehousing/units		260	260		*Income approach*
	1,077	**121,711**	**122,788**		

NB The Council does not have any Level 1 valuations

Note 16 - Property, Plant and Equipment

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 surplus assets held at fair value, are analysed below:

	2022-23 £000's	2021-22 £000's
Opening balance	121,711	109,642
Transfers into Level 3	203	4,241
Transfers out of Level 3	-4,268	1,575
Additions	36	2,117
Donations	0	5,977
Derecognition	-18,272	-2,265
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	703	-4,911
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	2,455	5,369
Depreciation charge	-90	-149
Other changes	259	115
Closing balance	102,737	121,711

£0.7m of gains arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £2.5m of gains were recognised in Other Comprehensive Income and Expenditure within the '(Surplus)/deficit arising on revaluation of non current assets' line .

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/23 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	74,091	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,380,000 - £5,050,000 per hectare reduced by 0% - 75% 2) £250,000 - £302,000 per unit less construction costs and fees	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	263	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £65 - £100 per permit 2) £13,250 3) 5% - 6%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Residential Dwellings	1,323	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and location discount	1) £1,400 - £6,000 per annum 2) Years Purchase in Perpetuity 4% 3) £180,000 - £375,000	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	3,515	1) Estimated rent 2) Estimated yield	1) £1,800 - £6,200 per annum and £85 - £90 per square metre 2) 6.5% - 9%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	269	1) Passing rent 2) Estimated yield	1) £150 per annum 2) 8%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/23 £000's	Unobservable input	Quantitative Information	Sensitivity
Amenity land /woodland/grazing land	3,702	1) Estimated land value	1) £19,760 - £150,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Educational land/agricultural land	8,564	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £300 - £4,500 per annum 2) 5% - 9% 3) £19,760 - £1,450,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/Commercial development/Mixed Development	10,754	1) Land value reduced to reflect uncertainty	1) £250,000 - £2,000,000 per hectare reduced by 0% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Commercial warehousing/units	256	1) Estimated rent 2) Estimated yield	1) £90 - £129 per square metre 2) 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**102,737**			

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at least every four years in line with our revaluation policy for Property, Plant and Equipment. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of 37 of the 101 assets is their current use. Of the remaining 64 assets, 59 are vacant, and 5 have alternative uses as a result of existing lease arrangements.

Contractual Commitments

The Council have contractual commitments to make payments of circa £120m in future years (£72.7m in 2021-22).

Note 17. - Investment Property

Accounting Policy

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 or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually 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 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:

	2022-23	2021-22
	£000's	£000's
Rental income from Investment Property	1,905	1,984
Direct operating expenses arising from Investment Property	-1,141	-1,099
Net gain/(loss)	764	885

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

Note 17 - Investment Property

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

	2022-23	2021-22
	£000's	£000's
Balance at start of the year	50,745	52,295
Additions:		
• Purchases	2,288	
• Construction		
• Subsequent expenditure	47	
Disposals		
Net gains/(losses) from fair value adjustments	-1,749	-1,550
Transfers:		
• to/(from) Inventories		
• to/(from) Property, Plant & Equipment	-191	
Other Changes		
Balance at end of the year	**51,140**	**50,745**

Fair Value Hierarchy

Details of the Authority's investment properties, and information about the fair value hierarchy as at 31 March 2023 are shown below. This excludes purchases of £2.288m made in 2022-23 as fair value hierarchy information is obtained when assets are revalued, not purchased.

Recurring fair value measurements using:	Level 2 inputs	Level 3 inputs	Fair value as at 31 March 2023	Level 2 Valuation Technique	Level 3 Valuation Technique
	£000's	£000's	£000's		
Residential developments	-300	10,670	10,370	*Market*	*Market*
Offices	12,362	17,032	29,394	*Income*	*Income*
Industrial development/commercial development	1,383	1,853	3,236	*Market*	*Market*
Non-residential institutions		440	440		*Income*
Car Park		1,233	1,233		*Income*
Ransom Strip	2,500		2,500	*Market*	
Golf Course	348		348	*Income*	
Industrial units	145	106	251	*Income*	*Income*
Affordable housing		1,080	1,080		*Income*
	16,438	**32,414**	**48,852**		

Note 17 - Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2022 are as follows:

Recurring fair value measurements using:	**Level 2 inputs**	**Level 3 inputs**	**Fair value as at 31 March 2022**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
	£000's	**£000's**	**£000's**		
Residential developments	-500	13,795	13,295	*Market approach*	*Market approach*
Offices	11,555	17,208	28,763	*Income approach*	*Income approach*
Industrial development/commercial development	84	1,095	1,179	*Market approach*	*Market approach*
Non-residential institutions		415	415		*Income approach*
Car Park		1,426	1,426		*Income approach*
Ransom Strip	2,500		2,500	*Market approach*	
Golf Course	355		355	*Income approach*	
Industrial units	1,732		1,732	*Income approach*	
Affordable housing		1,080	1,080		*Income approach*
	15,726	**35,019**	**50,745**		

NB The council does not have any Level 1 valuations

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 investment property held at fair value, are analysed below:

	2022-23	**2021-22**
	£000's	**£000's**
Opening balance	35,019	32,384
Transfers into Level 3	1,581	
Transfers out of Level 3	-955	
Additions	47	
Disposals		
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-3,278	2,635
Other changes		
Closing balance	32,414	35,019

£3.3m of losses arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/23 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	10,670	1) Estimated land value 2) Discount for uncertainty	1) £2,900,000 - £5,050,000 per hectare 2) 15% - 65%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	17,032	1) Estimated rent 2) Estimated yield 3) Void period	1) £124 - £269 per square metre 2) 7.75% - 10% 3) 2 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development	1,853	1) Estimated land value 2) Discount for uncertainty	1) £1,200,000 - £4,100,000 per hectare 2) 15% - 50%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	440	1) Estimated rent 2) Estimated yield	1) £91 per square metre 2) 8.25% - 11%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	1,233	1) Estimated rent 2) Estimated yield	1) £250 per space; £30/sqm 2) 6.75% - 7.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial Units	106	Estimated yield	8% - 9%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/23 £000's	Unobservable input	Quantitative Information	Sensitivity
Affordable Housing	1,080	1) Estimated rent 2) Estimated yield 3) Management and associated costs	1) £3,120 per annum per unit 2) 6.5% 3) 25% of gross income	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**32,414**			

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of 14 of the 26 properties (NB this excludes purchases made in 2022-23) is their current use. Of the remaining 12 properties, 6 are held for capital appreciation as investments, 2 have an alternative use as a result of existing lease arrangements and 4 are currently vacant.

Note 18. Capital Expenditure and Financing

Accounting Policy

Government Grants and Contributions

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.

Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute represents expenditure which may be properly capitalised, but does not result in the creation of a non-current asset. The expenditure has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Capital expenditure on assets that do not belong to the council such as Academy schools are charged here and are written out in the year. These charges are reversed out to the Capital Adjustment Account through the Movement in Reserves Statement to mitigate any impact on council tax.

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2022-23 £000's	2021-22 £000's
Opening Capital financing requirement	1,294,084	1,269,156
Capital investment		
Property, Plant and Equipment	183,340	183,541
Revenue expenditure funded from capital under statute	61,631	161,326
Long-Term Debtors	10,241	9,963
Other	2,849	379
	1,552,145	1,624,365
Sources of finance		
Capital receipts	-13,389	-22,416
Government grants and other contributions	-160,852	-221,530
Direct revenue contributions	-27,211	-28,904
(MRP/loans fund principal)	-58,273	-57,431
Closing Capital Financing Requirement	1,292,420	1,294,084
Movement	**-1,664**	**24,928**

	2022-23 £000's	2021-22 £000's
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	-1,664	24,928
Assets acquired under PFI contracts		
Increase/(decrease) in Capital Financing Requirement	**-1,664**	**24,928**

Note 19. PFI and Similar Contracts

Accounting Policy

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Note 19. PFI and Similar Contracts

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets, written down by any capital contributions.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as additions to Property, Plant and Equipment.

Value of PFI assets at each balance sheet date and analysis of movement in those values

Value of assets

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £'000
As at 31 March 2022	151,953	10,448	23,533	70,736	66,447	67,647	390,764
Additions	1,155	49	312	789	490	130	2,925
Transfers out	-65,403						-65,403
Transfers in							0
Revaluations	9,456	864	971		7,719		19,010
Depreciation	-2,519	-208	-520	-1,327	-1,455	-1,282	-7,311
As at 31 March 2023	94,642	11,153	24,296	70,198	73,201	66,495	339,985

£65m assets transferred out relates to two schools converting to academy status.

NB The value of PFI assets in Note 16 includes £2,940k in relation to service concession arrangements (IFRIC 12) assets that are not included in this note.

Value of liabilities resulting from PFI at each balance sheet date and analysis of movement in those values

Finance Lease Liability

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £'000
As at 31 March 2022	58,291	6,155	10,907	46,604	49,058	30,790	201,805
Additions							0
Liability repaid	-2,294	-659	-584	-1,272	-2,158	-1,300	-8,267
As at 31 March 2023	55,997	5,496	10,323	45,332	46,900	29,490	193,538

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the 6 Schools PFI, the liability was written down by an initial capital contribution of £4.541m. For the Better Homes, Active Lives PFI the liability was written down by an initial capital contribution of £0.65m.

Note 19 - PFI and Similar Contracts

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	2,296	4,945	4,176	2,363	13,779
Within 2-5 years	11,399	17,604	17,772	9,995	56,769
Within 6-10 years	22,140	15,343	24,832	11,276	73,591
Within 11-15 years	20,162	3,794	16,439	4,001	44,397

RPIx is used as the basis for indexation in the 6 schools PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Swanscombe Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	948	807	924	91	2,769
Within 2-5 years	4,548	1,688	3,401	1,224	10,862
Within 6-10 years	0	0	0	0	0

RPIx is used as the basis for indexation in the Swanscombe Schools PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Westview/Westbrook

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	409	798	1,938	747	3,893
Within 2-5 years	2,361	2,855	8,320	2,370	15,906
Within 6-10 years	5,151	2,203	11,817	1,423	20,594
Within 11-15 years	2,403	186	0	0	2,589

The RPIx and Average Weekly Earnings (AWE) indices are both used as bases for indexation in the Westview/ Westbrook PFI Contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract and AWE has been assumed to be 2% higher than this at 4.5% over the same period.

Better Homes, Active Lives

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	1,220	3,220	0	932	5,371
Within 2-5 years	8,122	11,713	0	1,649	21,484
Within 6-10 years	12,924	11,001	0	2,930	26,855
Within 11-15 years	19,723	5,646	0	1,487	26,855
Within 16-20 years	3,343	237	0	0	3,581

No indexation is applied to the Better Homes, Active Lives PFI contract.

Note 19 - PFI and Similar Contracts

3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	2,070	4,358	2,651	1,191	10,270
Within 2-5 years	9,206	15,443	11,283	6,969	42,901
Within 6-10 years	17,648	13,748	15,765	8,451	55,612
Within 11-15 years	17,975	3,583	8,000	2,071	31,629

RPIx is used as the basis for indexation in the BSF Wave 3 PFI contract. RPIx has been assumed to be at 2.5% per annum for the duration of the remainder of this PFI contract.

Excellent Homes for All

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	1,325	1,346	1,097	163	3,931
Within 2-5 years	5,083	4,796	4,387	1,459	15,724
Within 6-10 years	7,241	4,656	5,484	2,274	19,655
Within 11-15 years	8,745	2,861	5,484	2,566	19,655
Within 16-20 years	7,098	700	2,742	1,253	11,793

No indexation is applied to the Excellent Homes for All PFI contract.

TOTAL for all PFI Contracts

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year - short term	8,267	15,474	10,785	5,487	40,013
Within 2-5 years	40,718	54,099	45,164	23,665	163,646
Within 6-10 years	65,104	46,951	57,898	26,354	196,307
Within 11-15 years	69,008	16,069	29,923	10,125	125,125
Within 16-20 years	10,441	938	2,742	1,253	15,374
Total	193,538	133,531	146,511	66,885	540,465

Swan Valley and Craylands, 6 Group Schools, and 3 BSF Schools

On 24 May 2001, the Council contracted with New Schools (Swanscombe) Ltd to provide Swan Valley Secondary School and Craylands Primary School under a Private Finance Initiative (PFI). The schools opened in October 2002. Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The unitary charge commenced in October 2002, PFI credits were received from April 2003 and were backdated to October 2002. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £65.5m over the 25 year (termination end of September 2027) contract period. In September 2013 Swan Valley Community School converted into Ebbsfleet Academy.

Note 19 - PFI and Similar Contracts

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School (now an Academy), Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddled both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08 (Ellington School for Girls, The Malling and Aylesford). From September 2009 Ellington School for Girls merged with Hereson Boys School to become Ellington and Hereson School, which is also a Trust. The school has now been renamed the Royal Harbour Academy. The Royal Harbour Academy Lower Site, serving Years 7 and 8 is the only site in the PFI. The Upper Site is not part of the contract. The North School became an Academy in January 2022. In September 2022 both Aylesford and Holmesdale Schools became Academies

The unitary charge commenced in November 2006, PFI credits commenced in June 2007 and were backdated to November 2006. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £373.9 million over the 28 year contract period.

On 24 October 2008, the Council contracted with Kent PFI Company 1 Ltd to provide 3 new secondary schools in Gravesend (St John's Catholic School, Thamesview School and Northfleet Technology College) under a Private Finance Initiative (PFI) which formed part of the Building Schools for the Future programme. All three schools opened their new buildings during the 2010-11 financial year. The unitary charge commenced in July 2010 upon the opening of the three schools, PFI credits commenced in March 2011 and were backdated to July 2010. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £250.8 million over the 25 year contract period.

Central Government provides a grant to support the PFI schemes. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval, and amounts to £11.62m of credits for Swan Valley and Craylands, £80.75m for the 6 schools and £98.94m for the 3 schools. This approval triggers the payment of a Revenue Support Grant over the life of the schemes of 25 years (Swan Valley and Craylands), 28 years (6 schools), and 25 years (3 schools). This grant amounts to just under £23m (Swan Valley and Craylands), just over £177m (6 schools) and just over £193m (3 schools).

Westbrook and Westview

In 2022-23 the Council made payments of £4.9m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Council is committed to making payments of £5.0m for 2023-24 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract which will run until April 2033.

Gravesham Place

The NHS are the accountable body for this PFI arrangement and in accordance with accounting procedures this is not included on KCC's balance sheet. However in 2023-24 the Council is committed to making payments estimated at £4.6m per year under a contract with NHS Property Services, of which an estimated £3.8m will be paid by NHS Property Services to Land Securities Group Plc for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, other contractual adjustments and is also dependent on the performance of Land Securities in delivering the services under the contract (£3.8m was invoiced in 2022-23, of which £3.3m was paid to Land Securities Group Plc). The contract will run until April 2036.

Better Homes, Active Lives PFI

In October 2007 the Council signed a PFI contract with Kent Community Partnership Ltd (a wholly owned subsidiary of Housing 21) to provide 340 units of accommodation of which 275 units are Extra Care accommodation, 58 units for people with learning difficulties, and 7 units for people with mental health problems. The contract for the provision of services will last until 2038-39. In 2022-23 the Council made payments of £5.4m to the contractor, and is committed to paying the same amount next year, although this will depend on the performance of Kent Community Partnership delivering the services under the contract.

Excellent Homes for All PFI

In June 2014 the Council signed a PFI contract with Galliford Try PLC (now Galliford Try Ltd) who will provide 238 units of specialist accommodation on seven sites across Kent. There will be 218 units of Extra Care accommodation, 9 units for people with mental health problems and 11 move-on apartments. In 2022-23 the Council made unitary charge payments of £3.9m to the contractor and is committed to paying the same amount each year, although this will depend on the performance of the Kent EHFA Projectco Limited delivering the services under the contract. The contract runs until 2040-41.

Note 20. Heritage Assets

Accounting Policy

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

Heritage assets above our de minimus of £10k are recognised in the balance sheet wherever possible at valuation or cost. In most cases, insurance valuations are used. However, the unique nature of many heritage assets makes valuation complex and so where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, they are not recognised in the balance sheet but comprehensive descriptive disclosures are included in the statement of accounts.

An impairment review of heritage assets is carried out where there is physical deterioration of a heritage asset.

	Historic Buildings **£000s**	Artwork - Paintings & Sculptures **£000s**	Archives **£000s**	Historical & Archaeo-logical Artefacts **£000s**	Civic Regalia **£000s**	Total Heritage Assets **£000s**
Cost or Valuation						
At 1 April 2021	**1,427**	**2,389**	**2,798**	**188**	**19**	**6,821**
Additions	123					**123**
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		36	34			70
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2022	**1,550**	**2,425**	**2,832**	**188**	**19**	**7,014**
Cost or Valuation						
At 1 April 2022	**1,550**	**2,425**	**2,832**	**188**	**19**	**7,014**
Additions	493					**493**
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		245	233		2	**480**
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2023	**2,043**	**2,670**	**3,065**	**188**	**21**	**7,987**

Note 20 - Heritage Assets

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £1.931m, which represents spend on these assets including £493k capital expenditure added to these assets in 2022-23. These are either Grade I or II listed buildings and are located across Kent. KCC first took windmills into our care in the 1950s when, with the millers gone, there was no one else to protect these landmark buildings. We now own eight, ranging from Post Mills of Chillenden and Stocks at Wittersham to the magnificent Smock Mill at Cranbrook – the tallest in England.

Kent County Council works with local groups to actively preserve the future of the windmills and to support their repair and, where records exist, restoration. We also encourage improvements to the buildings and sites, to encourage greater public access and greater use of the windmills as an educational resource.

Thurnham Castle, located within White Horse Wood Country Park is a late 11th/early 12th century motte and bailey castle with gatehouse and curtain walls in flint and traces of an oval or polygonal shell keep, built on a steep spur of the North Downs. Above ground remains consist of some surviving sections of walling and earthworks of the main castle mound. This is valued at £111k in the balance sheet which represents spend on the asset. Situated within Shorne Woods Country Park is the site of the medieval manor house **Randall Manor**. The site now consists of below ground archaeological remains, along with earthworks relating to associated fish ponds and field systems.

Hildenborough war memorial consists of a cross shaft with a carved relief of a crucifixion scene. It stands on a plinth on a stepped dais. The inscription to the dead of the First World War is on the front face of the plinth below the cross with names on the side faces and additional names of the fallen on the risers of the steps.

The former World War II Air Raid Wardens' post stands in a fenced and partly walled enclosure at the side of the steps down from Folkestone Road to the approach to Dover Priory railway station. It is a small flat-roofed concrete structure with all apertures boarded up.

Martello Tower No. 5 situated at Folkestone Grammar School is a Scheduled Monument, one of a chain of forts that protected the south coast from the threat of invasion in the Napoleonic period. It stands within the grounds of the school, immediately west of the buildings.

The **church of St Martin-le-Grand and remains of the Dover Classis Britannica fort** are incorporated and displayed at the Dover Discovery Centre, which houses Dover Library. It was formerly the White Cliffs Experience. The Roman remains relate to the 2nd century fort that occupied the site and the area to the southwest. The church of St Martin-le-Grand was an early foundation that developed through the medieval period. At the time of the Reformation it fell into disuse and buildings were constructed in and around the church. The remains of the church are exposed in the land between the centre and the museum to the northeast.
A grade II listed **Statue of Queen Victoria** is situated outside of the Adult Education Centre, Gravesend.

Artwork

Included in the balance sheet, at insurance valuations, are the following collections:

Kent Visual Arts Loan Service, a collection of c.1500 pieces of original artwork currently held in storage at Sessions House, valued at £730k.

The Antony Gormley Boulders Sculpture, the sculptors' first professional commission, valued at £859k. The sculpture is a single piece, in that the two parts are inextricably linked. The hollow bronze piece is a facsimile of the granite stone. The work represents the "old and the new" sitting side by side in harmony and is located at the Kent History and Library Centre.

