GOVERNANCE AND AUDIT COMMITTEE

Thursday, 12th December, 2024

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

Kent County Council
kent.gov.uk

AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 12th December, 2024, at 10.00 am		Ask for:	**Ruth Emberley**
Council Chamber, Sessions House, County Hall, Maidstone		Telephone:	**03000 410690**

Membership (13)

Conservative (8)	Conservative (7)	Mrs R Binks (Chairman), Mr T Bond, Mr N J D Chard, Mr P C Cooper, Mr O Richardson, Mr S Webb and Vacancy
	Independent (1)	Mr M Whiting
Labour (1)		Mr A Brady
Liberal Democrat (1)		Mr C Passmore (Vice-Chairman)
Green and Independent (1)		Mr M A J Hood
Independent Members (2)		Ms C Black and 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 12 November 2024 (Pages 1 - 16)

5. Verbal update on Committee Business (Pages 17 - 22)

6. External Audit - Audit Findings for Kent County Council (Pages 23 - 82)

7. Kent County Council Statement of Accounts (Pages 83 - 278)

8. External Audit - Audit Findings for the Kent Pensions Fund (Pages 279 - 314)

9. External Audit - Annual Auditors Report

10. Treasury Management Mid-Year Update (Pages 315 - 336)

11. Council's Governance in Relation to Wholly Owned Companies

    To Follow

12. Other items which the Chairman decides are urgent

Exclusion of the Press and Public

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

13. Legal Update

    To Follow

Benjamin Watts
General Counsel
03000 416814

Wednesday, 4 December 2024

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 Tuesday, 12 November 2024.

PRESENT: Mrs R Binks (Chairman), Ms C Black, Mr A Brady, Mr N J D Chard, Dr D Horne, Mr M A J Hood, Mr C Passmore (Vice-Chairman), Mr O Richardson and Mr S Webb

ALSO PRESENT: Mr D Watkins, Mr H Rayner, Mr P Oakford

IN ATTENDANCE: Mr J Idle (Head of Internal Audit), Mr J Flannery (Counter Fraud Manager), Mr M Scrivener (Head of Risk and Delivery Assurance), Mr M Rolfe (Head of Community Protection) Miss K Reynolds (Governance Advisor), Mr J Betts (Interim Corporate Director Finance), Mr T Carty (Head of Facilities), Mr R Smith (Corporate Director for Adult Social Care), Ms P Parker (Head of portfolio Management), Ms S Hammond (Corporate Director, Children, Young People and Education, Mrs C Maynard (Head of Commercial and Procurement Division), Ms K Smith (Commercial Policy and Governance Officer), Mr P Dossett (Grant Thornton), Mr P Williams (Grant Thornton), Ms E Summers (Auditor), Ms K Herbert (Auditor), Ms D Chisman (Audit Manager), Ms M Stewart (Principal Auditor), Mr R Benjamin (Principal Auditor), Ms H Savage (Democratic Services Officer) Miss R Emberley (Democratic Services Officer).

VIRTUAL ATTENDANCE: Mr B Watts (General Council), Mr D Jeffrey, Mr R Smith (Principal Auditor), Miss K Babb (Executive Officer to Rebecca Spore)

UNRESTRICTED ITEMS

240. Apologies and Substitutes
(Item 2)

Apologies for absence had been received from Mr M Whiting, Mr P Cooper and Mr T Bond.

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

In relation to Item 11 (External Audit Progress Report and Sector Updates), Mr S Webb declared that he was in receipt of a Kent Pension.

242. Minutes of the meeting held on 9 October 2024
(Item 4)

RESOLVED that the minutes of the meeting held on 9 October 2024 were a correct record and that a paper copy be signed by the Chairman.

243. Verbal Update on Committee Business

(Item 5)

1. The verbal update was delivered by the Governance Advisor, Ms Katy Reynolds.

2. The key points from the update included:

    a) It was confirmed that the verbal update would be a standing item on the agenda.

    b) A brief introduction of the action tracker was provided. It was confirmed the tracker would follow on from the minutes of each meeting, to allow Members to check on the progress of requests made to relevant officers.

    c) It was confirmed that two further actions had been completed. The actions were assigned to Mr Ben Watts and Ms Amanda Beer in relation to further information being provided to the Committee, which had been shared via Email and the Microsoft Teams internal site.

    d) Further to a previous request, reference numbers had been assigned to actions, although this was not included on the most recent published items, however the Microsoft Teams site had been updated to reflect this.

    e) A dashboard had been created and would be maintained to show Members what actions had been completed.

    f) The Members thanked Miss Reynolds for all of her hard work on this item.

3. RESOLVED to note the verbal update on Committee Business.

244. Verbal Update on Corporate Risk Register

(Item 6)

1. The update was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.

2. The key points from the update included:

    a) It was confirmed that a formal review of the Corporate Risk Register involving the Cabinet Members and Corporate Management Team would take place in Autumn and then following the review, a full report of the changes, along with a detailed register, will be presented to the Committee for assurance in January 2025.The risk relating to unidentified reinforced autoclave aerated concreate in schools and corporate estate was descaled to Infrastructure divisional risk register.

    b) A new risk will be added relating to the Oracle Cloud Programme. It was confirmed that this was a large and complex programme which carried significant inherent risk, in addition to reports in the public domain concerning some implementation problems faced by other Councils. It was confirmed by Officers that a more detailed report on the Oracle Cloud Programme would be considered as part of the agenda setting process.

c) The capacity to care for, and accommodate, unaccompanied asylum seeking children had previously been reported on during the July Committee. At that time, it was confirmed that the risk had reduced from the maximum rating down to a lower risk point, although still high. Following on from recent discussion, it was suggested that the risk had reduced even lower due to additional funding agreements being in place as well as accommodation and some improvement in the operation of the National Transfer Scheme.

d) Significant Failure to bring Forecast Budget Overspend under Control within Budget Level Assumed remained at a maximum level. Scrutiny Committee had considered the quarter 1 Revenue and Capital Budget Monitoring Report in a recent meeting.

e) The introduction of the EU's Entry Exit System (EES) had been delayed with uncertainty around the future implementation date.

f) An inspection took place by the Care Quality Commission on the 30 September 2024 and the report was yet to be received, although it was suggested that the risk be removed in its current form and consideration be given to how the Council adjusted to being a regulated service and any risks associated with that.

g) Two risks were brought together around SEND (financial and practice improvement) although a discussion would take place with Corporate Board as to whether these two elements should be separated out into two risks.

h) The Chair suggested that Members receive a briefing on one or two of the risk areas highlighted during the item. The Chair would discuss this further with the Head of Risk and Delivery Assurance.

3. RESOLVED to note the progress update on the Corporate Risk Register.

245. Annual Governance Statement

(Item 7)

1. The item was introduced by the General Counsel, Mr Ben Watts and included a PowerPoint presentation, which was presented by Governance Advisor, Ms Katy Reynolds.

2. The PowerPoint presentation can be found here: GA AGS Update - 12 November 2024.pdf

3. In answer to question and comments from the Members, it was said that:

    a) The Annual Government Statement is a document which supports the continuous improvement of governance within the Council. The final draft of the document, to be considered at the 12 December 2024 meeting of the Governance and Audit Committee, would include a more digestible ‘Executive Summary’ section. There was ongoing work to ensure that the Statement was presented in a way in which the Committee could more easily compare the document to prior years’ Statements.

b) There would be noticeable improvements as a result of completing some of the actions contained in the Annual Governance Statement and whilst some of the impacts could be measured and quantified, it was not possible to do this for some actions.

4. In reply to a direct question from a Member, Mr Dossett answered that the principles in which the Council put together the Annual Governance Statement, were sound and encouraged a willingness to reflect on progress and changing direction, where necessary. He confirmed that more in-depth comments would be made at the next Governance and Audit Committee meeting, when the final report would be submitted.