Contemporary collection of c. 200 artworks (6 out 7 collections) in storage in Sessions House, valued at £334k.

KCC Sessions House collection, valued at £83k.

Glass Screen by Chris Ofili valued at £491k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

Kent History Tree & Leaves valued at £173k. The "History Tree" at the Kent History and Library Centre was installed in September 2013, created by Anne Schwegmann-Fielding in collaboration with Michael Condron. It is an 8 metre stainless steel tree, adorning the front of the building, with translucent mosaic at its base and 17 steel and mosaic leaves changing from green to red blowing along the pillars.

Note 20 - Heritage Assets

Archive Collections

Kent County Council looks after its own records and those of its predecessor authorities. In addition it collects and makes accessible other historic records under the terms of the 1962 Public Records Act and the 1972 Local Government Act. These records include those of public bodies such as courts, health trusts and coroners, of district councils and of individuals and organisation in the county. There are about 12kms of records, dating back to 699AD, and they are stored in BS5454 conditions at the Kent History Centre in Maidstone. Approximately 25% of the records are owned by KCC, the values of which are included in the balance sheet as follows (valuations are insurance valuations unless otherwise specified):

General archive collections - £866k

Knatchbull/Brabourne Manuscripts. £1,677k. Family and estate papers relating to the Knatchbull/Brabourne family comprising of accounts, correspondence, legal papers, and manorial records.

Rare Books collection, valued at £209k based on an informal estimate given by an antiquarian book dealer.

Amherst Family Papers £314k based on a valuation obtained before they were bought via a Heritage Lottery Fund bid.

The **Kent Historic Environment Record** is primarily a digital database (including GIS display) of Kent's archaeological sites, find spots, historic buildings and historic gardens. It also includes paper records of archaeological, historic building and historic landscape reports. The County aerial photograph series is now located in the Kent History centre.

Archaeological & Historical Artefacts

Kent County Council has accepted ownership of the majority of the **HS1 archaeological archives** as owner of last resort to prevent the collections from being broken up or disposed of. The collections comprise approximately 70 cubic metres of boxes containing archaeological artefacts including pottery, bone, stone, metalwork, and worked flint. They are generally of little financial value. The collections are currently housed half at Kent Commercial Services, Aylesford, half in a store at Dover Eastern Docks, a small number of items in Invicta House, Maidstone and waterlogged wood in Chatham Historic Dockyard. During 2014-15, in order to keep the HS1 archive together in one ownership, KCC has also acquired the finds from the Anglo-Saxon cemetery excavations at Saltwood Tunnel which have been declared as treasure under the Treasure Act 1996 and valued at £37.5k. The finds are currently stored within the Art Store at Kent County Council.

KCC owns approximately 4,000 objects of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman bust & portrait**, found at Lullingstone Villa, dating back to 2nd Century AD are valued at £60k and £40k respectively. These are currently on long term loan from Sevenoaks Museum to the British Museum. The museum holds a **painting by John Downton** and a **18th/19th soldier's quilt** recently valued at £50k by an industry expert.

There is a collection of around 100 artefacts kept at **Ramsgate Library**, remnants of a fire at the library in 2004, including prize cups, watches, signs & plaques, pots, printing plates, weights and measures.

KCC owns **Scientific Calibration Equipment** dating back to the 1800s in the display cases.

Civic Regalia

KCC's silver collection is valued at £21k. This includes The Chairman's Plate, The Silver Salver, The Silver Gilt Cup, and The 500 Squadron Silver collection.

Note 21. Leases

Accounting Policy

Leasing

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)
- contingent rents, the difference between the rent paid in year and the original amount agreed in the contract (e.g. following a rent review) also debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the Council 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. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense on the same basis as rental income.

Note 21 - Leases

The Council as Lessee

Operating Leases

Following a review on the materiality of lease values we found that only operating leases where the Council is the lessee were deemed to be material. The values are represented in the tables below.

The Council has acquired property, motor vehicles, and office equipment by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 2023 £'000	31 Mar 2022 £'000
Not later than one year	8,779	9,159
Later than one year and not later than five years	15,317	15,237
Later than five years	16,954	14,981
	41,050	39,376

KCC sub-lets some properties held as operating leases. In most cases the amount charged to the tenants for sub-leases is nil. For those where we do charge, the future minimum sub-lease payments expected to be received by the Council is £11.7m over the remaining life of the 25 year lease.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

	31 Mar 2023 £'000	31 Mar 2022 £'000
Minimum lease payments	10,462	10,457
Contingent rents	389	785
Sublease payments receivable	-807	-807
	10,044	10,436

Note 22. Usable Reserves

Accounting Policy

The Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Reserve	Balance 1 April 2022 £'000	Net Movement in year £'000	Balance 31 March 2023 £'000	Purpose of Reserve
Usable Capital Receipts	-33,290	-5,936	-39,226	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-56,621	19,193	-37,428	Resources available to meet future unforeseen events
General Fund - Commercial Services	433	78	511	
Capital Grants unapplied	-74,183	-28,021	-102,205	See note below
Earmarked Reserves*	-350,654	33,583	-317,071	See Note 24
Schools Reserve*	-61,320	237	-61,083	See over page
Surplus on Trading Accounts*	-1,218	72	-1,146	Commercial Services
Total	**-576,853**	**19,206**	**-557,648**	

Capital grants unapplied of £102.2m as at 31 March 2023 includes the schools capital reserves of £3.851m. This has increased from the surplus of £0.4m held by schools as at 31 March 2022. The remainder reflects Government grants and contributions received in year for projects in progress.

School Reserves

At 31 March 2023 funds held in school revenue reserves stood at £61.083m. These reserves are detailed in the table below.

	Balance at 1 April 2022 £'000	Movement £'000	Balance at 31 Mar 2023 £'000
School delegated revenue budget reserves - committed	-21,841	2,860	-18,981
School delegated revenue budget reserves - uncommitted	-39,282	-2,508	-41,790
Unallocated Schools budget	0	0	0
Community Focused Extended School Reserves	-197	-115	-312
	-61,320	237	-61,083

Note 23. Unusable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice.

Reserve	Balance 1 April 2022 £'000	Net Movement in year £'000	Balance 31 March 2023 £'000	Purpose of Reserve
Revaluation Reserve	-1,464,591	-121,401	-1,585,992	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-898,381	-80,212	-978,593	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	21,354	-3,139	18,215	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	557	-11,188	-10,631	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves				
- KCC	1,557,463	-1,495,907	61,556	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
- DSO	1,230	-337	893	
Pooled Investment Adjustment Account	-9,365	15,408	6,043	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	9,254	-389	8,865	This absorbs the differences on the General Fund from accruing for untaken annual leave

Note 23 - Unusable Reserves

Reserve	Balance 1 April 2022 £'000	Net Movement in year £'000	Balance 31 March 2023 £'000	Purpose of Reserve
Post Employment Account	2,154	-779	1,375	This absorbs the differences on the General Fund from accruing for redundancy and retirement costs agreed but not due until future years
DSG Adjustment Account	97,616	-36,263	61,353	Recognition of deficits in respect of the schools budget
Total	**-682,709**	**-1,734,207**	**-2,416,916**	

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

	2022-23 £'000		2021-22 £'000	
Balance as at 1st April		-1,464,591		-1,350,379
Upward revaluation of assets	-235,274		-202,248	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	16,040		28,172	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-219,234		-174,076
Difference between fair value depreciation and historical cost depreciation	22,727		20,952	
Accumulated gains on assets sold or scrapped	75,106		38,912	
Amount written off to the Capital Adjustment Account		97,833		59,864
Balance at 31 March		-1,585,992		-1,464,591

Note 23 - Unusable Reserves

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 Council 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 Council.

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 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2022-23 £'000	2022-23 £'000	2021-22 £'000	2021-22 £'000
Balance at 1 April		-898,381		-836,639
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	102,330		99,210	
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	2,936		-8,932	
- Income in relation to donated assets	-30,767		-20,056	
- Amortisation of intangible assets	1,544		1,803	
- Revenue expenditure funded from capital under statute	61,631		157,052	
- 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	123,908		78,274	
- Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1723			
- Realised and unrealised gains/losses on financial assets held at FVPL	3,455		2,717	
		266,760		310,068
Adjusting amounts written out of the Revaluation Reserve		-97,833		-59,864
Net written out amount of the cost of non-current assets consumed in the year		-729,454		-586,435

Note 23 - Unusable Reserves

	2022-23		2021-22	
	£'000		£'000	
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	-13,389		-22,416	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-119,596		-198,757	
- Application of grants to capital financing from the Capital Grants Unapplied Account	-40,475		-22,773	
- Statutory provision for the financing of capital investment charged against the General Fund	-58,273		-57,431	
- Capital expenditure charged against the General Fund	-27,211		-28,904	
		-258,944		-330,281
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,749		1,550
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement				
Write down of long-term debtors		8,056		16,785
Balance at 31 March		-978,593		-898,381

Note 23 - Unusable Reserves

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2022-23		2021-22	
	£'000		£'000	
Balance at 1 April		21,354		23,132
Premiums/discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-950		-950	
		-950		-950
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-2,189		-828
Balance at 31 March		18,215		21,354

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 Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2022-23	2021-22
	£'000	£'000
Balance at 1 April	1,558,693	1,634,892
Remeasurement of the net defined liability/(asset)	-1,516,489	-239,211
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	105,201	244,391
Employer's pension contributions and direct payments to pensioners payable in the year	-84,956	-81,379
Balance at 31 March	62,449	1,558,693

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 payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022-23	2021-22
	£'000	£'000
Balance at 1 April	557	37,736
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	-11,188	-37,179
Balance at 31 March	-10,631	557

Note 23 - Unusable Reserves

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.

	2022-23		2021-22	
	£'000		£'000	
Balance at 1 April		9,254		8,844
Settlement or cancellation of accrual made at the end of the preceding year	-9,254		-8,844	
Amounts accrued at the end of the current year	8,865		9,254	
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		-389		410
Balance at 31 March		8,865		9,254

Post Employment Account

The Post Employment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for early retirement and redundancy payments that are agreed in year but are due in future years. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2022-23		2021-22	
	£'000		£'000	
Balance at 1 April		2,154		2,929
Settlement or cancellation of accrual made at the end of the preceding year	-1,210		-1,542	
Amounts accrued at the end of the current year	431		767	
		-779		-775
Amount by which post employment costs are charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from costs chargeable in the year in accordance with statutory requirements				
Balance at 31 March		1,375		2,154

Note 23 - Unusable Reserves

Pooled Investment Adjustment Account

The Pooled Investment Adjustment Account absorbs the timing differences arising from the gains or loss made by the Council arising from increases or decreases in the value of its investments that are measured at fair value through profit or loss. On derecognition the cumulated gain or loss is posted back to the General Fund Balance in accordance with statutory regulation. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2022-23		2021-22	
	£'000		£'000	
Balance at 1 April		-9,365		4,832
Upward revaluation of investments			-14,771	
Downward revaluation of investments	15,408		574	
Change in impairment loss allowances				
		15,408		-14,197
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income				
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balance for financial assets designated to fair value through other comprehensive income				
Balance at 31 March		6,043		-9,365

DSG Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2022-23	2021-22
	£'000	£'000
Balance at 1 April	97,616	51,049
School budget deficit transferred from General Fund in accordance statutory requirements	37,037	46,567
Local authority contribution to clear deficit	-17,000	
Department of Education contribution to clear deficit	-56,300	
Balance at 31 March	61,353	97,616

Note 24. Earmarked Reserves

Our reserves were reviewed as part of the 2022-23 budget setting process and as a result a further draw down of reserves was planned for 2022-23. Our Corporate Director Finance, who is responsible for setting the level of Reserves, has deemed the level to be 'adequate' given the level of risk that we face. A thorough review of our reserves took place in 2020-21 which included recategorising the reserves in line with the Local Authority Accounting Practice guidance. A subsequent review is due to take place in the first half of 2023-24.

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2022 or 31 March 2023 in the tables on page 95.

Vehicles, plant and equipment (VPE)

These are reserve for the replacement and acquisition of vehicles, plant and equipment. They are supported by an asset management plan showing the projected replacement timeline and cost. These reserves help to reduce fluctuations in spend.

Smoothing Reserves

These are reserves which are used to manage large fluctuations in spend or income across years.

Major Projects

These reserves are for future spending on projects.

Partnerships

These are reserves are resulting from our partnerships and are ringfenced for the benefit of the partnership or are held for investing in strategic priorities.

Grants and External Funds

These reserves are for unspent grants which we are not required to repay, but which have restrictions on what they may be used for and time limited projects funded from ringfenced external sources.

Departmental Under/Overspends

This reserve relates to the re-phasing of projects/initiatives and bids to use underspends at the year-end which are approved as roll forwards into the following year. These are subject to approval by Cabinet.

Insurance Reserve

This is a reserve for the potential cost of insurance claims in excess of the amount provided for in the insurance fund provision.

Public Health reserve

As set out in the Local Authority Circular issued for the Public Health grant, any unused funds at the end of the financial year have been placed into a reserve and are to be used to meet eligible public health spend in future years.

Special funds

These are reserves held primarily to facilitate the implementation of economic development and tourism initiatives and policy and regeneration expenditure.

Note 24 - Earmarked Reserves

Other Earmarked Reserves	Balance at 1 April 2022	Movement	Balance at 31 Mar 2023
	£'000	£'000	£'000
VPE reserve	-18,707	-1,567	-20,274
Smoothing Reserves	-124,687	15,476	-109,211
Major Projects	-62,276	-6,601	-68,877
Partnerships	-26,348	-5,050	-31,398
Grant and External Funds	-79,075	25,893	-53,182
Departmental Under/Overspends	-8,361	5,058	-3,303
Insurance Reserve	-13,764	579	-13,185
Public Health Reserve	-16,817	-82	-16,899
Special Funds	-619	-123	-742
Total Earmarked Reserves	**-350,654**	**33,583**	**-317,071**

Other Earmarked Reserves	Balance at 1 April 2021	Movement	Balance at 31 Mar 2022
	£'000	£'000	£'000
VPE reserve	-17,617	-1,090	-18,707
Smoothing Reserves	-155,893	31,206	-124,687
Major Projects	-21,698	-40,578	-62,276
Partnerships	-30,940	4,592	-26,348
Grant and External Funds	-90,684	11,609	-79,075
Departmental Under/Overspends	-14,450	6,089	-8,361
Insurance Reserve	-16,780	3,016	-13,764
Public Health Reserve	-11,126	-5,691	-16,817
Special Funds	-598	-21	-619
Total Earmarked Reserves	**-359,786**	**9,132**	**-350,654**

Note 25. Provisions

Accounting Policy

It is the policy of Kent County Council to make provisions in the Accounts where there is a legal or constructive obligation to make a payment but the amount or timing of the payment is uncertain. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. The most significant provision made is for insurance claims. In addition, provision is made for outstanding income where there is doubt as to whether it will be realised.

The Council has made a provision for insurance claims. The Council's insurance arrangements involve both internal and external cover. For internal cover an Insurance Fund has been established to provide cover for property, combined liability and motor insurance claims. The Fund comprises a provision for all claims notified to the Council at 31 March each year and a Reserve for claims not yet reported but likely to have been incurred.

The Post Employment Provision covers the costs of early retirements, redundancy costs, and any other post employment costs for ex-employees/employees who have confirmed leaving dates.

The Accumulated Absences Provision is required to cover the costs of annual leave entitlements carried over to the following financial year. If an employee were to leave, they would be entitled to payment for this untaken leave.

	Insurance	Post Employment	Accumulat-ed Absences	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
Short Term					
Balance at 1 April 2022	-3,302	-1,210	-9,253	-6,146	-19,911
Additional Provisions made in 2022-23	-2,938	-369	-5,597	-928	-9,832
Amounts used in 2022-23	2,948	355	5,986	4,047	13,336
Unused amounts reversed in 2022-23	0	0	0	61	61
Balance at 31 March 2023	**-3,292**	**-1,224**	**-8,864**	**-2,966**	**-16,346**
Long Term					
Balance at 1 April 2022	-7,732	-944	0	-1,951	-10,627
Additional/Reduction in Provisions made in 2022-23	-51	0		224	173
Amounts used in 2022-23	0	424		0	424
Unused amounts reversed in 2022-23	0	0		0	0
Balance at 31 March 2023	**-7,783**	**-520**	**0**	**-1,727**	**-10,030**
Total Provisions at 31 March 2023	**-11,075**	**-1,744**	**-8,864**	**-4,693**	**-26,376**

Insurance

There is uncertainty over the timing of when insurance claims will be settled due to the complexity of some claims. The short-term and long-term split is calculated using a percentage based on past claims settled. Included within the insurance provision is £600k for the Municipal Mutual Insurance (MMI) provision.

Post Employment

The provision relates to early retirements and redundancies, and are individually insignificant.

Accumulated Absences

The provision relates to annual leave entitlement carried forward at 31 March 2023. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

Other Provisions

All other provisions are individually insignificant.

Note 26 - Amounts owed to the Council by debtors

31 March 2023	Short Term	Long Term	Total
	£'000	£'000	£'000
Medway Council (transferred debtor)	0	28,940	**28,940**
Recoverable VAT	26,645	0	**26,645**
Trade Receivables	141,467	0	**141,467**
Payments in Advance	29,399	0	**29,399**
General Debtors	148,693	22,000	**170,693**
Total	**346,204**	**50,940**	**397,144**

31 March 2022	Short Term	Long Term	Total
	£'000	£'000	£'000
Medway Council (transferred debtor)	0	30,146	**30,146**
Recoverable VAT	30,300	**0**	**30,300**
Trade Receivables	90,742	0	**90,742**
Payments in Advance	27,454	0	**27,454**
General Debtors	170,179	20,897	**191,076**
Total	**318,675**	**51,043**	**369,718**

Capital short term debtors amounting to £9.8m are included in the Accounts at 31 March 2023 (£10.2m in 2021-22). These relate to grants and external funding towards capital expenditure incurred in 2022-23 which had not been received by 31 March 2023 along with loan repayments funded from capital falling due in 2022-23.

Note 27. Amounts owed by the Council to creditors

31 March 2023	Short Term £'000	Long Term £'000	Total £'000
Receipts in Advance	82,015	0	**82,015**
Contract Liabilities	1,846	0	**1,846**
Deferred Income	7,265	0	**7,265**
General Creditors	375,419	35	**375,454**
Total	**466,545**	**35**	**466,580**

31 March 2022	Short Term £'000	Long Term £'000	Total £'000
Receipts in Advance	50,791	0	**50,791**
Contract Liabilities	2,607	**0**	**2,607**
Deferred Income	1,984	0	**1,984**
General Creditors	323,372	5,786	**329,158**
Total	**378,754**	**5,786**	**384,540**

Capital creditors amounting to £27.4m are included in the Accounts at 31 March 2023 (£21.5m in 2021-22).

Note 28. Cash and Cash Equivalents

Accounting Policy

Cash is represented by cash in hand/overdraft and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They comprise call and business accounts.

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

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

	At 31 March 2023 £000's	At 31 March 2022 £000's
Bank current accounts	-4,244	-16,256
Call accounts (same day access funds)	135,958	135,898
Total Cash and Cash Equivalents	131,714	119,642

Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2022-23 £'000	Restated 2021-22 £'000
Interest received	-12,182	-10,793
Interest paid	55,315	58,904
Employee Costs	891,486	866,399
Income from Council Tax	-885,685	-840,236
Government Grants	-1,687,069	-1,701,608

The 2021-22 government grant balance has been restated and is linked to the restatement of Note 15, please refer to the explanation on page 56.