5. RESOLVED to note the Annual Governance Statement.

246. Internal Audit Progress Report
(Item 8)

1. The report was introduced by the Head of Internal Audit, Mr Jonathan Idle.

2. In answer to questions and comments from Members, it was said that:

    a) External work was undertaken for two main reasons: first to bring in extra income to the Council as reference in the Governance report at the July Governance and Audit Committee meeting and second it is an important part of retaining good quality staff by providing developmental opportunities.

    b) In relation to management actions following Internal Audit reports the information was shared during the September Committee meeting by the Chief Executive. The implementation levels were previously highlighted in the July Committee meeting and since then input towards assisting Directorates and monitoring had increased. Ongoing monitoring continued to take place and the next full report would be in January 2025.

    c) Entry and Exit System report was in draft form and would be updated and brought to the Committee now that final discussions had taken place.

    d) In relation to the issue surrounding Internal Audit (Counter Fraud separate) capacity and workload, at present no business case had been put forward to support the employment of new staff

3. In relation to the Direct Payments audit report, Mr Richard Smith (Corporate Director of Adult Social Care and Health) confirmed that he, Mr Idle and Mr Albiston (Director of Adult Social Care and Health) agreed that the report was accurate and provided a fair and balance response to the audit. In relation to

the issue surrounding staffing, he confirmed that the staffing level present in his teams were under resourced.

4. Mr Smith commented that direct payments provided a better outcome for people by allowing them a greater level of control and this reflected in a reduced number of safeguarding responsibilities.

5. Ms Paula Parker (Head of Portfolio Management) provided a further update of actions since the audit; she commented that work had started on updating the Direct Payments policy, with a view to coproduce it alongside with those people who use and benefit from it. Part of this would include obtaining feedback from the individuals who were in receipt of the direct payments.

6. Ms Parker acknowledged the pressures within the Adult Social Care team's staffing and confirmed that the department was about to mobilise a new contract for the Kent Card and resources around supporting the work for this, would need to be managed. She confirmed that 94% of reviews conducted by her team were currently up to date.

7. The Cabinet Member for Adult Social Care and Public Health confirmed that Direct Payments were a regular item in the Directorate meetings. The policy on direct payments and accompanying forms (which potential users are required to complete) are complex and additional thinking was required to make a step change. He confirmed that considerable time had been spent on this.

8. The Interim Corporate Director for Finance replied to an earlier suggestion made by a Member, that the implementation of recommendations should be a standing item; he commented that monthly meetings took place and that the Internal Audit Team look comprehensively at how a recommendation had been implemented. By way of a compromise, it was suggested that a report could be made available to the Committee every 6 months as a way forward.

9. In reply to a Member's comment, Mr Smith stated that financial constraints and the operational environment required the directorate to be transformational in delivering their work and whilst he acknowledged the target was ambitious, Kent remained above the national average. Trends indicated that direct payment funds are decreasing and so the emphasis was on preventative work, rather than working with people at the point of crisis. Direct payments were considered in a wider context, often along some colleagues in other directorates.

10. In reply to a Member's comment, Mr Smith commented that the service would be looking to maximise the use of AI (Artificial Intelligence) where appropriate, but this would be fine balance as previous feedback indicated that service users preferred face to face engagement.

11. In response to a question by a Member, Ms Melisa Stewart (Principal Auditor) commented that the sample size varied, depending on the grant requirement. It also depended on the sampling methodology used.

12. In answer to a Member's question, Mr Idle stated that it was dependent on the size of grant and requirements of relevant Government Department as to whom signed off the recommendations. In some cases, this was the relevant Corporate Director, in others it could be the Section 151 Officer.

13. In answer to the Chair's question regarding the Entry Exit System and the utilisation of reserves (page 33 of the Audit report) the Interim Corporate Director for Finance acknowledged the Council's reserves were not at a level they wanted, however, it also needed to be accepted that the reserves could be utilised for reasonable reasons.