	2022-23 £'000	2021-22 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-20,245	-163,012
Carrying amount of non-current assets sold	-123,908	-78,274
Carrying amount of capital inventory sold	-1,723	0
Carrying amount of Financial Assets held at FVPL	-18,863	11,480
Amortisation of fixed assets	-1,545	-1,803
Depreciation of fixed assets	-102,330	-99,211
Impairment and downward valuations	-2,936	8,932
Increase/(decrease) debtors	28,915	20,102
(Increase)/decrease creditors	-88,360	-5,416
Increase/(decrease) stock	4,243	241
Movement on investment properties	-1,749	-1,550
REFCUS	-61,631	-157,052
Other non-cash items charged to the net surplus/deficit on the Provision of Services	36,018	37,333
	-354,114	-428,230
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	12,876	10,621
Capital grants applied	217,251	263,862
Payment of Collection Fund Deficit	5,749	30,507
	235,876	304,990

Notes 30 and 31 - Cash Flow - Investing and Financing Activities and Note 32. Reconciliation of Liabilities arising from Financing Activities

Note 30. Cash Flow Statement - Investing Activities

	2022-23 £'000	2021-22 £'000
Purchase of property, plant and equipment, investment property, and intangible assets	251,829	354,920
Purchase of short-term and long-term investments	1,108,337	1,308,574
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-10,353	-10,600
Proceeds from capital inventory	-2,046	0
Proceeds from short-term and long-term investments	-1,062,165	-1,372,176
Other receipts from investing activities	-228,963	-276,329
Net cash flows from investing activities	56,639	4,389

Note 31. Cash Flow Statement - Financing Activities

	2022-23 £'000	2021-22 £'000
Cash receipts of short- and long-term borrowing	-75,700	0
Relating to finance leases and on-balance sheet PFI contracts	4,356	3,635
Repayments of short- and long-term borrowing	99,199	27,761
Net cash flows from financing activities	27,855	31,396

Note 32. Reconciliation of Liabilities arising from Financing Activities

	2022-23 1 April	Financing cash flows	Non-cash changes		2022-23 31 March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	-762,470			40,577	-721,893
Short-term borrowings	-73,839	33,839		-50,156	-90,156
• IFRIC 12	-2,152	149			-2,003
• Lease Liabilities	-437	31			-406
• On balance sheet PFI liabilities	-201,804	8,267			-193,537
Total liabilities from financing activities	**-1,040,703**	**42,286**	**0**	**-9,579**	**-1,007,996**

Note 32 - Reconciliation of Liabilities arising from Financing Activities, Note 33 - Trading Operations and Note 34 - Audit Costs

	2021-22 1 April	Financing cash flows	Non-cash changes		2021-22 31 March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	-735,969	-26,501			-762,470
Short-term borrowings	-128,759	65,261		-10,341	-73,839
• IFRIC 12	-2,294	142			-2,152
• Lease Liabilities	-465	28			-437
• On balance sheet PFI liabilities	-209,784	7,980			-201,804
Total liabilities from financing activities	**-1,077,271**	**46,909**	**0**	**-10,341**	**-1,040,703**

Note 33. Trading Operations

The results of the various trading operations for 2022-23 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-) 2022-23	Surplus/ Deficit(-) 2021-22
	£'000	£'000	£'000	£'000
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly and professional services	30,856	29,064	1,792	1,705
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	13,535	11,302	2,233	1,850
Transport Services Provision of lease cars, minibuses and lorries, plus vehicle maintenance and repairs	1,105	1,103	2	-2
Total surplus	45,496	41,469	4,027	3,553

Note 34. Audit Costs

In 2022-23 the following fees were paid relating to external audit and inspection:

	2022-23	2021-22
	£'000	£'000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	245	211
Fees payable in respect of other services provided by the appointed auditor	10	113
	255	324

The 2022-23 £10k fee payable for other services relates to the Teachers' Pensions end of year certificate.

The 2021-22 £113k fee payable for other services relates to the CFO insights services, Teachers' Pensions end of year certificate and Regional Growth Fund grant assurance.

Note 35. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2022. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022-23 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2022-23 before academy and high needs recoupment			1,515,470
Academy and high needs figure recouped for 2022-23			-722,483
Total DSG after academy and high needs recoupment for 2022-23			792,987
Brought forward from 2021-22			0
Carry-forward to 2023-24 agreed in advance			0
Agreed initial budget distribution in 2022-23	244,700	548,287	792,987
In-year adjustments	50,451	6,857	57,308
Final budgeted distribution for 2022-23	295,151	555,144	850,295
Less actual central expenditure	275,888		275,888
Less Actual ISB deployed to schools		555,144	555,144
Plus Local Council contribution for 2022-23	17,000		17,000
Carry Forward to 2022-23	36,263	0	36,263
Plus Carry-forward to 2023-24 agreed in advance			0
Carry-forward to 2023-24			0
DSG unusable reserve at the end of 2021-22			-97,616
Addition to DSG unusable reserve at the end of 2022-23			36,263
Total of DSG unusable reserve at the end of 2022-23			-61,353
Net DSG position at the end of 2022-23			**-61,353**

The Department for Education (DfE) has invited the Council to take part in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery, this may include further funding from the DfE to pay off historic deficits but only if the Council can demonstrate a credible plan. This deficit is offset in the DSG Adjustment Account in Note 23 on pages 86 to 93.

Note 36. Related Party Transactions

The Council 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 Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 10 on expenditure and income analysed by nature.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member's allowances paid in 2022-23 is shown in Note 7 on page 45. During 2022-23 works and services to the value of £1.939m (£1.004m in 2021-22) were commissioned from companies which nine Members have had an interest in. Contracts were entered into in full compliance with the Council's standing orders.

Other Public Bodies (subject to common control by central government)

The Council has pooled budget arrangements for the provision of a range of services including drug and alcohol related services, registered nursing care contribution in care homes, and integrated care centres providing nursing, respite and recuperative care to Older People.

Payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Consolidated Income and Expenditure Statement, Note 37 on pages 104 to 110 of these Accounts.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £3.988m and cash held by the Pension Fund on behalf of KCC is £6.934m.

Payments to other local authorities and health bodies, excluding precepts, totalled £94.6m.
Receipts from other local authorities and health bodies totalled £104.1m.

Entities Controlled or Significantly Influenced by the Council:

The Council has one active subsidiary company, the largest of which is Kent Holdco Ltd. During the year the total values of payments made to and received from Kent Holdco Ltd, were £73.5m and £5.2m respectively (£77.7m and £7.2m respectively in 2021-22).

Kent County Council also has an interest in the following companies:	**Payments made in 2022-23**
Active companies with less than or equal to 50% control	**£'000**
Visit Kent Ltd	414,173
Locate in Kent	870,972
Trading Standards South East Ltd	16,920
Kent PFI Holdings Company 1 Ltd	11,286,060
TRICS	3,600
Produced in Kent (PINK) Ltd	185,556

The information on the above companies have been disclosed as either a Member or an officer of the Council sits on the company board as a representative of the Council.

Note 37. Pension Costs

Note 37a - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022-23 Kent County Council paid £55.6m (£54.6m in 2021-22), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 23.7% (23.7% in 2021-22) of teachers' pensionable pay. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2021-22 these amounted to £4.6m (£4.5m in 2021-22), representing 1.9% (2.0% in 2021-22) of pensionable pay.

Public Health staff employed by the Authority are members of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. The Authority is not able to identify the underlying scheme assets and liabilities for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022-23 Kent County Council paid £0.05m (£0.07m in 2021-22), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2021-22) of employees pensionable pay.

Note 37b. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15d of the Pension Fund Accounts)

- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when they are paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable in the year, so the real cost is reversed out through the Movement in Reserves Statement.

Note 37 - Pension Costs

Under the requirements of IAS19, the Council is required to show the movement in the net pensions deficit for the year. This can be analysed as follows:

	Local Government Pension Scheme	
	2022-23	**2021-22**
Comprehensive Income and Expenditure Statement	£000's	£000's
Cost of Services:		
• Current service cost	-105,951	-208,252
• Past service costs	-295	-2,959
	-106,246	-211,211
Financing and Investment Income and Expenditure		
• Net interest expenses	1,022	-33,995
• (Gain)/loss from settlements	2,015	2,724
• Administration expenses	-1,992	-1,909
Total Charged to the Surplus or Deficit on the Provision of Services	-105,201	-244,391

	2022-23	**2021-22**
	£000's	£000's
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expenses)	-113,870	8,272
• Actuarial gains and losses arising on changes in demographic assumptions	104,949	0
• Actuarial gains and losses arising on changes in financial assumptions	1,939,161	238,555
• Experience loss/(gain) on defined benefit obligation	-418,106	-12,222
• Other	4,355	4,606
Total Charged to the Comprehensive Income and Expenditure	1,516,489	239,211
Total charged to Comprehensive Income and Expenditure Statement	**1,411,288**	**-5,180**
Movement in Reserves statement		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	105,201	244,391
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	-84,956	-81,379
Total Movement in Reserves statement	**20,245**	**163,012**

Other Employees

Other employees of the County Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme.

In 2022-23, Kent County Council paid an employer's contribution of £84.9m (£81.4m in 2021-22) into the Pension Fund, representing 21% (21% in 2021-22) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2022-23 was based on the review carried out as at 31 March 2022. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Note 37 - Pension Costs

Pension Assets and Liabilities in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme £'000	
	2022-23	**2021-22**
Present value of the defined benefit obligation	3,291,595	4,777,212
Fair value of plan assets	-3,267,712	-3,262,803
Sub total	23,883	1,514,409
Other movements in the liability/(asset)	38,566	44,284
Net liability arising from defined benefit obligation	**62,449**	**1,558,693**

Reconciliation of Movements in the Fair Value of the Scheme (Plan) Assets:

	Local Government Pension Scheme £'000	
	2022-23	**2021-22**
Opening fair value of scheme assets	3,262,803	3,211,663
Interest on assets	133,741	58,922
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)	-113,870	8,272
• Other		
Contributions from employer	89,311	85,985
Contributions from employees into the scheme	28,946	28,233
Benefits paid	-127,741	-125,920
Other	-5,478	-4,352
Closing fair value of scheme assets	**3,267,712**	**3,262,803**

The actual return on scheme assets in the year was £19,871k (2021-22: £67,194k)

Note 37 - Pension Costs

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Liabilities: Local Government Pension Scheme £'000	
	2022-23	**2021-22**
Opening balance at 1 April	4,821,496	4,846,555
Current service cost	105,951	208,252
Interest cost	132,719	92,917
Contribution from scheme participants	28,946	28,233
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	-104,949	0
• Actuarial gains and losses arising on changes in financial assumptions	-1,939,161	-238,555
• Experience loss/(gain) on defined benefit obligation	418,106	12,222
• Other	-4,355	-4,606
Past service costs	295	2,959
Benefits paid	-123,386	-121,314
Liabilities extinguished on settlements	-5,501	-5,167
Closing balance at 31 March	**3,330,161**	**4,821,496**

Local Government Pension Scheme assets comprised:

	2022-23		2021-22	
	£'000	%	£'000	%
Equities	2,085,180	63.8%	2,100,325	64.4%
Gilts	17,899	0.5%	19,918	0.6%
Other Bonds	429,169	13.1%	450,495	13.8%
Property	326,154	10.0%	383,251	11.7%
Cash	58,622	1.8%	67,415	2.1%
Absolute return fund	239,369	7.3%	241,399	7.4%
Infrastructure	111,319	3.4%	0	0.0%
Total assets	**3,267,712**	**100%**	3,262,803	100%

Note 37 - Pension Costs

The percentages of the total Fund held in each asset class were as follows:

	2022-23		2021-22	
	% Quoted	**% Unquoted**	**% Quoted**	**% Unquoted**
Fixed Interest Government Securities				
UK				
Overseas	1.0%		1.0%	
Corporate Bonds				
UK	4.0%		4.0%	
Overseas	10.0%		10.0%	
Equities				
UK	16.0%		16.0%	
Overseas	44.0%		43.0%	
Property				
All		10.0%		12.0%
Others				
Absolute return portfolio	7.0%		7.0%	
Private Equity		4.0%		4.0%
Infrastructure		3.0%		2.0%
Derivatives		0.0%		0.0%
Cash/Temporary Investments		2.0%		2.0%
Net Current Assets				
Debtors				
Creditors				
Total assets	**82.0%**	**19.0%**	**81.0%**	**20.0%**

The decrease in pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities. International Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Had these markets remained at their 2022 levels then the pensions deficit would have been £1,939,161k higher at £2,001,610k.

IAS19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £75,188k, this is in line with the revised IAS19 Standard.

Note 37 - Pension Costs

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 dependant on assumptions about mortality rates, salary levels, etc. The County Council Fund liability has been assessed by Barnett Waddingham.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2022-23	**2021-22**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.1 years	21.6 years
Women	23.5 years	23.7 years
Longevity at 65 for future pensioners:		
Men	22.3 years	23.0 years
Women	25.0 years	25.1 years
Rate of increase in Consumer Price Index	2.90%	3.20%
Rate of increase in salaries	3.90%	4.20%
Rate of increase in pensions	2.90%	3.20%
Rate for discounting scheme liabilities	4.80%	2.60%
Take-up option to convert annual pension into retirement lump sum	50%	50%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	**Decrease in Assumption £'000**
Adjustment to discount rate (increase or decrease by 1%)	2,867,296	3,930,615
Adjustment to long-term salary increase (increase or decrease by 1%)	3,364,251	3,298,648
Adjustment to pension increase and deferred revaluation (increase or decrease by 1%)	3,902,476	2,887,237
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	3,461,698	3,204,265

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £0.9m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2023 in accordance with IAS19.

Commercial Services, Invicta Law Ltd, Cantium Business Solutions Ltd and The Education People

The Balance Sheet includes the assets and liabilities for the wholly-owned subsidiaries of KCC. All entities have closed resolution body status which allows them to treat the pension as a defined contribution pension scheme with the Council keeping the assets and liabilities on its Balance Sheet.

Note 38. Financial Instruments

Accounting Policy

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

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

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

The Council'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 a 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 Council 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 Council, 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.

However, the Council has made a number of loans to start up companies at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its contractual financial assets held at amortised cost or fair value through other comprehensive income, 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 Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligation. Credit risk plays a crucial factor 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 the basis of 12 month expected losses.

For loans and investments, the loss allowance is equal to 12-month expected credit losses (ECLs) unless credit risk has increased significantly in which case it is equal to lifetime ECLs. For trade receivables without a significant financing component, the loss allowance is always equal to lifetime ECLs.

To calculate ECLs, a two-year delay in cash flows is assumed to arise in the event of default. For 12-month ECLs, only default events occurring in the next 12 months are considered.

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 Council 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 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 - 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 or losses that arise from the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Note 38 - Financial Instruments

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

The Council's financial liabilities held during the year are measured at amortised cost and comprised of:
- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- overdraft with NatWest Bank
- finance leases on land and buildings
- Private Finance Initiative contracts detailed in Note 19
- trade payables for goods and services received.

Financial Assets

The financial assets held by the Council during the year are held under the following two classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies
- treasury bills issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- loans to other local authorities
- trade receivables for goods and services delivered.

Fair value through profit and loss (all other financial assets) comprising:
- money market funds
- shares in unlisted companies
- unquoted equity investments relating to KCC wholly owned companies
- pooled equity, bond, and property investment funds

Note 38 - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Investments				
- Fair value through profit or loss	197,705	134,708	216,418	130,898
- Amortised cost	125,782	61,673	100,708	43,534
	323,487	**196,381**	**317,126**	**174,432**
Debtors				
- Amortised cost	31,640	287,048	33,014	257,940
- Amortised cost - Soft Loans	19,300	6,332	18,029	5,079
- Non financial assets		52,824		55,656
	50,940	**346,204**	**51,043**	**318,675**
Cash & Cash Equivalents				
Total	**374,427**	**542,585**	**368,169**	**493,107**

Financial Liabilities

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Borrowing				
- Amortised cost	721,893	90,155	762,470	73,839
- Non financial liabilities	187,489	8,458	195,947	8,447
	909,382	**98,613**	**958,417**	**82,286**
Creditors				
- Amortised cost	35	377,265	5,786	325,979
- Non financial liabilities		89,280		52,775
	35	**466,545**	**5,786**	**378,754**
Cash & Cash Equivalents		4,244		16,256
Total	**909,417**	**569,402**	**964,203**	**477,296**

Financial Instruments Designated at Fair Value through Profit or Loss

For Money Market Funds, Bond, equity and property funds the fair value is calculated at Level 1 valuation techniques, as set out on page 115.

The shareholdings in our wholly owned subsidiaries and unquoted equity is not subject to credit risk and is therefore limited to the value of our investment. Fair value is calculated at Level 3 valuation techniques, as set out on page 115.

Note 38 - Financial Instruments

Income, Expense Gains / Losses

	2022-23		2021-22	
	Surplus or Deficit on the Provision of Services	**Other Comprehen-sive Income and Expenditure**	**Surplus or Deficit on the Provision of Services**	**Other Comprehen-sive Income and Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Net gains/losses on:				
Financial assets measured at fair value through the profit or loss	18,835		-11,779	-
Financial assets measured at amortised cost	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-950	-950	-950	-950
Total net gain/losses	**17,885**	**-950**	**-12,729**	**-950**
Interest revenue				
Financial assets measured at amortised cost	6,233	-	691	-
Financial Assets measured at fair value through profit or loss	8,136	-	7,681	-
Total interest revenue	**14,369**	**0**	**8,372**	**0**
Interest expenses	**-34,346**	**-**	**-37,925**	**-**
Fee income				
Financial assets or financial liabilities that are not at fair value through profit or loss	-	-		-
Trust and other fiduciary activities	-	-		-
Total fee income	**0**	**0**	**0**	**0**
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	-19,257	-	-19,371	-
Trust and other fiduciary activities	0	-		-
Total fee expense	**-19,257**	**0**	**-19,371**	**0**

Note 38 - Financial Instruments

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table below, including the valuation techniques used to measure them.

Financial assets measured at fair value

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2023 £'000	As at 31 Mar 2022 £'000
Fair value through Profit and Loss				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	134,708	130,899
Equity Shares	Level 1	Unadjusted quoted prices in active markets for identical shares	0	0
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	174,080	189,489
Equity Funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	10,528	10,298
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	13,097	16,632
			332,413	**347,318**

Sensitivity of Fair Value Measurement using Significant Unobservable Inputs - Level 3

Significant changes in unobservable inputs could result in a significantly lower or higher fair value.

Reconciliation of Fair Value Measurements (using significant Unobservable Inputs) categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 Unquoted Equity held at fair value, are analysed below:

	2022-23 £'000	2021-22 £'000
Opening balance	16,632	17,662
Transfers into Level 3		
Transfers out of Level 3		
Additions		
Derecognition	-28	-27
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	-3,507	-1,003
Included in Other Comprehensive Income and Expenditure		
Closing Balance	13,097	16,632

Note 38 - Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities that are not carried at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table on the previous page), all other financial liabilities and financial assets held by the Council as well as long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

	31 March 2023		31 March 2022	
Financial Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities held at amortised cost				
PWLB loans	490,528	518,248	433,123	502,796
Long-term LOBO and Market Loans	321,521	376,632	403,186	563,900
Cash and cash equivalents	4,244	4,244	16,256	16,256
Other long-term loans				
PFI and finance lease liabilities	195,936	240,588	204,394	285,921
Total	**1,012,229**	**1,139,713**	**1,056,959**	**1,368,873**

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2023		31 March 2022	
Financial Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets held at amortised cost				
- long-term investments	125,782	124,504	100,708	100,479
- short-term investments	61,673	61,829	43,534	48,305
- cash and cash equivalents				
Amortised Cost - Soft Loans	19,300	12,350	18,029	15,023
Total	**206,755**	**198,683**	**162,271**	**163,807**

Long-term and short-term debtors and creditors carrying value is a fair approximation of their fair value.