14. In reply to a Member's question regarding the Entry Exit System, Mr Rayner (Deputy Cabinet Member for Finance) indicated that the report was prepared at a specific point in time and it was his understanding that the system had been indefinitely postponed, however, as things have now moved on, the Council needed to wait for further information regarding the intention of the path of the Entry Exit System in the way that the strategy is implemented.

15. It was pointed out by a Member that some reports did not contain dates to indicate whether they were the most up to date version of the document and it would be helpful if these could be included as matter of course.

16. RESOLVED that Members noted the Internal Audit Progress report for the period of July 2024 to November 2024.

247. Counter Fraud Progress Report

(Item 9)

1. The Counter Fraud Manager, Mr James Flannery, introduced the report.

2. The Interim Corporate Director for Finance commented that at present, for each occasion fraud was identified on a grant claim, this expenditure could not be claimed back from central government. This was currently being raised with the highest level with the Cabinet office and the specific government departments.

3. In answer to a question raised by a Member, the Counter Fraud Manager stated that in the department's communications with management, they sought to obtain assurance that they conducted relevant checks to identify any further similar case in order to look for lessons learned.

4. Mr Brady requested that his thanks to the Counter Fraud Department be recorded.

5. In response to a Member's comment, the Counter Fraud Manager clarified that the referrals from districts were primarily in relation to the misuse of Blue Badge referrals and the information that the Committee was presented with in relation to the Kent Intelligence Network, is not comprehensive enough to accurately reflect the level of referrals by district.

6. The Deputy Cabinet Member for Finance raised the Committee's awareness of an organisation called CIFAS (Credit Industry Fraud Advisory Service) and highlighted their ability to report mortality figures. He asked for the Counter Fraud Manager's views on the Council becoming a member.

7. It was commented that although the Council was not a member of CIFAS, it did not stop the communication the Council had with them via the Fighting Fraud and Corruption Locally network. Mr James Flannery explained that the

department attended joint meetings with CIFAS in order to understand their impact on the local authority. The Tell Us Once service run by the DWP (Department of Work and Pensions) is fed into local authorities and part of this included relaying mortality data. The National Fraud Initiative hub which also provided a mortality screening tool and the Kent Intelligence Network were looking at a subscription.

8. RESOLVED that Members noted the Counter Fraud Progress Report for 2024/2025 and reported irregularities form April 2024 to 30 September 2024.

1. RESOLVED that Members noted the progress of the Counter Fraud Action Plan for 2024/2025.

248. Covert Enforcement Techniques
(Item 10)

1. The report was introduced by the Head of Community Protection, Mr Mark Rolfe.

2. The Interim Head of Community Protection drew the Members' attention to the fact that the use of Covert Techniques for 2023/2024 focused on telecommunications data and not on the use of covert surveillance or covert human intelligence sources. The use of these techniques was determined by the ongoing operations.

3. It was confirmed that officers had access to a wide range of overt techniques and the evident lack of use of the covert range demonstrated that officers did not use the intrusive techniques as a matter of course but considered all available options.

4. The most serious cases are currently within the Crown Court processes, where there are significant delays. Updates would be shared with the Committee when they are available.

5. RESOLVED Members noted the assurance of the use of covert investigation techniques during the period and endorsed the policy in relation to their use.

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

1. The report was introduced by Mr Paul Dossett of Grant Thornton UK LLP.

2. Mr Paul Dossett confirmed that the external auditors were on track to bring the Audit Findings report for Kent County Council and the Kent Pension Fund to the 12 December Governance and Audit meeting, as well as the Auditors' Annual report and confirmed that this should navigate the backstop.

3. RESOLVED Members considered and commented on the report and sector update.

250. Other items which the Chairman decides are urgent
(Item 12)

There were no other items.

251. Internal Audit Progress Report - Exempt Report
(Item 13)

1. The Head of Internal Audit introduced the summaries of completed Audit reports between for the period July 2024 to November 2024. The two exempt audits (RB18-2024 – Loans to Schools and RB37-2025 - Facilities Management (DRAFT)) were detailed and updates were provided to Members. It was confirmed that advice had been taken from the General Counsel in relation to the exemption criteria for these audits.