Note 38 - Financial Instruments

Fair value hierarchy for financial assets and financial liabilities that are not carried at fair value

31 March 2023	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		518,248		**518,248**
• Long-term LOBO and Market Loans		376,632		**376,632**
PFI and finance lease liabilities			240,588	**240,588**
Total	**0**	**894,881**	**240,588**	**1,135,469**
Financial Assets				
Financial assets held at amortised cost:				
• Investments held at amortised cost	116,461	67,522	2,350	**186,333**
• Soft loans to third parties			12,350	**12,350**
Total	**116,461**	**67,522**	**14,700**	**198,683**

31 March 2022	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		502,796		**502,796**
• Long-term LOBO and Market Loans		563,900		**563,900**
PFI and finance lease liabilities			285,921	**285,921**
Total	**0**	**1,066,696**	**285,921**	**1,352,617**
Financial Assets				
Financial assets held at amortised cost:				
• Investments held at amortised cost	90,418	56,016	2,350	**148,784**
• Soft loans to third parties			15,023	**15,023**
Total	**90,418**	**56,016**	**17,373**	**163,807**

The fair value for financial liabilities and financial assets included in Level 2 and Level 3 in the table above have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023 using the following methods and assumptions:

• PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the available market rate for local authority loans

• LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate

• PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)

• Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

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

Financial Assets	**Financial Liabilities**
• no early repayment or impairment is recognised	• no early repayment or impairment is recognised
• estimated ranges of interest rates at 31 March 2023 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2023 based on new lending rates for equivalent loans at that date
• the fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount. For trade receivables this equates to the invoiced or billed amount	• The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount

Note 39. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.
In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The Council'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 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 measurables as interest rates and stock market movements.

Note 39 - Nature and Extent of Risks Arising from Financial Instruments

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £20m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in UK banks, building societies, and companies, a lower limit of £15m applies. The Council also sets limits on investments in certain sectors. No more than £300m in total can be invested for a period longer than one year.

The credit quality of the £116.7m of the Council's investments in covered bonds is enhanced as these bonds are collateralised by pools of residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	31 Mar 2023	31 Mar 2022
	£000's	£000's
AAA	252,141	221,851
AA-	44,528	31,476
A+	0	0
A	1,237	5,000
A-	0	0
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	198,338	206,491
Equity	23,624	29,279
Other Local Authorities		0
Total Investments	**519,868**	**494,097**

All deposits outstanding as at 31 March 2023 met the Council's credit rating criteria on 31 March 2023.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

Collateral and Other Credit Enhancements

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2023 was £1.5m.

Note 39 - Nature and Extent of Risks Arising from Financial Instruments

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and at higher rates from banks. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

Time to maturity	31 Mar 2023	31 Mar 2022
Years	£000's	£000's
Not over 1	30,577	23,499
Over 1 but not over 2	29,330	25,530
Over 2 but not over 5	65,674	71,639
Over 5 but not over 10	66,122	15,889
Over 10 but not over 20	178,867	181,811
Over 20 but not over 30	80,800	130,800
Over 30 but not over 40	130,000	155,700
Over 40	171,100	181,100
Uncertain date *	50,000	40,000
Total	**802,470**	**825,968**

* The Council has £90m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. £50m of these LOBO loans have option dates in 2023-24. Due to current lower interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk

The Council is exposed to market risk both from its short term cash investments as well as from its investments in pooled equity, bond and property funds. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The Council manages its investment risk through its treasury management strategy particularly by investing in a diversified range of pooled funds across a range of asset classes.

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in the Provision of Services. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2023, £254.4m (2022: £294m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £50m (2022: £40m) to variable rates.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	500
Increase in interest receivable on variable rate investments	2,222
Decrease in fair value of investments held at FVPL	-1,220
Impact on Provision of Services (surplus)	**1,502**
Decrease in fair value of fixed rate investment assets	-185
Impact on Other Comprehensive Income and Expenditure	**-185**
Decrease in fair value of loans and investments at amortised cost*	**-110,028**

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk:

The Council's investments will fluctuate in value as the result of changes in market prices. The Council has sought to mitigate the price risk through diversification in line with its treasury management strategy. The market prices of the Council's bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. The value of the Council's investments in pooled funds are subject to the value of the underlying investments. The following table shows the impact on the value of the Council's investments of falls in property and equity prices however these would have no impact on the General Fund until the investments are sold.

	£000's
5% fall in commercial property prices	-2,705
5% fall in equity prices	-3,783

Foreign Exchange Risk:

The Council has no foreign currency investments and therefore is not directly exposed to the risk of adverse movements in exchange rates.

Note 40. Contingent Liabilities

Accounting Policy

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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. They are factored into the consideration of an adequate level of reserves.

The Council has the following contingent liability:

A potential liability exists in relation to highway subsidence and includes a counterclaim. It is unlikely that the claim will be resolved in the near future and it is not possible to quantify the potential liability associated with the claim.

Note 41. Subsidiary Undertakings

Accounting Policy

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of wholly owned subsidiaries and jointly controlled entities. An assessment of the transactions between the Council and the subsidiaries and the jointly controlled entities is conducted each year.

Subsidiary Undertakings

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Park. A Member Agreement was signed on 22 August 2008 and a joint arrangement vehicle was set up, the East Kent Opportunities LLP (EKOLLP), which was incorporated on 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint arrangement. KCC and TDC contributed 38 acres of land each to EKOLLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution).

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2022-23, in the final, audited EKOLLP accounts, the net assets of the joint operation are £9.53m with an operating loss before members remuneration and profit shares available for discretionary division among members of £0.13m.

Note 42. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the 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.

Six schools on the balance sheet as at 31 March 2023 are due to convert to academy status by 1 December 2023. The net book value of these assets as at 31 March 2023 is £87.5m.

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require any adjustment to these accounts.

Note 43. Other Notes

Pension Fund

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering Council. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 140 to 167.

Prior Period Adjustments

This page provides details of prior period adjustments relating to accounting treatments.

Accounting treatment relating to Vehicles, Plant & Equipment

We have adjusted the Gross Book Value (GBV) and accumulated depreciation on Vehicles, Plant & Equipment (VPE) as at 31.3.21 by £53.5m to write out fully depreciated VPE no longer in use by the Authority, including schools, that should have been written out as they became obsolete prior to 31.3.21. This had no impact on the Net Book Value of VPE, and no impact on the balance sheet or CIES. The restatement only affects the GBV and accumulated depreciation disclosed within the opening balances of the 2021-22 PPE note and the revised opening figures can be seen in the restated PPE note - Note 16 pages 61-62.

A further adjustment of £2.9m has been made as at 31.3.22 to reflect fully depreciated assets that should have been written out during 2021-22. Again, this reduced GBV and accumulated depreciation in the PPE note but had no impact on the balance sheet or CIES. The restated figures can be seen in the restated PPE note - Note 16 on pages 61-62.

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Please note that Note numbers with no 'G' refer to Kent County Council single entity accounts where notes are not materially different.

Group Accounts Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Kent Holdco Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

▪ Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

▪ Joint Ventures – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.

▪ No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Kent Holdco Ltd		100% Subsidiary	Consolidated
Kent County Trading Ltd (Holding)		100% Subsidiary	Consolidated
Includes:			
	Commercial Services Kent Ltd	100% Subsidiary	Consolidated
	Commercial Services Trading Ltd	100% Subsidiary	Consolidated
	Kent Top Temps Ltd	100% Subsidiary	Consolidated
	CSG Global Education Ltd	100% Subsidiary	Consolidated
	Bowerhouse II Solar Farm Ltd	100% Subsidiary	Consolidated
	Hampshire & Kent Commercial Services LLP	Joint Venture	Consolidated
	Luton & Kent Commercial Services LLP	Joint Venture	Consolidated
	Surrey & Kent Commercial Services LLP	Joint Venture	Consolidated
Cantium Business Solutions Ltd		100% Subsidiary	Consolidated
EDSECO Ltd (trading as The Education People)		100% Subsidiary	Consolidated
Invicta Law Ltd		100% Subsidiary	Consolidated
Gen2 Property Ltd		100% Subsidiary	Consolidated

Group Accounts Introduction

Basis of the Preparation of Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

▪ adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and

▪ eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

▪ adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee;

▪ including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

Kent Holdco Ltd (11735631)

Kent Holdco Ltd (Holdco) is a company limited by shares and wholly owned by KCC. It was incorporated on 19 December 2018 and on 1 October 2019 the shareholding for Kent County Trading Ltd, Gen2 Property Ltd, Cantium Business Solutions Ltd and the guarantor for EDSECO Ltd have been transferred from KCC to Holdco.

Holdco's principal activity is that of a holding company. It was established as part of a move to a group structure giving KCC a single point of contact with a streamlined management and executive function. The intention is for Holdco to help generate efficiencies and consistency between the companies.

Arm's Length and Commercial Trading Companies of Kent Holdco Ltd

Kent County Trading Limited (5242899)

Kent County Trading Ltd was incorporated in 2004 and is the holding company for Commercial Services Kent Limited (5858177), Commercial Services Trading Limited (5858178) and Kent Top Temps Ltd (5242900). Commercial Services Kent Limited has a 50% stake in Hampshire & Kent Commercial Services LLP (OC424699), Luton & Kent Commercial Services LLP (OC431629), Surrey & Kent Commercial Services LLP (OC439317) and Bowerhouse II Solar Limited (12128147). On 6 January 2020, Commercial Services Trading limited acquired the entire share capital of CSG Global Education Limited (01702231). All companies are limited by shares and Kent County Trading Ltd is now part of the group of companies which sit under Kent Holdco Ltd.

Kent County Trading Limited and subsidiaries provide a broad range of services covering different industry sectors. This includes energy switching services (Lumina), solar farm (Bowerhouse II), international educational supplies (CSG Global Education Ltd), temporary and permanent staff recruitment (Connect2Kent, Connect2Staff, Connect2Hampshire, Connect2Luton and Connect2Surrey), managed services in relation to procurement solutions and frameworks (energy and education supplies), landscape services, fleet services, vehicle maintenance services, pallet storage and waste management.

GEN^2 Property Ltd (9834851)

Gen2 was incorporated on 21 October 2015, it is a company limited by shares. Its principal activity is property services and property management consultancy. It was established to provide services to Kent County Council and the wider public sector in London and the South East.

Invicta Law Ltd (10079679)

Invicta Law was incorporated on 23 March 2016, it is a company limited by shares and regulated by the Solicitors Regulation Authority. It was established to provide legal advice to Kent County Council and other public sector clients. Legal services offered by the company cover areas such as public procurement, child protection, asylum, adult services and community care, dispute resolution and employment, commercial property transactions, commercial contracts and planning and highways law.

Group Accounts Introduction

Cantium Business Solutions Ltd (11242115)

Cantium Business Solutions is a company limited by shares; it was incorporated on 8 March 2018 and began trading on 2 July 2018 having operated as an inhouse trading unit prior to this. Cantium offers back office support services, covering IT, HR and Finance.

The services offered include integrated HR and payroll services, pensions, coaching and mentoring. The company also offers IT solutions as a “one stop shop” from the provision of hardware to support. It also provides professional management IT services such as project and programme management, General Data Protection Regulation (GDPR) management and IT service management consultancy. The finance element of the business includes accounts payable, social care payments, essential living allowance payments, cash handling and debt collection (and debt management).

EDSECO Ltd (10970974)

EDSECO Ltd was incorporated on 19 September 2017 and began trading on 3 September 2018. The company operates under the trading name of “The Education People” or “TEP”. It is a company limited by guarantee.

The principal trading activities are the provision of resources and services to educational establishments from early years to young adults. The main clients are schools within Kent.

TEP services cover early years and childcare, outdoor learning, safeguarding, school governor services, professional development, performance and school improvement, financial management services and secondary school improvement

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Kent County Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 2 to the Core Accounts.

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Service	Notes	Year ended 31 March 2023 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health including Public Health	ASCH	763,245	-278,979	484,266
Children, Young People & Education	CYPE	1,486,371	-1,138,634	347,737
Growth, Environment & Transport	GET	310,952	-80,061	230,891
Chief Executive's Department	CED	45,992	-29,841	16,151
Deputy Chief Executive's Department	DCED	103,858	-11,845	92,013
Non-Attributable Costs including Corporately Held Budgets	NAC	10,526	-9,259	1,267
Groups - Holdco Ltd		136,737	-71,797	64,940
Group Cost of Services		**2,857,681**	**-1,620,416**	**1,237,265**
Other operating Income and Expenditure	12			115,421
Net Surplus on trading accounts	G2			-24,200
Financing and Investment Income and Expenditure	13			56,394
Taxation and Non Specific Grant Income	14			-1,367,921
(Surplus) or deficit on Provision of Services				**16,959**
Share of (surplus)/Deficit of associate or joint venture				-545
Taxation of Group Entities	G3			541
Group (Surplus)/Deficit	G2			**16,955**
(Surplus)/deficit arising on revaluation of non current assets				-219,234
Remeasurement of the net defined benefit liability				-1,516,489
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-1,736,673**
Total Comprehensive Income and Expenditure				**-1,719,718**

Group Comprehensive Income and Expenditure Statement

Service	Notes	Restated Year ended 31 March 2022 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health including Public Health	ASCH	758,874	-322,756	436,118
Children, Young People & Education	CYPE	1,449,340	-1,028,031	421,309
Growth, Environment & Transport	GET	400,401	-167,504	232,897
Chief Executive's Department	CED	43,975	-22,540	21,435
Deputy Chief Executive's Department	DCED	97,999	-11,035	86,964
Non-Attributable Costs including Corporately Held Budgets	NAC	7,346	-954	6,392
Groups - Holdco Ltd		100,270	-38,091	62,179
Group Cost of Services		**2,858,205**	**-1,590,911**	**1,267,294**
Other operating Income and Expenditure	12			70,398
Net Surplus on trading accounts	G2			-20,590
Financing and Investment Income and Expenditure	13			67,334
Taxation and Non Specific Grant Income	14			-1,261,008
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	14			-15,345
(Surplus) or deficit on Provision of Services				**108,083**
Share of (surplus)/Deficit of associate or joint venture				-329
Taxation of Group Entities	G3			823
Group (Surplus)/Deficit	G2			**108,577**
(Surplus)/deficit arising on revaluation of non current assets				-174,076
Remeasurement of the net defined benefit liability				-239,211
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-414,237**
Total Comprehensive Income and Expenditure				**-305,660**

The Comprehensive Income and Expenditure Statement (CIES) for 2021-22 has been restated due to organisational changes within the Council. The Strategic & Corporate Services directorate was removed and replaced by the Chief Executive's Department and Deputy Chief Executive's Department. There has been no overall impact on the Total Comprehensive Income and Expenditure amount reported last year.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves

	Year ended 31 March 2022			
	General Fund and Earmarked Reserves	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Profit and Loss Reserve**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2021	**-453,525**	**-30,425**	**-49,783**	**-4,538**
Movement in reserves during 2021-22				
Total Comprehensive Expenditure & Income	13,405			95,173
Adjustments between group accounts and Kent County Council accounts	97,566			-97,566
Net increase or decrease before transfers	**110,971**	**0**	**0**	**-2,393**
Adjustments between accounting basis & funding basis under regulations - Note 11	-126,826	-2,866	-24,400	
Net increase/Decrease before Transfers to Earmarked Reserves	**-15,855**	**-2,866**	**-24,400**	**-2,393**
Transfer between Usable and Unusable Reserves				
Increase/Decrease (movement) in Year	**-15,855**	**-2,866**	**-24,400**	**-2,393**
	Year ended 31 March 2023			
Balance at 31 March 2022 carried forward	**-469,380**	**-33,291**	**-74,183**	**-6,931**
Movement in reserves during 2022-23				
Total Comprehensive Expenditure & Income	-80,077			97,032
Adjustments between group accounts and Kent County Council accounts	98,559			-98,559
Net increase or decrease before transfers	**18,482**	**0**	**0**	**-1,527**
Adjustments between accounting basis & funding basis under regulations - Note 11	17,680	-5,935	-28,021	
Net increase/Decrease before Transfers to Earmarked Reserves	**36,162**	**-5,935**	**-28,021**	**-1,527**
Transfer between Usable and Unusable Reserves	**17,000**			
Increase/Decrease (movement) in Year	**53,162**	**-5,935**	**-28,021**	**-1,527**
Balance at 31 March 2023 carried forward	**-416,218**	**-39,226**	**-102,204**	**-8,458**

Group Movement in Reserves Statement

	Year ended 31 March 2022		
	Total Usable Reserves	Unusable reserves	Total Group Reserves
	£'000	£'000	£'000
Balance at 31 March 2021	**-538,271**	**-415,774**	**-954,045**
Movement in Reserves during 2021-22			
Total Comprehensive Expenditure and Income	**108,578**	-414,237	**-305,659**
Adjustments between group accounts and Kent County Council accounts	**0**		**0**
Net increase or decrease before transfers	**108,578**	**-414,237**	**-305,659**
Adjustments between accounting basis & funding basis under regulations - Note 11	**-154,092**	154,092	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-45,514**	**-260,145**	**-305,659**
Transfers between Usable and Unusable Reserves	**0**		**0**
Increase/Decrease (movement) in Year	**-45,514**	**-260,145**	**-305,659**
	Year ended 31 March 2023		
Balance at 31 March 2022 carried forward	**-583,785**	**-675,919**	**-1,259,704**
Movement in reserves during 2022-23			
Total Comprehensive Expenditure & Income	**16,955**	-1,736,673	**-1,719,718**
Adjustments between group accounts and authority accounts	**0**		**0**
Net increase or decrease before transfers	**16,955**	**-1,736,673**	**-1,719,718**
Adjustments between accounting basis & funding basis under regulations - Note 11	-16,276	16,276	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**679**	**-1,720,397**	**-1,719,718**
Transfer between Usable and Unusable Reserves	17,000	-17,000	**0**
Increase/Decrease (movement) in Year	**17,679**	**-1,737,397**	**-1,719,718**
Balance at 31 March 2023 carried forward	**-566,106**	**-2,413,316**	**-2,979,422**

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2023. The net assets of the Group are matched by Group reserves.

		31 March 2023		31 March 2022
	Notes	£'000	£'000	£'000
Property Plant & Equipment	16	3,757,166		3,560,092
Heritage Assets	20	7,986		7,014
Investment Property	17	51,140		50,745
Intangible assets		9,729		11,626
Long-term investments	G8	312,571		302,775
Long-term debtors	G4	50,940		51,043
Deferred tax asset		5		19
Total Long-Term Assets			4,189,537	3,983,314
Inventories		9,107		4,750
Assets held for sale (<1yr)		4,091		2,175
Short-term debtors	G4	357,904		326,780
Short-term investments	G8	58,223		36,334
Cash and Cash equivalents	G6	160,234		155,148
Current tax asset	G4	126		0
Total Current Assets			589,685	525,187
Temporary borrowing	G8	-90,155		-73,839
Short-term Lease Liability	38	-8,461		-8,460
Short-term provisions	25	-16,346		-19,911
Creditors	G5	-493,028		-412,089
Current tax liability	G5	-244		-337
Cash & Cash Equivalents	G6	-4,244		-16,256
Total Current liabilities			-612,478	-530,892
Creditors due after one year	G5	-14,766		-5,786
Provisions	25	-10,219		-10,932
Long-term borrowing	G8	-721,893		-762,470
Other Long-Term Liabilities	G8/37	-284,855		-1,790,767
Deferred tax liability		-747		-728
Capital Grants Receipts in Advance	15	-154,842		-147,222
Total Long-Term Liabilities			-1,187,322	-2,717,905
Net Assets/(Liabilities)			2,979,422	1,259,704
Usable Reserves	G7/22	-566,106		-583,785
Unusable Reserves	23	-2,413,316		-675,919
Total Reserves			-2,979,422	-1,259,704

Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period

	Notes	2022-23 £'000	2021-22 £'000
Net (Surplus) or deficit on the provision of services		16,959	108,084
Adjustments to net surplus or deficit on the provision of services for non cash movements	G9	-357,796	-442,629
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G9	235,914	304,981
Taxation		728	811
Net cash flows from operating activities		-104,195	-28,753
Investing Activities	G10	58,598	20,085
Financing Activities	G11	28,499	32,952
Net increase (-) or decrease in cash and cash equivalents		-17,098	24,284
Cash and cash equivalents at the beginning of the reporting period		138,892	163,176
Cash and cash equivalents at the end of the reporting period	G6	**155,990**	**138,892**

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Note G1 - Critical Judgements

All the critical judgements and estimation uncertainties disclosed in the Council's single entity accounts is materially applicable to the group entity. The critical judgements can be found in Note 4 on page 30 and estimation uncertainties can be found in Note 5 on page 31 of the single entity accounts.

Use of unaudited accounts for Group Accounts consolidation

The company accounts used for the Group Accounts consolidation is based on their unaudited draft accounts. This is due to the statutory timetable for completing local authority accounts means that company audited accounts would not be available and it is not unusual practice for unaudited accounts to be used. Consideration has been given whether the audited accounts would be materially different and the conclusion is that the risk is low.

Consideration of IFRS 15 - Revenue from Contracts with Customers

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. to understand the differences in the accounting policies between KCC and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

Elimination of Income and Expenditure

Income and expenditure between KCC and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

Supporting the Comprehensive Income and Expenditure Statement

Note G2 - Reconciliation of Group CIES

The income and expenses of the Council’s subsidiary companies are consolidated in the Statement on a line by line basis.

	2022-23 £'000	2021-22 £'000s
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	21,672	112,010
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	-3,190	-1,040
(Surplus) or deficit attributable to subsidiaries	-1,527	-2,393
Total Group (Surplus) or Deficit	**16,955**	**108,577**

The consolidation adjustment to the 'Net Surplus on trading accounts' is due the following:

	2022-23 £'000	2021-22 £'000s
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-4,027	-3,553
KCS and Laser expenditure with Subsidiaries	-20,516	-17,574
KCS and Laser income generated through sales to Subsidiaries	343	537
	-24,200	**-20,590**

Note G3 - Tax Expenses of Group Entities, Note G4 - Debtors and Note G5 - Creditors

Note G3 - Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

	2022-23 £'000	2021-22 £'000s
Tax in respect of the current year	572	785
Adjustment in respect of prior years	-34	-8
Deferred tax in respect of the current year	-6	-114
Deferred tax on actuarial loss/(gain) for the year	0	0
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	9	160
Total Taxation Expenses	**541**	**823**

Supporting the Balance Sheet

Note G4 - Debtors

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

	Short-Term Debtors		Long-Term Debtors		Total Debtors	
	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2023 £'000s	31 March 2022 £'000s
Medway Council	0	0	28,940	30,146	28,940	30,146
Recoverable VAT	26,831	30,782	-	-	26,831	30,782
Trade Receivables	154,715	104,389	-	-	154,715	104,389
Payments in Advance	33,283	31,616	-	-	33,283	31,616
General Debtors	143,075	159,993	22,000	20,897	165,075	180,890
	357,904	**326,780**	**50,940**	**51,043**	**408,844**	**377,823**

Note G5 - Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

	Short-Term Creditors		Long-Term Creditors		Total Creditors	
	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2023 £'000s	31 March 2022 £'000s
Receipts in Advance	85,509	50,865	-	-	85,509	50,865
VAT Payable	4,212	4,202	-	-	4,212	4,202
Contract Liabilities	2,552	7,467	-	-	2,552	7,467
Other HMRC Liabilities	1,609	2,020	-	-	1,609	2,020
Deferred Income	12,061	22,279	14,731	-	26,792	22,279
General Creditors	387,329	325,593	35	5,786	387,364	331,379
	493,272	**412,426**	**14,766**	**5,786**	**508,038**	**418,212**

Note G6 - Cash & Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements.

	31 March 2023	31 March 2022
	£'000s	£'000s
Single Entity Cash and Bank balances	-4,244	-16,256
Subsidiary cash and bank balances	24,276	19,250
Short term deposits with the Money Market	135,958	135,898
Total Group Cash and Cash Equivalents	**155,990**	**138,892**

Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on pages 130 to 131. The reserves of the subsidiaries include:

	2021-22		2022-23
	Usable Reserves		Usable Reserves
	Retained Earnings		Retained Earnings
	£'000s		£'000s
Balance at 1 April 2021	**4,538**	**Balance at 1 April 2022**	**6,931**
Profit/(Loss) for the year	3,014		2,132
Share of surplus/(deficit) of associate or joint venture	329		545
Dividends paid/declared	-950		-1,150
Balance at 31 March 2022	**6,931**	**Balance at 31 March 2023**	**8,458**

The disclosure note description relating to associate and joint venture has been amended to reflect the same description as in the Group Comprehensive Income and Expenditure Statement on pages 128 & 129.

Note G8 - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Investments				
- Fair value through profit or loss	186,789	134,708	202,067	130,898
- Amortised cost	125,782	59,473	100,708	41,334
	312,571	**194,181**	**302,775**	**172,232**
Debtors				
- Amortised cost	31,640	294,678	33,014	261,401
- Amortised cost - Soft Loans	19,300	6,332	18,029	5,079
- Non financial assets		56,894		60,300
	50,940	**357,904**	**51,043**	**326,780**
Cash & Cash Equivalents		24,276		19,250
Total	**363,511**	**576,361**	**353,818**	**518,262**

Financial Liabilities

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Borrowing				
- Amortised cost	721,893	90,155	762,470	73,839
- Non financial liabilities	187,489	8,458	195,947	8,447
	909,382	**98,613**	**958,417**	**82,286**
Creditors				
- Amortised cost	35	389,881	5,786	333,060
- Non financial assets	14,731	103,391		79,366
	14,766	**493,272**	**5,786**	**412,426**
Cash & Cash Equivalents		4,244		16,256
Total	**924,148**	**596,129**	**964,203**	**510,968**

Supporting the Cash Flow

Note G9. Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2022-23 £'000	2021-22 £'000
Interest received	-12,182	-10,837
Interest paid	55,470	58,991
Employee Costs	1,007,642	938,879
Income from Council Tax	-885,685	-840,236
Government Grants	-1,687,069	-1,653,466

	2022-23 £'000	2021-22 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-20,245	-163,012
Carrying amount of non-current assets sold	-123,999	-78,290
Carrying amount of Capital Inventory sold	-1,723	
Carrying amount of Financial Assets held at FVPL	-18,863	11,480
Amortisation of fixed assets	-2,673	-2,882
Depreciation of fixed assets	-103,298	-99,738
Impairment and downward valuations	-2,936	8,932
Income from shares in group undertakings	0	0
Increase/(decrease) debtors	23,695	21,241
(Increase)/decrease creditors	-86,927	-18,744
Increase/(decrease) stock	4,357	-239
Change in provisions	116	-106
Movement on investment properties	-1,749	-1,550
REFCUS	-61,631	-157,052
Other non-cash items charged to the net surplus/deficit on the Provision of Services	38,080	37,332
Taxation	0	
	-357,796	-442,628
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	12,914	10,612
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities		
Capital grants applied	217,251	263,862
Payment of Collection Fund Deficit	5,749	30,507
	235,914	304,981

Note G10 and G11 - Cash Flow - Investing and Financing Activities

Note G10 - Group Cash Flow Statement - Investing Activities

	2022-23 £'000	2021-22 £'000
Purchase of property, plant and equipment, investment property, and intangible assets	254,126	355,652
Purchase of short-term and long-term investments	1,108,337	1,322,415
Proceeds from capital inventory	-2,046	
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-10,391	-10,600
Proceeds from short-term and long-term investments	-1,062,165	-1,370,876
Other receipts from investing activities	-229,263	-276,506
Net cash flows from investing activities	**58,598**	**20,085**

Note G11 - Group Cash Flow Statement - Financing Activities

	2022-23 £'000	2021-22 £'000
Cash receipts of short- and long-term borrowing	-76,020	0
Relating to finance leases and on-balance sheet PFI contracts	4,370	3,648
Repayments of short- and long-term borrowing	99,199	27,761
Other payments from financing activities	950	1,543
Net cash flows from financing activities	**28,499**	**32,952**

Pension Fund Accounts

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2023 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March

	Notes	2022-23 £000's	2021-22 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	297,692	280,431
Transfers in from other pension funds	8	17,306	10,636
		314,998	291,067
Benefits	9	-270,995	-257,277
Payments to and on account of leavers	10	-15,184	-28,114
		-286,179	-285,391
Net additions from dealings with members		**28,819**	**5,676**
Management expenses	11	-32,502	-34,840
Net withdrawals including fund management expenses		**-3,683**	**-29,164**
Returns on investments			
Investment Income	13	153,112	133,600
Taxes on Income		-198	-157
Profit and loss on disposal of investments and changes in the market value of investments	15a	-3,704	84,514
Net return on investments		**149,210**	**217,957**
Net increase in the net assets available for benefits during the year		**145,527**	**188,793**
Opening net assets of the scheme		**7,702,425**	**7,513,632**
Closing net assets of the scheme		**7,847,952**	**7,702,425**

Net Assets Statement as at 31 March

	Notes	2022-23 £000's	2021-22 £000's
Investment assets		7,860,392	7,711,217
Investment liabilities		-12,323	-14,178
Net investment assets	15	**7,848,069**	**7,697,039**
Current assets	21	29,503	32,036
Current liabilities	22	-29,620	-26,650
Net assets available to fund benefits at the period end		**7,847,952**	**7,702,425**

1. Description of the Fund

General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 301 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council		Other Employers		Total	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
Contributors	21,885	21,041	31,468	31,788	53,353	52,829
Pensioners	24,878	24,090	23,705	22,616	48,583	46,706
Deferred Pensioners	24,618	25,024	25,284	24,553	49,902	49,577
Total	71,381	70,155	80,457	78,957	151,838	149,112

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 12.3% to 39.3% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position at 31 March 2023.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 82% of the Fund’s investments can be converted into cash within 3 months.

3. Summary of Significant Accounting Policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.
Employers’ augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.

- Fixed income securities are recorded at net market value based on their current yields

- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager

- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.

- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2022. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2023. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

l) Financial Liabilities

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits . Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £112m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £290m.
Private equity and infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £615m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and leasehold property and pooled property funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £78m on a fair value of £782m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the reporting date

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions receivable

	2022-23 £000's	2021-22 £000's
By category		
Employees' contributions	66,582	63,125
Employers' contributions		
- normal contributions	192,792	182,404
- deficit recovery contributions	35,993	30,445
- augmentation contributions	2,325	4,457
Total Employers' contributions	231,110	217,306
Total contributions receivable	**297,692**	**280,431**
By type of employer		
Kent County Council	109,234	104,902
Scheduled bodies	174,513	161,935
Admission bodies	13,945	13,594
	297,692	**280,431**

8. Transfers in from other pension funds

	2022-23	2021-22
	£000's	£000's
Individual	17,306	10,636
Group	0	0
	17,306	**10,636**

9. Benefits payable

	2022-23	2021-22
	£000's	£000's
By category		
Pensions	227,129	216,199
Retirement commutation and lump sum benefits	36,188	34,572
Death benefits	7,678	6,506
	270,995	**257,277**
By type of employer		
Kent County Council	121,133	115,210
Scheduled bodies	133,453	126,398
Admission bodies	16,409	15,669
	270,995	**257,277**

10. Payments to and on account of leavers

	2022-23	2021-22
	£000's	£000's
Group transfers	0	11,320
Individual transfers	14,009	15,364
Payments/refunds for members joining state scheme	3	0
Refunds of contributions	1,172	1,430
	15,184	**28,114**

11. Management expenses

		2022-23	2021-22
	Notes	£000's	£000's
Administration costs		3,684	3,645
Governance and oversight costs		992	843
Investment management expenses	12	27,665	30,220
Audit fees		46	41
Pooling expenses		115	91
		32,502	**34,840**

12. Investment management expenses

		2022-23	2021-22
		£000's	£000's
Investment managers fees	12a	27,448	29,525
Transaction costs		166	652
Custody fees		51	43
Total		**27,665**	**30,220**

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

12a. Investment management fees

	2022-23	2021-22
	£000's	£000's
Fixed income	3,802	4,004
Equities	13,343	14,755
Private equity / infrastructure	6,907	7,243
Property	3,396	3,523
Total	**27,448**	**29,525**

13. Summary of Income from Investments

		2022-23		2021-22	
	Notes	£000's	%	£000's	%
Bonds		15,606	10.2	14,423	10.8
Equities		7,257	4.7	4,682	3.5
Pooled investments		97,769	63.9	84,048	62.9
Private equity / infrastructure		11,271	7.4	9,190	6.9
Property	14	11,456	7.4	14,533	10.9
Pooled property investments		7,028	4.6	6,449	4.8
Cash and cash equivalents		2,621	1.7	217	0.2
Stock lending		103	0.1	58	0.0
Total before taxes		**153,112**	**100.0**	**133,600**	**100.0**

14. Property Income and Expenditure

	2022-23	2021-22
	£000's	£000's
Rental income from investment properties	19,962	20,799
Direct operating expenses	-8,506	-6,266
Net operating income from property	**11,456**	**14,533**

Rental income for 2022-23 is net of provision for doubtful debts of £4.7m, (2021-22 £4.5m).

15. Investments

	Market Value as at 31 March 23 £000's	Market Value as at 31 March 22 £000's
Investment assets		
Bonds	356,101	379,028
Equities	363,714	371,946
Pooled investments		
Fixed income	711,013	721,635
Equities	4,312,029	4,125,358
Absolute return	573,683	567,162
Private equity/infrastructure funds	614,963	464,955
Property	501,584	577,934
Pooled property investments	280,305	324,285
Derivatives-forward currency contracts	5,562	472
Investment cash and cash equivalents	127,035	155,306
Investment income due	14,404	13,800
Amounts receivable for sales	0	788
Margin cash	0	8,548
Total investment assets	**7,860,392**	**7,711,217**
Investment liabilities		
Amounts payable for purchases	-2,169	-800
Margin cash liability	-5,010	0
Provision for doubtful debts	-4,735	-4,544
Derivatives-forward currency contracts	-409	-8,834
Total investment liabilities	**-12,323**	**-14,178**
Net investment assets	**7,848,069**	**7,697,039**

Investment income due (debtors) includes a sum of £7.5m (2021-22 £7.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.7m (2021-22 £4.5m) has therefore been made for doubtful rent debts.

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 22 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 23 £000's
Bonds	379,027	62,081	-73,921	-11,086	356,101
Equities	371,946	127,202	-124,305	-11,129	363,714
Pooled investments	5,414,155	84,969	-1,309	98,909	5,596,724
Private equity/infrastructure	464,955	132,147	-36,525	54,386	614,963
Property	577,934	0	0	-76,350	501,584
Pooled property investments	324,287	1,251	-6,983	-38,250	280,305
	7,532,304	407,650	-243,043	16,480	7,713,391
Derivative contracts					
- Forward currency contracts	-8,362	3,286,774	-3,252,871	-20,388	5,153
	7,523,942	**3,694,424**	**-3,495,914**	**-3,908**	**7,718,544**
Other investment balances					
- Investment cash and cash equivalents	155,305			206	127,035
- Amounts receivable for sales	788				0
- Amounts payable for purchases	-800				-2,169
- Margin cash liability	8,548				-5,010
- Investment income due	13,800				14,404
- Provision for doubtful debt	-4,544				-4,735
Net investment assets	**7,697,039**			**-3,702**	**7,848,069**

	Market Value as at 31 March 21 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 22 £000's
Bonds	401,001	98,117	-99,920	-20,171	379,027
Equities	348,033	100,464	-100,596	24,045	371,946
Pooled investments	5,343,724	565,122	-347,421	-147,270	5,414,155
Private equity/infrastructure	274,023	141,701	-57,219	106,450	464,955
Property	493,314			84,620	577,934
Pooled property investments	281,718	2,031	-6,264	46,802	324,287
	7,141,813	907,435	-611,420	94,476	7,532,304
Derivative contracts					
- Forward currency contracts	962	3,098,406	-3,097,674	-10,056	-8,362
	7,142,775	**4,005,841**	**-3,709,094**	**84,420**	**7,523,942**
Other investment balances					
- Investment cash and cash equivalents	201,228			96	155,305
- Cash pending issue of units	150,000				0
- Amounts receivable for sales					788
- Amounts payable for purchases	-561				-800
- Margin cash asset	1,025				8,548
- Investment income due	15,996				13,800
- Provision for doubtful debt	-6,287				-4,544
Net investment assets	**7,504,176**			**84,516**	**7,697,039**

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £000's	Liability value £000's
Up to one month	GBP	75,124	EUR	-85,014	423	0
Up to one month	GBP	1,142	EUR	-1,293	6	0
Up to one month	EUR	46	GBP	-41	0	-1
Up to one month	GBP	2,074	EUR	-2,338	20	0
Up to one month	GBP	129	EUR	-146	1	0
Up to one month	EUR	806	GBP	-723	0	-14
Up to one month	EUR	2,600	GBP	-2,295	0	-10
Up to one month	EUR	607	GBP	-535	0	-2
Up to one month	GBP	1,412	EUR	-1,599	7	0
Up to one month	EUR	86,296	GBP	-76,082	0	-255
Up to one month	GBP	77	USD	-95	0	0
Up to one month	GBP	40	USD	-49	0	0
Up to one month	USD	49	GBP	-40	0	0
Up to one month	GBP	57	EUR	-65	0	0
Up to one month	GBP	40	USD	-49	0	0
Up to two months	GBP	2,292	USD	-2,815	17	0
Up to two months	USD	2,323	GBP	-1,929	0	-52
Up to two months	GBP	113,355	USD	-137,389	2,335	0
Up to two months	GBP	113,375	USD	-137,389	2,355	0
Up to two months	USD	1,387	GBP	-1,151	0	-30
Up to one month	GBP	420	USD	-508	9	0
Up to one month	GBP	1,455	USD	-1,734	54	0
Up to one month	USD	397	GBP	-328	0	-7
Up to one month	GBP	2,212	USD	-2,671	53	0
Up to one month	USD	3,610	GBP	-2,943	0	-26
Up to one month	USD	336	GBP	-273	0	-2
Up to one month	GBP	2,180	USD	-2,673	20	0
Up to one month	USD	329	GBP	-268	0	-2
Up to one month	USD	3,183	GBP	-2,580	0	-8
Up to one month	USD	378	GBP	-305	0	0
Up to one month	GBP	428	USD	-530	0	0
Up to one month	GBP	702	USD	-868	0	0
Up to one month	GBP	76,361	EUR	-86,340	262	0
					5,562	-409
Net forward currency contracts at 31 March 2023						**5,153**
Prior year comparative						
Open forward currency contracts at 31 March 2022					472	-8,834
Net forward currency contracts at 31 March 2022						**-8,362**

15c. Property Holdings

	Year ending 31 March 23 £000's	Year ending 31 March 22 £000's
Opening Balance	577,934	493,314
Additions	0	0
Disposals	0	0
Net increase in market value	-76,350	84,620
Closing Balance	**501,584**	**577,934**

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 23 £000's	Year ending 31 March 22 £000's
Within one year	16,935	16,584
Between one and five years	41,290	42,579
Later than five years	32,204	33,268
	90,429	**92,431**

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund’s expected loss from late or non-recovery of rents from tenants. This has been based on the Fund’s own historic experience but also information on similar properties received from the Fund’s property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2023		Market Value as at 31 March 2022	
	£000's	%	£000's	%
Investments managed in the ACCESS Pool				
Baillie Gifford	1,071,672	13.7	1,190,077	15.5
M&G	536,060	6.8	517,812	6.7
Ruffer	191,519	2.4	191,066	2.5
Schroders	1,589,355	20.3	1,543,993	20.1
	3,388,606	43.2	3,442,948	44.7
Investments managed outside the ACCESS Pool				
CQS	226,095	2.9	238,310	3.1
DTZ	545,702	7.0	633,444	8.2
Fidelity	141,308	1.8	163,219	2.1
Goldman Sachs	385,314	4.9	400,917	5.2
HarbourVest	259,578	3.3	233,070	3.0
Impax	72,807	0.9	74,516	1.0
Insight	1,039,867	13.2	791,269	10.3
Kames	32,132	0.4	43,723	0.6
Kent County Council investment team	86,957	1.1	126,483	1.6
M&G	314,552	4.0	308,336	4.0
Partners Group	273,163	3.5	174,936	2.3
Pyrford	382,164	4.9	376,095	4.9
Sarasin	375,518	4.8	381,253	5.0
Schroders	239,281	3.0	243,353	3.2
YFM	82,222	1.0	56,948	0.7
Link Fund Solutions (previously Woodford)	2,803	0.0	8,219	0.1
	4,459,463	56.8	4,254,091	55.3
Total	**7,848,069**	**100**	**7,697,039**	**100**

15e. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2023	
	£000's	% of net assets
LF ACCESS Global Equity Core Fund	1,071,672	13.7
LF ACCESS UK Equity Fund	1,184,302	15.1
LDI Solutions Plus ICAV Active (Insight)	1,039,867	13.3
LF ACCESS Global Dividend Fund	536,060	6.8

Investments	31 March 2022	
	£000's	% of net assets
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
LF ACCESS Global Dividend Fund	517,812	6.7

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

31 March 2023

Loan Type	Market Value	Collateral Value	**Collateral type**
	£000's	£000's	
Equities	6,483	6,751	Treasury Notes and other Government debt
Bonds	33,470	34,854	Treasury Notes and other Government debt
	39,953	**41,605**	

31 March 2022

Loan Type	Market Value	Collateral Value	**Collateral type**
	£000's	£000's	
Equities	2,762	2,881	Treasury Notes and other Government debt
Bonds	33,144	34,560	Treasury Notes and other Government debt
	35,906	**37,441**	

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2023			31 March 2022		
	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
Financial assets						
Bonds	356,101			379,027		
Equities	363,714			371,946		
Pooled investments	5,596,724			5,414,154		
Property pooled investments	280,305			324,285		
Private equity/infrastructure	614,963			464,955		
Derivative contracts	5,562			472		
Cash & cash equivalents	116,870	11,894		144,833	13,151	
Other investment balances		14,404			23,137	
Debtors/ receivables		6,474			7,942	
	7,334,239	**32,772**	**0**	**7,099,672**	**44,230**	**0**
Financial Liabilities						
Derivative contracts	-409			-8,834		
Other investment balances			-11,904			-5,344
Creditors			-11,874			-11,019
	-409	**0**	**-23,778**	**-8,834**	**0**	**-16,363**
Total	**7,333,830**	**32,772**	**-23,778**	**7,090,838**	**44,230**	**-16,363**

16b. Net gains and losses on financial instruments

	31 March 23	31 March 22
	£000's	£000's
Financial assets		
Fair value through profit and loss	72,442	-200
Assets at amortised cost	206	96
Total	**72,648**	**-104**

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments including pooled property	2	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2012)	Valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values /or if the fund holds illiquid assets, valuation of underlying investment/assets/ companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note:
Quoted fund in administration refers to the UK equities Fund managed by Link (earlier Woodford)
Bespoke fund for equity protection programme assets is managed by Insight.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value as at 31 March 2023 £000's	Value on increase £000's	Value on decrease £000's
Private equity	23.7%	341,800	422,807	260,793
Infrastructure	11.7%	273,163	305,123	241,203
Other level 3 investments	23.7%	2,803	3,467	2,139
Total		617,766	731,397	504,135

	Assessed valuation range (+/-)	Value as at 31 March 2022 £000's	Value on increase £000's	Value on decrease £000's
Private equity	23.7%	290,018	358,752	221,284
Infrastructure	11.7%	174,936	195,404	154,468
Other level 3 investments	23.7%	8,219	10,167	6,271
		473,173	564,323	382,023

17a. Fair Value Hierarchy

Level 1
Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2
Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3
Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2023 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2023	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss				
Bonds	356,101			356,101
Equities	363,714			363,714
Pooled investments	694,252	4,899,671	2,803	5,596,725
Pooled property investments		280,305		280,305
Private equity and infrastructure			614,963	614,963
Derivatives		5,562		5,562
Cash deposits	128,764			128,764
Other investment balances	9,393			9,393
Non- Financial assets at fair value through profit and loss				
Property		501,584		501,584
Financial liabilities at fair value through profit and loss				0
Derivatives		(409)		(409)
Other investment liabilities	(6,904)			(6,904)
Net investment assets	**1,545,320**	**5,686,713**	**617,766**	**7,849,798**

Values at 31 March 2022	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash deposits	157,984			157,984
Other investment balances	23,137			23,137
Non- Financial assets at fair value through profit and loss				
Property		577,934		577,934
Financial liabilities at fair value through profit and loss				
Derivatives		(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
Net investment assets	**1,620,697**	**5,605,846**	**473,174**	**7,699,717**

17b. Reconciliation of fair value measurements within level 3

	Pvt Equity	Infrastruc-ture	Other	Total
				£000's
Market value 1 April 2022	290,018	174,936	8,220	473,174
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	53,759	78,389	0	132,148
Sales during the year	(25,371)	(11,153)	(1,308)	(37,832)
Unrealised gains/ losses	8,254	29,813	(4,109)	33,958
Realised gains/losses	15,140	1,178		16,318
Market value 31 March 2023	**341,800**	**273,163**	**2,803**	**617,766**

18. Nature and extent of risks arising from financial instruments

Risk and risk management
The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.
Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk
Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2022-23 reporting period.

Asset Type	**Potential Market Movements (+/-)**
UK Equities	15.4
Overseas equities	15.6
Global pooled equities inc UK	15.7
Bonds	7.6
Property	9
Infrastructure	11.7
Private equity	23.7

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 23	Percentage change	Value on increase	Value on decrease
	£000's	%	£000's	£000's
Cash and cash equivalents	128,764	0.00	128,764	128,764
Investment portfolio assets:				
UK equities	55,534	15.40	64,086	46,982
Overseas equities	308,180	15.60	356,256	260,104
Global pooled equities inc UK	4,885,711	15.70	5,652,768	4,118,655
Bonds incl bond funds	1,067,114	7.60	1,148,215	986,013
Property pooled funds	280,305	9.00	305,533	255,078
Private equity	341,800	11.70	381,791	301,809
Infrastructure funds	273,163	23.70	337,903	208,423
Derivative assets	5,562	0.00	5,562	5,562
Total	**7,346,133**		**8,380,878**	**6,311,390**

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to 10% for equities over the year. The current programme will run until March 2024.

Asset Type	Value as at 31 March 22	Percentage change	Value on increase	Value on decrease
	£000's	%	£000's	£000's
Cash and cash equivalents	157,984	0.00	157,984	157,984
Investment portfolio assets:				
UK equities	40,908	15.40	47,208	34,608
Overseas equities	331,038	15.60	382,680	279,396
Global pooled equities inc UK	4,692,519	15.70	5,429,244	3,955,794
Bonds incl bond funds	1,100,662	7.60	1,184,312	1,017,012
Property pooled funds	324,285	9.00	353,471	295,099
Private equity	290,018	11.70	323,950	256,086
Infrastructure funds	174,936	23.70	216,396	133,476
Derivative assets	0	0.00	0	0
Total	**7,112,350**		**8,095,245**	**6,129,455**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 23	31 March 22
	£'000s	£'000s
Cash and cash equivalents	127,035	155,309
Cash balances	1,729	2,679
Bonds		
- Directly held securities	356,101	379,027
- Pooled funds	711,013	721,635
Total	**1,195,878**	**1,258,650**

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund’s risk management strategy. The Fund’s investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset Type	Carrying amount as at 31 March 23	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	127,035	0	0
Cash balances	1,729	0	0
Bonds			
- Directly held securities	356,101	-13,247	13,247
- Pooled funds	711,013	-2,406	2,406
Total change in assets available	**1,195,878**	**-15,653**	**15,653**

Asset Type	Carrying amount as at 31 March 22	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	155,309	0	0
Cash balances	2,679	0	0
Bonds			
- Directly held securities	379,027	-14,100	14,100
- Pooled funds	721,635	-2,442	2,442
Total change in assets available	**1,258,650**	**-16,542**	**16,542**

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund’s currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund’s risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund’s currency exposure excluding the hedged investments as at 31 March 2023 and 2022:

Currency exposure - asset type	Asset value as at 31 March 23	Asset value as at 31 March 22
	£000's	£000's
Overseas equities	308,180	331,088
Overseas pooled funds	3,944,244	3,781,449
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	532,741	408,007
Non GBP cash	3,116	2,640
Total overseas assets	**4,788,281**	**4,523,184**

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2022-23 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 23	Change to net assets available to pay benefits	Change to net assets available to pay benefits
		+7.2%	-7.2%
	£000's	£000's	£000's
Overseas equities	308,180	330,368	285,991
Overseas pooled funds	3,944,244	4,228,230	3,660,259
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	532,741	571,098	494,384
Non GBP cash	3,116	3,340	2,892
Total change in assets available	**4,788,281**	**5,133,036**	**4,443,526**

Currency exposure - asset type	Asset value as at 31 March 22	Change to net assets available to pay benefits	Change to net assets available to pay benefits
		+7.2%	-7.2%
	£000's	£000's	£000's
Overseas equities	331,038	354,873	307,203
Overseas pooled funds	3,781,449	4,053,713	3,509,185
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	408,007	437,384	378,630
Non GBP cash	2,640	2,830	2,450
Total change in assets available	**4,523,134**	**4,848,800**	**4,197,468**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 23 £000's	Balance as at 31 March 22 £000's
Money market funds			
Northern Trust Sterling Fund	**AAAm**	12,295	8,615
SSGA Liquidity Fund	**AAAm**	0	0
Blackrock ICS	**AAAm**	43,648	2,072
Blackrock USD Government Liquidity Fund	**AAAm**	3,047	0
Aberdeen Sterling Liquidity Fund	**AAAm**	88	33,097
Goldman Sachs Liquid Reserve Government Fund	**AAAm**	17,481	11,246
Aviva Investors Sterling Liquidity Fund	**AAAm**	6,409	56,926
Federated (PR) Short-term GBP Prime Fund	**AAAm**	0	0
Deutsche Managed Sterling Fund	**AAAm**	3,923	7
HSBC Global Liquidity Fund	**AAAm**	0	23
LGIM Liquidity Fund	**AAAm**	28,043	32,847
Insight Sterling Liquidity Fund	**AAAm**	0	0
		114,933	**144,833**
Bank deposit accounts			
NatWest SIBA	**A+**	1,799	1,513
		1,799	**1,513**
Bank current accounts			
NatWest current account	**A-**	50	50
NatWest current account - Euro	**A+**	891	192
NatWest current account - USD	**A+**	651	10
Northern Trust - current accounts	**AA-**	8,214	8,825
Barclays - DTZ client monies account	**A+**	2,225	2,561
		12,032	**11,638**
Total cash and cash equivalents		**128,764**	**157,984**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund’s cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.
All financial liabilities at 31 March 2023 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:

Valuation of Assets:		assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)		4.5% p.a.
Rate of general pay increases:	Long term	3.9% p.a.
	Short Term	n/a
Assumed pension increases		2.9% p.a.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits

	31 March 23	31 March 22
	£m	£m
Present value of promised retirement benefits	-7,735.4	-11,778.8
Fair value of scheme assets at bid value	7,831.8	7,702.4
Net liability	96.4	-4,076.4

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 101% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	**% p.a.**
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	4.80%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current assets

	31 March 23	31 March 22
	£000's	£000's
Debtors		
- Contributions due - employees	4,759	5,039
- Contributions due - employers	16,541	16,376
	21,300	21,415
Sundry debtors	6,474	7,942
Total debtors	**27,774**	**29,357**
Cash	1,729	2,679
Total current assets	29,503	32,036

22. Current liabilities

	31 March 23	31 March 22
	£000's	£000's
Creditors		
- Benefits payable	17,746	15,631
- Sundry creditors	11,874	11,019
Total current liabilities	**29,620**	**26,650**

23. Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Utmost Life	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£000's	£000's	£000's	£000's	£000's	£000's
Value at 1 April	10,286	9,711	2,043	2,032	330	404
Value at 31 March	10,054	10,286	1,914	2,043	277	330
Contributions paid	2,309	1,762	186	120	3	1

24. Related Party Transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any transactions with the Fund.

	2022-23	2021-22
	£000's	£000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	83,624	79,585
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	4,118	3,910
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-6,934	-6,181

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2022-23 was the Director of Finance (and their interim whilst the Director of Finance was on maternity leave) and the Head of Pensions and Treasury (new post appointed February 2022)

Total remuneration payable to key management personnel is set out below:

	31 March 23	31 March 22
	£000's	£000's
Salary	303	164
Allowances	16	9
Other	0	0
Employer's pension contributions	58	37
Total	377	210

25. Contingent liabilities

There are no contingent liabilites as at 31 March 2023.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2023 totalled £386.82m (31 March 2022: £495.41m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

27. Contingent assets

41 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Glossary of terms

Agency

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget

A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure

Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts

Money obtained on the sale of a capital asset.

Derivatives

A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value

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. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants

Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets

Capital spend on items such as software licences and patents.

Local Authority Accounting Panel

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice and the Prudential Code.

Long-term debtors

Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure

This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non Delegated
Spend on Education Services which is not delegated to schools.

Precept

The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district councils collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board
A government controlled agency that provides a source of borrowing for public authorities.

Related party transaction

A related party transaction is 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.

Revenue expenditure

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

Revenue expenditure funded from capital under statute (Refcus)

Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants
See 'government grants'.

Support service costs
The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves

Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts
The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

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From: Ben Watts, General Counsel

To: Governance and Audit Committee, 23 November 2023

Subject: Annual Governance Statement 2022/23

Status: Unrestricted

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1. Introduction

a) There are many aspects to good governance within a local authority. Done properly, they are mutually reinforcing. The Code of Corporate Governance for example has its roots in financial governance but has wider implications. The Constitution as a document sets out the formal governance rules but also establishes side-constraints for the use of informal governance mechanisms. Even were the Annual Governance Statement not required by law, it would be a useful control mechanism and enable a full judgment to be made on whether the different components are working in an aligned way.

b) Since 2018, we have been materially changing the way that we do the Annual Governance Statement. The statutory officers, with advice from the Head of Internal Audit have been improving the way in which we collect responses and build up the Annual Governance Statement.

c) It is important that the Annual Governance Statement and the process to generate it are done in the spirit of continuous improvement. It is vital that an honest and open assessment of where things can be done better can be shared to support that improvement and we do so in draft to ensure that Members of the Committee are sighted on developments. We use the Annual Governance Statement as a key whole organisation discussion on governance and it applies to all Members and all Officers. The spirit in which this open process is undertaken is central to the robust statements we have provided in recent years and will continue to provide.

d) We are now in a position to present to you with the draft of the Annual Governance statement for 2022/23. At the meeting, there will be a presentation (which will be circulated to Members ahead of time) setting out progress on the consolidated action plan items which have been delivered or are being progressed currently.

e) We are self-aware in relation to the need to continuously improve both the way in which the Council operates and the way in which we manage and monitor that. That is an ongoing challenge and the way in which the statement is drafted and the information collated once again reflects the challenging operating position for the Council. The current programme is unprecedented and reflective of the commitment to continuously improve and to seek to address the challenges faced and key findings identified. As with previous years, some of that programme was already planned and contemplated but the statement is the annual recognition of the steps needed to improve and to bring that activity into a single coherent structure.

a) Subsequent to the Committee meeting, the General Counsel will arrange for a further draft to be prepared before the statement comes back in final form for approval from the Committee in January.

2. Recommendations

The Governance and Audit Committee is asked to:

a) NOTE and COMMENT on the draft Annual Governance Statement

3. Background Documents

None.

4. Report Author and Relevant Director

Ben Watts, General Counsel
03000 416814
benjamin.watts@kent.gov.uk

Kent County Council

Annual Governance Statement

2022/23

Kent County Council

Annual Governance Statement 2022/23

Purpose of Statement

The Annual Governance Statement (AGS) is a key document which provides Members and officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and activity within the Council.

This document is to support the continuous improvement of governance within the Council and requires on an open and honest assessment of and by those working within the system. To maintain that improvement, it is vital that there remains an open culture regarding the AGS and it is not weaponised to undermine its core purpose.

It is vital that the statement itself, the process to develop it and the political review and discussion of the statement are taken within the operating context of the organisation and the emerging opportunities, risks, and threats that the Council faces.

The AGS provides an overview of the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, the detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council is required to produce an Annual Governance Statement under the regulations issued by Government.

It is hoped that the reader will find this statement a thorough and honest account of the operation of Kent County Council's governance arrangements which highlights both strengths and the areas requiring further improvement. It is important to acknowledge that the authority's governance journey is perpetually ongoing, and this statement recognises the Council's position at a point in time.

In the spirit of seeking improvement, the statement naturally concentrates on areas for further improvement and development. Accordingly, by its very nature it reflects on things that can and should be done differently and contemplates the planned activity necessary to address the issues that have arisen. Importantly, the statement is about continuous improvement and provides challenge. It relies on transparent assessment and it remains important that all those playing a role in the Council's governance continue to openly discuss issues and challenges as they arise and that the Council maintains an environment where those discussions are encouraged.

The approach taken to the Annual Governance Statement by Kent County Council in recent years has been repeated and further extended this year. To that extent, there has been greater and broader testing across the Council through survey of those playing a role in supporting governance at all levels of the organisation. In giving up their considerable time to answer a more detailed set of questions than ever posed before, officers have provided a richer and far more granular view. That information is translated in this statement into further important activity for the year ahead to sit alongside the activities already in progress through the prior year's statement.

As with previous years, the Annual Governance Statement is informed by the Annual Audit Opinion and the outcome of audit and review activity.
The Governance and Audit Committee continue to play an important role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses.

Previous readers of the AGS will note that this year's statement does not include a detailed overview of the financial year in activity terms by each directorate. This repeats the practice of the last AGS in an effort on focusing on the areas of finding and activity.

This statement is required to reflect the position at point of signature and therefore reflects a range of activities and issues that fall in 2023/24 financial year. It is important to note though that whilst some of those significant issues that have arisen or been reported on during 2023/24 are contemplated as part of the ongoing work that we are doing, they will formally be reported as part of the next Annual Governance Statement.

Scope of Responsibility

Kent County Council is responsible for ensuring that services and operations are conducted in accordance with the law and proper standards. The authority has a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. There is also a duty to continuously review and improve the way we work whilst offering services that are efficient and provide value for money.

Kent County Council operates an Executive scheme of governance with major decisions taken by nine Cabinet Members and a Leader executing the policies and strategies supported by a majority of Members. Where there are powers and functions reserved to the Council, these are taken by or on behalf of the full Council. The County Council sets an annual budget which determines the resource available to deliver these decisions, strategies, and functions.

During the 2022/23 financial year, the Council voted to change the previous structure and create a Chief Executive role starting from July 2022 and which is referenced elsewhere as part of this statement.

What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises the systems, processes, cultures and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

Good governance is an essential part of local democracy and through the continued adoption of transparent processes Kent County Council will strive to ensure that strategies, policies, and operational matters are understood by Kent residents.

The Code of Corporate Governance

Kent County Council's Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this.

The Code follows the seven principles identified in 'Delivering Good Governance in Local Government (2016)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), as a best practice framework for local authorities.

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

All elected Members have an important role to play acting on behalf of the Council and their residents. Officers serve the Council as a corporate body rather than any political group, combination of groups or any individual Member.

Members and Officers have distinct codes of conduct, reflecting the legal differences between the two groups.

For Members there is the Kent Code of Member Conduct that is adopted under Section 27 (12) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution.

All employees are required to abide by the Code of Officers Conduct, declare personal interests which may conflict with KCC's own interests, and treat all colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice. KCC's Scheme of Delegation sets out the framework for how specific delegations are allocated to Officers.

Kent Council Council's Cabinet Committees are constituted of elected Members and are established as advisory Committees of the Executive. Cabinet Committees review most key decisions prior to their being taken, together with related matters affecting Kent or its residents, in the subject area covered by the Committee. The Council also has a Scrutiny Committee whose role is to scrutinise the actions and decisions of the Executive and a suite of other Committees which undertake specific functions on behalf of the Council. The remit and membership of each Committee is set out on the County Council's website.

The County Council has designated Officers to act as each of the following: Head of Paid Service (Chief Executive), the Monitoring Officer (General Counsel), the Section 151 Officer (Corporate Director of Finance), Director of Adult Social Services, Director of Children's Services, and Director of Public Health. Their functions are explained in KCC's Constitution.

The 2022/23 Annual Governance Statement seeks to bring the timetable for the AGS and delivery of actions back on track after the delayed process for 2021/22. As a result, the programme of delivery of the consolidated actions is over a shortened timetable to be completed by May 2024, with the next Annual Governance Statement following in draft in June 2024.

As part of addressing the AGS actions from 2021/22, the team supporting the General Counsel completed a research project with the objective of identifying areas for improvement in the decision-making process. To facilitate this work they undertook a series of activities including meetings with key stakeholders across the Council, a review of key decisions over the past two years, and analysis of the AGS survey responses from both Corporate Directors and Senior Officers. The findings of the project pointed to the need for a more streamlined, accountable and timely process for decision making.

Over the past couple of months work has begun on creating a new mechanism for decision making which utilises Microsoft's collaborative platforms and automated technologies to enhance efficiency and accountability for decisions.

The new mechanism will ensure that relevant stakeholders are notified of decisions at the earliest opportunity through the creation of a Decision-Making Screening Tool. Following an initial review, the key documentation will then be completed in a shared space to allow for greater collaboration between Democratic Services and Officers across the Council. Automated technologies will be utilised to track, monitor and report on decisions as they make their way through the process, as well as ensuring that appropriate advice has been received before progressing further.

The new mechanism will be tested and piloted over the coming months with the view to it going live in 2024-2025.

2022/2023 Operating Environment

In the 2021/22 Annual Governance Statement, it was recognised as being important to record the operating environment and context in which services were delivered and the AGS was drafted. That exercise is repeated in this statement.

The financial year 2022/23 was the most challenging operationally, strategically and fiscally in the Council's entire history. The financial year concluded with the Council ultimately having to utilise reserves after a significant overspend within the financial year as the risks previously identified in the Annual Governance Statement and elsewhere crystallised.

The Council, as with much of the sector, has experienced unprecedented service demand allied to inflationary pressures which spending has not keep pace with and representations were made by the Council to Government about the pressures within the system and within Kent specifically. The war in Ukraine coupled with global price pressures caused significant and immediate inflation which had a marked impact on the Council and saw increased energy and contract prices.

Within 2022/23, the Leader of the Council (alongside the Leader of Hampshire County Council) wrote to Government to set out the critical position of local government finances (the letter is attached to the AGS at Appendix 1). The financial pressures on the Council continue and have been expressly recognised in Securing Kent's Future, the Cabinet strategy paper published in October 2023.

During the relevant period there were two significant and material issues that arose, primary amongst which was the outcome of an Ofsted/CQC inspection into the local system (KCC with Health and other partners) regarding the services provided to children with SEND. Secondly, since the last Annual Governance Statement, there has been the issuing of further section 5 reports in relation to the breach of the Council's statutory duties regarding unaccompanied asylum seeking children.

The Council's position as a gateway authority brought additional challenges in relation to unaccompanied asylum-seeking children and a robust position was adopted by the Council. Copies of the respective section 5 reports are attached to this Annual Governance Statement at Appendix 3.

Ofsted and the CQC conducted a re-visit to Kent in September 2022 to assess whether the local area (KCC, NHS Kent and Medway, and local schools and settings) had made progress in addressing the areas of significant weakness identified in their inspection of the local area in 2019.

Following the 2022 Ofsted and CQC re-visit in September, their findings were published in November 2022. In March 2023, the Council received a letter from Claire Coutinho MP, Minister for Children, Families and Wellbeing, explaining her decision to issue an Improvement Notice. The letter set out a requirement for KCC and NHS Kent and Medway to develop a rapid improvement plan, called an Accelerated Progress Plan (APP). This was published in August 2023, outlining the changes and improvements to be made for each of the nine areas of weakness. Further information on this activity can be found at the following link: SEND Ofsted and CQC inspections - Kent County Council.

It is important to note that within the same year, KCC's children's services were rated "outstanding" by Ofsted following an inspection in May 2022, making Kent one of the best-performing councils in the country.

The Ofsted report, published on 5 July 2022, records the top score in 3 of the 4 categories and "good" in the fourth, with the overall effectiveness in providing children's services as "outstanding".

Elsewhere within the sector, government interventions, public interest reports and section 114 notices continued to occur with increasing pace as local authorities struggled under increasing pressures. Members and Officers were apprised of the key reports into other authorities to be sighted on the types of issues and activities that caused other local authorities to fall into significant difficulty.

Over the past decade, in real terms the Council's budget has significantly reduced whilst the demand from the public for support and services has significantly increased.

In previous years, this statement has warned about the impact of this gap and it is important that Members and Officers keep the reality of the operating environment of the Council and the sector at the forefront of their minds when prioritising activity and funding.

Local government needs to be seen in a national and international context with Kent County Council and its residents being impacted by events that may once have been considered exceptional but are now having to be factored in on a longer-term basis. Macro events have local impacts, and all tiers of local government are seeing ever more people turn to them for statutory and other services.

This statement concentrates on the things that can and should be done to make improvements and by its very nature focuses on things that are not operating well or where the realities of the operating environment have overwhelmed the way that things have previously been done.

The operating environment for the Council and its services is significantly changed and continues to dynamically adjust to the pace of activity, and the pressure to respond. Responding with agility, the Council has made improvements which have helped the Council avoid some of the more challenging, and headline grabbing, events at other Councils over the same period.

The combination of the wider operating environment and the cumulative impact of financial austerity on Councils since 2010 has produced significant governance challenges to the Council. Since 2019, the Council's Annual Governance Statement has charted the challenges, issues, and actions to ameliorate these things but the reality for all of local government is stark.

As such, with each passing year the proactive steps and activity delivered in seeking to manage the challenges increases. Following the agreement of the past year's statement, the Council's external auditor completed a Governance review, the outcomes of which are fed into the identified actions for the year ahead. A copy of their report which was discussed at Governance and Audit Committee is attached at Appendix 2. The recommended actions and comments demonstrate the importance of a candid and robust assessment through the Annual Governance Statement process.

It remains vital that the limited capacity of the Council is prioritised to the activities and challenges of greatest impact and importance to the Council.

Internal Audit – Annual Opinion

To be completed after Governance and Audit Committee, November 2023

Review of effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the General Counsel and the Governance, Democracy and Law division and has involved a range of different activities.

Over recent years the way in which this review has been conducted has materially changed as a result of conversations between the statutory officers and the Head of Internal Audit. This aligns with the earlier comments in the statement about the need to transform to meet the changing realities of the Council and its services. Accordingly, the static pro forma documents which sought narratives were replaced with questionnaires that sought direct answers and came from reviewing other arrangements in other authorities and the experience of the statutory officers and the input and advice from the Head of Internal Audit and his team.

This year that approach has been modified with a refreshed question set for Corporate Directors which implemented the recommendations from Internal Audit colleagues during last year's process. The position was further tested through a questionnaire sent to officers across the Council involved at an operational level in the delivery of governance. The responses have been triangulated with the experience of officers in Governance, Law and Democracy across the past year and the audit activity delivered and reported within the last eighteen months.

The additional questionnaires have been hugely helpful in providing granularity to inform some of the improvements that are planned for the year ahead and the significant number of officers who responded are thanked for their time and assistance in that survey.

As part of the actions from last year's statement, the General Counsel and his team have met with the Leader and Cabinet to discuss decision making, governance and the changes needed as a result of the operating environment. Again, as part of the actions from last year, the introduction to governance guide has been recirculated along with the development of a simple guide for decision makers. These have also been provided to new Members of Cabinet on appointment along with the offer of training and support.

The review has also reflected on conversations with the Leaders of Opposition Groups and non-executive Members throughout the year who have raised concerns, observations and issues.

The review has considered the Annual Opinion of the Head of Internal Audit, the audit reports and summaries that have been shared with statutory officers and has also included a review of key decisions taken within the relevant period.

Finally, the review has included a look at the best value/public interest/section 114 reports issued into or by other authorities to reflect on any learning necessary to prompt steps that can be taken now.

In most cases there had been positive action taken to increase awareness of governance processes and delegations. There were varying degrees of confidence that all layers of management understood governance requirements and/or knew which parts of the decision-making processes are underpinned by constitutional requirements.

While most of the respondents were confident that their staff understood obligations delegated to them, the responses indicated that there was inconsistency in the provision of guidance and training on delegations across the directorates.

Key Findings

1. **The vast majority of the Council's activity is delivered in accordance with the governance arrangements. The written governance of the Council (as amended throughout the period) has been tested and found to be fit for purpose. Activity in the main is delivered in compliance with the letter and spirit of the Council's agreed practices and procedures.**

2. **There is evidence of considerable commitment on the part of Officers and Members to deliver for the people of Kent but there needs to be reflection on the realities of the available resources and prioritisation of the same to concentrate on what is actually achievable in order to remain sustainable.**

3. **The Leader and Cabinet and the leaders of opposition parties should reaffirm the standards set out in the revised Code of Conduct and Member/Officer protocol and immediately challenge behaviour, examples of which are set out in the report, on the part of members of their groups which does not meet those standards.**

4. **Members noted and welcomed the Governance Review that was carried out by Grant Thornton and all Members will need to support the actions required to meaningfully respond to the recommendations.**

5. **The overheating mentioned in previous years has become a significant ongoing pressure in terms of meeting the statutory duties owed to individual residents and difficult decisions around prioritisation will need to be taken in order to ensure the effective provision of statutory services (see Section 5 Note below).**

6. **It is vital that Cabinet Members and Corporate Directors carefully and fully ensure that all relevant information and the full range of advice is in place and considered before taking decisions for which they are accountable. The Council needs to improve the way in which scrutiny of these decisions and activity is undertaken, recognising its importance and then delivering a meaningful and effective programme within the context of resources with balanced non-executive participation.**

7. **The Governance Review raised important issues about Member behaviour and warned of the impact of reputational and financial risks on the Council that inappropriate Member behaviour can bring. Securing Kent's Future signals some of the significant changes needed allied to the warning of the external auditor that difficult decisions must be taken to improve financial resilience.**

8. **The improvements to process recommended by Internal Audit in their report shared with the Committee on Budget savings must be tracked. This will address the highlighted key risks, improve the tracking of promised savings and ensure that decisions and delivery are in all cases realistic, planned and prioritised.**

9. **The governance of the Council is clearly framed by legislation and while there is a lot of flexibility, there is much that is defined and non-negotiable – the distinct roles of Members and Officers, the division between Executive and Non-Executive function. These need to be understood and all activities undertaken within these parameters. These parameters need to be seen as enabling rather than restricting, with greater effectiveness achieved where activity better matches role. This will ensure that difficult political decisions are taken and that they are informed by full and frank advice and then delivered effectively.**

10. **Accountable officers must urgently ensure that all relevant officers within their services are aware of their responsibilities relating to the financial regulations, financial management and the relevant constitutional and statutory provisions.**

11. **There have been a range of issues and complaints raised with the Monitoring Officer regarding the experience and feeling of safety for all Members and Officers at meetings of the Council and its Committees.**

12. **Further to the Governance Review, it is important that Members use the time in Committees and the available Officer capacity supporting that work to address the greatest priorities that the Council faces. Member behaviour and prioritisation in this regard must also be reviewed to avoid the challenges faced elsewhere.**

13. **Proper consideration of equality, diversity and inclusion is vital to ensuring that the Council delivers services that meet the needs of all of our residents, Members and staff.**

14. **Overall, the responses to surveys showed that whilst there were some actions outstanding, work had been undertaken to improve awareness and application of the Council's governance and Operating Standards since last year's AGS. There remain gaps which present risk and these will be addressed by the consolidated actions, steps undertaken by Corporate Directors and reviewed at the end of the current financial year.**

15. **As noted in Securing Kent's Future, in audit activity and during Governance and Audit Committee discussions on governance, the Council's corporate centre does not have the capacity to underwrite compliance with governance. The Council requires all officers and**

members to ensure and build good governance into all projects and activity and for compliance to be recognised and rewarded.

16. **The new questionnaire models provided rich data that will be used to inform and build solutions to support continuous improvement of governance. However, the Corporate Director Survey requires a revisit given the length and building on learning from this year. The candour of the responses is welcomed and demonstrates the significant operating challenges mentioned above.**

17. **Overall, the findings show a mixed picture of knowledge, awareness, and compliance in relation to Information Governance. The responses indicate a strong level of knowledge and compliance regarding data protection and the DPIA process. Awareness of records management practices is less consistent. There was a lack of detail on proactive steps taken regarding data breaches, suggesting that further steps could and should be taken.**

18. **With regards to Freedom of Information requests (FOIs) and Subject Access Requests (SARs), the Council needs to urgently improve compliance rates.**

Report of the Monitoring Officer

1. Section 5 of the Local Government and Housing Act 1989 designates the Monitoring Officer as having a range of responsibilities regarding the lawful conduct of the County Council. These responsibilities include a duty to provide a report to all Members in circumstances where a contemplated decision, act or omission by or on behalf of the Executive leads (in their view) to maladministration or a contravention of the rule of law. This statement has already addressed the issuing of further Section 5 reports within the relevant periods.

2. In any given year, there is always the possibility that circumstances lead to situations where the Council may be said or may be found to have acted contrary to its statutory duties without this having been done deliberately or with full awareness of this being the case. Where there are such decisions, there is always an impact on individuals or groups of individuals.

3. This report identifies the operating environment and the challenges faced by the Council and has referred to overheating throughout. The issuing of a Section 5 report is intended to be used only as a last resort. To mitigate the risk of needed to do so in the future, there are a number of matters that the Monitoring Officer wishes to record here, and which inform both the findings and the consolidated actions.

4. There continue to be at any given time, a number of people who are not receiving the services to which they are entitled. This is, in part an inevitability of the challenges faced or on occasion because of mistakes made. It is important to note that this not because of a deliberate decision to avoid providing the services although it is recognised that the genesis of this does not alter the effect felt.

5. Notwithstanding the efforts made within the resources available, in relation to the following areas the Council continues to face challenges in meeting duties in all circumstances:

    a. Deprivation of Liberty Safeguards
    b. Children presenting as in need within our area
    c. Services to Children and Young People with SEND
    d. Compliance with timescales for Education, Health and Care Plans, Freedom of Information and Subject Access Requests
    e. Use of unregistered placements for children

<u>Consolidated AGS Identified Actions</u>

Members will be aware that there was a range of very detailed activity identified in the prior year's AGS which have delivery plans through to March 2024 and a progress report against delivery of those will be taken to Governance and Audit Committee in November 2023 and March 2024.

Detailed below are the consolidated actions arising from this year's AGS and prior years.

1. **Member Roles within the Governance – Formal definition and training provided to all Members relating to the roles as set out in the constitution and at law of:**
    a. **Executive Members**
    b. **Non-Executive Members**
    c. **Opposition Members**
    d. **Officers**

2. **New mechanism for the development and delivery of key decisions, Officer decisions under delegation and papers for Committees to include:**
    a. **appropriate professional advice is sought and provided before the FED stage**
    b. **meaningful assessment of equality, diversity and inclusion impacts before FED publication**
    c. **reduced use of delegations for undefined purposes**
    d. **new timetable to allow for corporate review**

e. new templates for key decisions and papers to include advice on all options and costs (including commissioning and opportunity costs)
f. clear separation between advice from officers and decisions from and for politicians
g. redefined roles around responsibilities and accountability

3. **Further activity to review written governance:**
   a. Constitution
   b. Financial Regulations
   c. Contract Standing Orders
   d. Commissioning Arrangements
   e. Information Governance Policies and Procedures
   f. Refresh of Delegations and subsequent publication

4. **Where learning and development needs are identified for Members to address concerns in this statement, these will be developed through discussion with, and agreement of, the Member Development Sub-Committee of Selection and Member Services Committee.**

5. **An informal training session followed by a formal written report to Governance and Audit Committee on the lessons to be learned from reports into other authorities.**

6. **A review of the Decision-Making Activity for the relevant period to be presented by way of written report to Selection and Member Services and Governance and Audit Committee.**

7. **Refreshed Governance Training for relevant officers.**

8. **A report by the Monitoring Officer to the Standards Committee in relation to the framework of Member Conduct.**

9. **Development of a remodelled questionnaire for 2022/23 AGS in conjunction with Internal Audit building on the outputs from the experience this year to incorporate the learning and findings from Internal Audit reporting and the statutory officers' comments and input.**

10. **Report to the Scrutiny Committee on the development of the Committee and review of activity.**

11. **Detailed review of the operational level governance (arrangements for Officers) under 6.15 (b) of the Constitution.**

12. **Development of a Governance Delivery Plan following the Business Plan for each directorate and portfolio of activity to support planned activity and to ensure maximisation of resources and delivery of good governance as part of business planning.**

13. **Finalisation of detailed arrangements for operational level governance (arrangements for Officers and Members) pursuant to 6.15 (a) of the Constitution.**

14. **Redraft Terms of Reference for Cabinet Members Meeting and Corporate Board**

15. **Review of the Budget Setting Process**

16. **Establishment of Governance Working Party of Members to discuss the following recommendations from the Grant Thornton Governance Review and report back to Selection and Member Services:**

    a. **The future role of Cabinet Committees**
    b. **Consideration of an opposition Chair of Scrutiny**
    c. **Review of Call-In Procedures**

17. **Affirmation statement signed by Leader, Cabinet and Opposition Group Leaders regarding behaviour.**

18. **Member training on Equality, Diversity and Inclusion**

19. **Implement and enforce the corporate forward planning process to ensure all reports are timely and reviewed by Finance and Legal to ensure accuracy and rigour.**

20. **Roles which attract Special Responsibility Allowances are only held by members who have completed the required training and development for those roles.**

21. **Provide regular, focussed written and videoed Briefings for members on strategic risks, unforeseen events, best practice and opportunities for organisational and service improvement and transformation.**

22. **Development of an Information Governance Improvement plan for each directorate.**

23. **Establishment of “Governance Week” in November 2023.**

24. **It is proposed to secure expert facilitation to support a series of round table style discussion for Members to attend, exploring their unique role in Securing Kent’s future and within the Council’s governance. The focus will not be on the plan itself but rather the role members play now and next.**

Annual Governance Statement 2022/23 Conclusion

To be added after discussion with Governance and Audit Committee

Assurance Statements from Statutory Officers.

Signatory Section

On behalf of Kent County Council – signed on

By:	Jonathan Idle – Head of Internal Audit
To:	Governance and Audit Committee – 23 November 2023
Subject:	**REVISIONS TO INTERNAL AUDIT ROLLING INTERNAL AUDIT PLAN**
Classification:	Unrestricted

Summary:

This report details proposed additions and revisions to the current 2023/24 Rolling Internal Audit Plan.

Recommendation:

Members are requested to agree the revisions to the Rolling Internal Audit Plan.

FOR ASSURANCE

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1. Revisions to the Rolling Internal Audit Plan

1.1 As part of the Securing Kents Future paper taken to Cabinet on 5th October 2023, it emphasised the potential reprioritisation of planned audits to take into account this paper to support the organisation.

1.2 The Head of Internal Audit has reviewed the current coverage of the Internal Audit Plan and discussed potential revisions to the plan with Corporate Statutory Officers to support the organisation with its assurance needs during this challenging period.

1.3 Discussions highlighted the following audits for inclusion within the current Rolling Internal Audit Plan:

Audit	Directorate
Supported Living Payments	ASCH
No Recourse to Public Funds- Specific Case Review	CYPE
Re-letting of Key Contracts	ASCH
Income and Sales	Authority Wide
Ad-hoc reviews of Monitoring of Securing Kent Future Action Plan	CED
Data Quality - Lifespan Pathway - Risk of Overpayments Follow-up	CYPE
Compliance with Financial Regulations Follow-up	ASCH/ GET

1.4 Furthermore, reprioritisation to audits already identified on the Plan were discussed and the following will now be actioned as a priority 1 audit:

Audit	Directorate
Sundry Debt	Authority Wide
Budget Savings Follow-up	CED
Hospital Discharge Pathway	ASCH
Performance Management	Authority Wide

1.5 Based on the inclusion and reprioritisation of the above audits, it is proposed that the following audits are deferred and re-assessed as part of preparing the 2024/25 Rolling Audit Plan:

Audit	Directorate
Agency	Authority Wide
Business Continuity Planning	DCED
Contract Management	CED
Strategic Reset Programme (Governance)	DCED
Usage of Factoring Companies	ASCH
UK Resettlement Scheme	CED
Homes for Ukraine	CED
Local Transport Bus Market BSIP & Suitability of Public Transport	GET
School Themed Review	CYPE

1.6 The Rolling Internal Audit Plan coverage will remain under review for the remainder of the current financial year to ensure that the assurance needs of the Council at this time are met. Further amendments to coverage are currently being considered. Regular relationship management meetings will be held in conjunction with this and should any further revisions be required they will be reported to Governance and Audit Committee.

2. Recommendation

2.1 Members are requested to agree the revisions to the Rolling Internal Audit Plan.

3. Background Documents

2023/24 Rolling Internal Audit Plan.

Jonathan Idle, Head of Internal Audit

E: Jonathan.Idle@kent.gov.uk

T: 03000 417840

By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 23 November 2023

Subject: **INTERNAL AUDIT FOLLOW UP OF SEND TRANSPORT LESSONS LEARNT REVIEW**

Classification: Unrestricted

Summary:

This report is the outcome of the recent SEND Home to School Transport (HTST) Lessons Learned Follow Up review.

Recommendations:

The Governance and Audit Committee:

(i) **Note the outcomes from the SEND Home to School Transport Lessons Learned Follow Up review.**

(ii) **Consider whether there should be subsequent Follow Up reviews to the SEND Transport Lessons Learnt Review of September 2022.**

FOR ASSURANCE

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1. Introduction

1.1 The SEND Transport Lessons Learnt Review was completed and reported to the Governance and Audit Committee in September 2022.

1.2 The review was commissioned by the Corporate Statutory Officers (CSO's) - Chief Executive (Head of Paid Service when commissioned), General Counsel and the S.151 Officer - following significant and well publicised service failures in the redesign of Special Educational Needs and Disabilities (SEND) transport services and the adverse reputational impact upon and loss of confidence in Kent County Council.

1.3 The objectives of the original Review were:

"To independently review and assess the governance, consultation with parents, control, monitoring, oversight and decision-making arrangements in respect of the redesign of SEND Transport arrangements.

To ascertain the factors and underlying causes of "what went wrong" and to identify how Council services can better meet the transport needs of children with SEND, their parents and carers.

The review will form part of the Council's intention to identify the relevant factors that created the significant levels of distress and anxiety to SEND pupils and parents/carers so lessons can be learnt to ensure that a similar situation does not re-occur."

1.4 The original review, in conjunctions with the CSO's, focused its scope upon 11 principal areas:

- Impact upon Families and Children;
- Consultation Process with Parents, Carers and Kent PACT;
- Decision Making;
- Re-tendering and Contract Award Processes;
- Project Planning and Change Management Arrangements;
- Review of Risk Management and Assurances prior to Implementation;
- Communication Process with Parents, Carers and Kent PACT December 2021-March 2022;
- Review Effectiveness of Short-Term Remedial Actions from February 2022;
- Growth, Environment and Transport (GET) Directorate Governance Arrangements;
- Children Young Persons and Education (CYPE) Directorate Governance Arrangements; and
- Cross- Directorate Governance and Communication between GET Directorate and CYPE Directorate.

1.5 The original report included the following conclusions:

"This report in no way seeks to undermine the many hard working and committed officers who deliver services in challenging circumstances. This review has, however, highlighted serious flaws within the Council and if existing and longstanding governance arrangements contained both within the Council's Constitution and its agreed processes had been followed or complied with, then the service failure may not have occurred.

Specifically, if governance and processes relating to Key Decisions and associated Equality Impact Assessment, Project Management and the management of risk had been followed and raised with all appropriate parties and sections within the Council, then the impact upon children, parents and carers may not have occurred.

It is clear that the Council will continue to make significant financial decisions including the requirement for budget savings, however the precedence of good governance and the impact upon those who receive services must be at the forefront of all proposed decisions. Consequently, there now needs to be an increased emphasis upon a culture which ensures the consistent delivery of good governance at Kent County Council."

1.6 In meetings between the Head of Internal Audit and the Governance and Audit Committee during 2023, the importance of undertaking the Follow Up was emphasised by members.

1.7 The Follow Up of the review was, however, not actively encouraged by all senior management within the Council, in part due to significant other matters affecting Council service delivery needing to be addressed in 2023.

1.8 Nevertheless, it is absolutely a requirement of any organisation which aspires to good governance that a review of such magnitude should be followed up. Thus, for example, when Commissioners review Councils, it is highly probable that actions taken in relation to such a review would be requested.

1.9 It was decided that a "halfway house" would be for the Follow Up to not review all 11 areas from the original Review. Hence the Follow Up Review, as set out in Appendix A, focused only upon the following areas:

- Impact upon Families and Children (4 Lessons Learnt)
- Project planning and Change Management arrangements (6 Lessons Learnt)
- Cross-Directorate Governance and Communication between Childrens, Young Persons & Education (CYPE) and Growth, Environment & Transport (GET) (7 Lessons Learnt).

2. Summary of Findings

2.1 The review highlighted some improvements within the areas re-reviewed. The Follow Up has established that there are improved arrangements in relation to communication, collaborative working, reporting and oversight. This has enabled the SEND HTST service to return to business-as-usual, with good outcomes in terms of the provision of transport for September 2023.

2.2 The summary of implementation of Lessons Learnt is set out below:

- 5/17 **(29%)** management actions have been fully implemented.
- 11/17 **(65%)** management actions are in-progress or further embedding / ongoing.
- 1/17 **(6%)** lessons learnt is no longer considered relevant.

2.3 Additionally, further suggested improvements to further enhance delivery and oversight of the SEND HTST service were made.

2.4 Feedback to Internal Audit on the original review was that Management were not allowed the opportunity to respond to the findings. This was due to how the review was commissioned by the CSO's.

2.5 For the Follow Up Review, however, in addition to distribution to the CSO's, the draft report went to 7 senior managers within the two relevant Directorates with a request for one response.

2.6 At the submission deadline for this report to the Governance and Audit Committee, a partial response had been received but required additional information to cover gaps within it.

3. Recommendations

3.1 Members are requested to note the outcomes from the SEND Home to School Transport Lessons Learned Follow Up review.

3.2 Members to consider whether there should be subsequent Follow Up reviews to the SEND Transport lessons Learnt Review of September 2022.

4. Background Documents

Appendix A - SEND Home to School Transport Lessons Learned Follow Up report.

SEND Transport Lessons Learnt Review Report to GAC SEP 2022 (PDF)

Jonathan Idle, Head of Internal Audit

E: Jonathan.Idle@kent.gov.uk

T: 03000 417840

SEND Home to School Transport Follow Up RB13-2023

INTERNAL AUDIT REPORT

Release: DRAFT

Date: 13th October 2023

Head of Internal Audit: Jonathan Idle

Follow Up Summary

Background Information

The Council has a statutory duty to provide home to school transport services to facilitate attendance at school for eligible students. This is referred to as the 'Home to School Transport' (HTST).

Internal Audit were commissioned by the Corporate Officers of Kent County Council (KCC) to perform a Lessons Learnt Review on the Special Educational Needs and Disabilities (SEND) HTST service, following issues with the re-tendering of the SEND transport services in February 2022, which resulted in some students not having access to transport following the February 2022 half-term holiday.

It was agreed with the Governance and Audit Committee in May 2023 that a follow up review would be completed on the original Lessons Learnt Review and the focus of this follow up would be on the following workstreams:

1. Impact upon families and children
2. Project planning and change management arrangements
3. Cross-Directorate governance and communication between Childrens, Young Persons & Education (CYPE) and Growth, Environment & Transport (GET)

The aim of this follow up was to provide assurance to key stakeholders on the adequacy, effectiveness and progress of implementing the agreed actions arising from the three workstreams highlighted above.

It has been agreed that a coordinated joint response will be provided to the draft report by CYPE and GET.

The findings of this Follow-up review must be reported to the November 2023 Governance and Audit Committee.

Follow Up Conclusion

The follow up review has established that progress is being made to implement the agreed management actions from the original SEND HTST Lessons Learnt Review in relation to the following work streams:

1. Impact upon families
5. Project and change management
10. Cross-directorate governance and communication between CYPE and GET

A full summary of implementation of Lessons Learnt is set out below:

- 5/17 (29%) management actions have been fully implemented.
- 11/17 (65%) management actions are in-progress or further embedding / ongoing.
- 1/17 (6%) lessons learnt is no longer considered relevant.

Whilst some of the Lessons Learnt are still in progress, or being embedded into an ongoing arrangement, the follow up has established that there are improved arrangements in relation to resourcing, communication, collaborative working, reporting and oversight. This has enabled the SEND HTST service to return to business-as-usual, with good outcomes in terms of the provision of transport for September 2023.

A summary of the follow up outcomes is provided below, along with some suggested improvements to further enhance delivery and oversight of the SEND HTST service:

Status	1 – Impact on Families	5 – Project & Change Management	10 – Cross Directorate, Governance & Communication	Totals
Agreed Management Actions	4	6	7	17
Complete	1	3	1	5
In Progress	3	2	6	11
No Longer Relevant	0	1	0	1
Total Implemented	**25%**	**50%**	**14%**	**29%**

Impact Upon Families and Children

	Lessons Learnt	Current Status	Summary of Follow up Findings	Management Response, Owner & Implementation Date
1.1	Parent / Carer feedback should be used to inform management actions	**Complete**	There has been engagement and collaboration with parents and carers in response to the original SEND HTST retendering exercise and wider transport initiatives.	N/A
1.2	KCC should work together with Kent PACT, families and schools to restore trust and confidence in the Council.	**In Progress**	There has been a large amount of formalised activity to proactively communicate, engage and collaborate with key stakeholders in relation to SEND HTST. This will be an ongoing programme across all SEND programmes.	
1.3	For future projects, an impact (quantitative and qualitative) assessment to inform decision-making should be undertaken and reported to Members and Management	**In Progress**	An impact assessment on school attendance was completed after the initial SEND HTST retendering incident. The report to Cabinet concluded that there was no adverse impact reported on student's educational attainment. There has been no retrospective impact assessment completed on the original HTST retendering exercise in terms of DPIA, EQIA or transport journey times. An analysis of SEND HTST journey times is planned when the new route planning software is procured / implemented. An EQIA was completed on the 4-16 Home to School Transport Policy 2024-25.	
1.4	A range of mechanisms, including SitReps, to monitor and track pupils transport arrangements be	**In Progress**	There is a wide range of mechanisms in place to monitor and track delivery of the SEND HTST service. During the follow-up review, improvements have been suggested to enhance transparency on the fortnightly SitReps that have been	

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<td>established, deployed and maintained</td>
<td></td>
<td>introduced and increase transparency of tracking and monitoring of SEND HTST applications across both GET Client Transport and CYPE Transport Eligibility.

A large amount of student personal data is being shared between GET Client Transport and CYPE Transport Eligibility via email. Advice has been provided how to transfer student personal data more securely.

The transport information forms (TIF) received by GET Client Transport regularly contain data quality issues / errors, which can lead to processing delays.</td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>SEND HTST Data</td>
<td colspan="2">Since the original SEND HTST review, it has been confirmed that the numbers of students impacted by the HTST retendering exercise was as follows:

<table>
<tr><th>Date</th><th>Number of students not on transport</th><th>Percentage of total students</th></tr>
<tr><td>Total number of students on HTST</td><td colspan="2">5,455</td></tr>
<tr><td>14 February 2022</td><td>1,390</td><td>25%</td></tr>
<tr><td>21 February 2022</td><td>300</td><td>5%</td></tr>
<tr><td>23 February 2022</td><td>170</td><td>3%</td></tr>
<tr><td>25 February 2022</td><td>100</td><td>2%</td></tr>
</table>

Records reviewed during the follow up indicated that SEND HTST service resumed business as usual processing from week commencing 4 April 2022.</td>
<td>N/A</td>
</tr>
</table>

During the follow up, a review of the most recent SitRep identified the following:

SitRep (14 September 2023)	
Total number of eligible students	7,044
Number of students on hired transport	5,992
Total transport requests received since 1 April 2023	2,265
Total transport requests completed since 1 April 2023	2,062
Number of transport requests pending	203

The GET Client Transport Team are now fulfilling all HTST applications within 4 weeks of receipt.

The number of students on hired transport has increased by 537 since February 2022. This review has not examined the increase in numbers in detail as this is within the scope of the Council's SEND Transformation Programme and Scrutiny's Home to School Transport Short Focused Inquiry

At the time of follow up, there was only one complaint in progress in relation to the SEND HTST service.

	Further Management Actions Recommended by Internal Audit	**Management Response, Owner & Implementation Date**
1	To complete journey analysis time as planned when new route planning system is in place and report outcomes to key stakeholders	
2	Update SitRep reports to improve transparency on processing of transport applications across both CYPE Transport Eligibility and GET Client Transport	
3	To reduce the number of data quality issues reported on the Transport Information Forms	
4	To review how student personal data is shared between GET Client Transport and CYPE Transport Eligibility to optimise data security	

5. Project Planning and Change Management Arrangements				
Lessons Learnt		**Current Status**	**Summary of Follow Up Findings**	**Management Response, Owner & Implementation Date**
5.1	The Project Management Office (PMO) must be utilised for significant projects to ensure that adequate project planning, governance and oversight are undertaken	**CYPE** **In Progress**	CYPE do not currently have a dedicated project management resource. The lack of a dedicated project management resource within CYPE is considered to be a risk. However, a number of the CYPE priority projects are part of the Strategic Reset Programme, which does have available project management support. There is oversight of CYPE projects at the respective project boards.	
		GET **Complete**	GET have strong project management arrangements, resources and expertise in place, including a dedicated PMO. GET projects are tracked and monitored as part of routine project board meetings.	N/A
5.2	There should be consideration of a centralised PMO function for the whole of the Council as a means of ensuring consistency in the application of project management approaches and principles	**N/A**	There are no current plans across the Council to create a centralised PMO function.	N/A

5.3	There are a wide range of guidance and tools readily available to support officers in managing a project and these must be utilised where experience from the PMO is not utilised	**Complete**	All officers interviewed during the follow up review demonstrated a good understanding of the Council's project management approach and awareness of and willingness to utilise available tools and resources outside of their directorate's project management arrangements.	N/A
5.4	A DPIA must be undertaken for the procured system to understand whether there are any risks that the Data Protection Officer (DPO) needs to be aware of	**In Progress**	There was no DPIA completed in advance of the original SEND HTST retendering exercise in February 2022 and a DPIA has not been completed retrospectively. The Public Transport Manager and Assistant Director of Fair Access and (Interim) SEND Processes presented a business case to the Strategic Reset Programme (SRP) Board in May 2023, to procure an automated route planning software application. This business case did not include a DPIA, which was a contributing factor in the business case being rejected by the SRP Board. The follow up review has confirmed that CYPE and GET have the resources and expertise to complete DPIA's, with evidence that DPIA's are completed on other initiatives. Officer roles and responsibilities in respect of preparing DPIA's for future SEND HTST need to be clarified to avoid potential issues in the future.	

5.5	Risks for the project must be continually assessed from the outset of the project to full implementation which can be easily undertaken as part of development of a project risk register	**Complete**	There are strong risk management arrangements in place in relation to the SEND HTST service, including the maintenance of a comprehensive risk register and regular review and reporting to key stakeholders.	N/A

Further Management Action Recommended by Internal Audit		Management Response, Owner & Implementation Date
5	CYPE to review project management resources available	
6	To complete a DPIA on the procurement of the new route planning software application as planned	
7	Roles and responsibilities on the production of DPIA's in relation to future SEND HTST activities (including the planned software application procurement) to be formally clarified	

10. Cross-Directorate Governance Arrangements between CYPE and GET				
Lessons Learnt		**Current Status**	**Summary of Follow Up Findings**	**Management Response, Owner & Implementation Date**
10.1	Recognition of cross-directorate projects via the performance of an impact assessment in the early planning stages	**In Progress**	There has been good progress between CYPE and GET to identify numerous cross-directorate projects at the earliest interval. Improvements could be made to the Council's annual business planning process to identify and link cross-directorate initiatives / activities at the start of each financial year.	
10.2	A formal SLA between CYPE and GET, must be introduced including meaningful performance measures, which are subject to contract monitoring arrangements and robust escalation procedures where needed	**In Progress**	GET prepared the initial draft SLA in November/December 2022. A decision has been made to create a Memorandum of Understanding (MoU) in relation to delivery of the SEND HTST service, across CYPE Transport Eligibility and GET Client Transport. Despite the time lag of 18-months, the draft MoU is currently still being progressed by Commissioning and is due to be in place by the end of the financial year. In the meantime, the risks of not having a formal MoU in place are being effectively mitigated by good working relationships and regular communication between relevant officers. There is a clear consensus amongst relevant officers about what the MoU needs to include and the benefits of having this in place.	

10.3	Officer and Member accountability, roles and responsibilities on SEND Transport and future re-tendering exercises to be clearly defined	**In Progress**	A significant amount of work has been completed to agree and define officer and Member accountabilities, roles and responsibilities in relation to SEND HTST. Furthermore, a number of changes have occurred with key officer and Members involved in SEND HTST to provide more resource stability. Further work is needed to clarify the role and responsibility for preparing DPIA's on SEND HTST initiatives – see **5.4 Project Management.**	
10.4	To improve and formalise the communication between CYPE, GET and key stakeholders	**In Progress**	Communication between CYPE, GET and key stakeholders has vastly improved. The introduction of the MoU will formalise these communication arrangements. The HTST Board provides an effective and formal setting for all SEND HTST issues to be discussed. However, the minutes of the HTST Board meetings do not evidence that actions from the previous meeting are followed up / revisited.	
10.5	Future SEND Transport re-tendering exercises to be managed as a cross-directorate initiative and in accordance with the Council's Constitution and project management methodology	**Complete**	A decision has been made not to complete a whole market SEND HTST retendering exercise again in the future. An agreed retendering strategy has been published as part of the as part of the [4-16 Home to School Transport Policy 2024-25]().	N/A

10.6	To review communication of transport requirements between CYPE and GET, including the transport information forms and the transition year 6 to year 7	**In Progress**	Data analysis identified that there are delays in the Transport Information Forms (TIFs) being received by CYPE Transport Eligibility, assessed and then forwarded to GET Client Transport Team. This is likely to be due to transport applications being prioritised according to the date transport is needed by. However, there was no evidence during the follow up that there is routine tracking and monitoring of transport applications from initial receipt by CYPE Transport Eligibility to transport being arranged by GET Client Transport. The Transport Information Forms (TIFs) prepared and sent to the Client Transport Team regularly include data quality issues / errors, which can cause delays in transport being arranged.	
10.7	CYPE and GET to operate collaboratively in order to deliver the Council's statutory duty for SEND Transport	**In Progress**	CYPE and GET are working effectively together in collaboration to deliver the Council's statutory duty in respect of SEND HTST. This is evidenced by the monthly HTST Monitoring Board meetings, fortnightly in-office working between GET Client Transport and CYPE Transport Eligibility to coordinate current bookings, SitReps and monthly client liaison meetings between GET & CYPE.	

			See 10.4 above. The introduction of the MoU will formalise this collaboration.	
Further Management Action Recommended by Internal Audit				**Management Response, Owner & Implementation Date**
8	To clearly link cross-directorate activities / initiatives on the Council's annual business plan			
9	To implement the Memorandum of Understanding as planned			
10	Ensuring actions from HTST Board meetings are followed up / revisited at the start of the next available meeting			
11	To introduce monitoring, tracking and reporting of SEND HTST transport applications across both CYPE Transport Eligibility and GET Client Transport			
12	Include budget monitoring reports as a standing agenda item on the SEND HTST Board meetings			

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