2. In answer to questions and comments from Members, it was said that:

    a) In relation to Loans to Schools, the Deputy Cabinet Member and the Area Education Officer highlighted that the issues raised in relation to RB18-2024 – Loans to Schools were based on historic cases, and that progress had been made in preventing such issues occurring in future.

    b) The Area Education Officer commented that the prospect for improvement had been rated as 'Good' due to the current systems and structures in place.

    c) The Corporate Director for Children, Young People and Education, confirmed that policy had been updated and amended. The areas for development which had been identified were historic cases but will be revisited and an update to the Committee would be provided.

    d) The process that schools go through when they apply for a loan was explained to the Members for provide context.

    e) A comprehensive suite of documents referred to by Internal Audit in the key strengths section, and further information on current loans would be provided to Members outside of the meeting.

    f) In relation to Facilities Management, the Head of Facilities, addressed questions from Members. He confirmed that a contractor must pay within 30 days and that there was scope for improvement in this area, as highlighted in the payments monitoring section of the audit report.

    g) The Head of Facilities explained that in terms of variable services and value for money, every contract that receives a quote is evaluated by the Contracts Team and the department was working towards putting in place a more formal consistent process.

    h) In answer to a Member's question regarding the dip testing methodology used, the Head of Facilities explained that every month, as the part of the Key Performance Indicator (KPI) the Technical Service team will dip test contractors' compliance by checking that the contractor has carried out the correct level of service to every service request from the helpdesk

    i) Due to the rising rates for labour, there are increased levels of quotes being submitted into the team for consideration and so due diligence had increased.

3. RESOLVED Members noted the Internal Audit Progress report for the period of July 2024 to November 2024

252. Counter Fraud Progress Report - Exempt Report
(Item 14)

The report was presented by the Head of Internal Audit, Jonathan Idle.

1. It was explained that within the Counter Fraud Progress Report, in the main agenda and the Annual Counter Fraud Report, presented and discussed at the May 2024 Governance and Audit Committee, that over the last 18 months, there had been significant increases in referrals to the Counter Fraud services of potential fraud, loss or irregularities

2. Mr Idle stated that the Counter Fraud Team could be considered 'a victim of its own success', examples of this included the awareness work undertaken in relation to Blue Badges and No Recourse to Public Funds, which have had extensive work in raising the profile of fraud risks and consequently led to increased referrals.

3. Members were also reminder of new legislation that there is a duty to prevent fraud.

4. In answer to questions and comments from Members it was said that:

    a) Savings were difficult to quantify, however, over the past three years significant amounts of work had predominantly gone into civil recovery but also the criminal element.

    b) Another example provided was from investigating an invoice in relation to a supported living provider. From a financial cost benefit point of view it was the referrals for supported living which took significant amounts of time to conduct but could provide the greatest financial saving for KCC.

    c) Members raised the notion that if minor fraud is identified and stopped then there was a potential that this would reduce the spread of more significant fraud, therefore, it would be preferable to see a written cost to benefit and if there was a significant financial saving and return to be made from on moving the outlined investigations to other departments, then the relevant Cabinet Member should be made aware.

    d) The Deputy Cabinet Member for Finance confirmed that he would be content to take a resolution from the Committee. It was agreed that the Chair would draft a written memorandum to the Executive, on behalf of Governance and Audit Committee, which would set out their concerns and emphasise the need to support internal audit teams in a cost effective way and maintain an appropriate level of support.

5. RESOLVED that the Chair will write a memorandum to the Executive, on behalf of the Governance and Audit Committee, setting out the Committee's concerns and emphasising the need to support internal audit teams in a cost effective way whilst maintaining an appropriate level of support.

253. Update from the Commercial and Procurement Oversight Board
(Item 15)

1. The item was presented by the Head of Commercial and Procurement Division, Ms Clare Maynard.

2. In answer to Members' comments and questions it was confirmed that:

    a) Tiered contracts were there to ensure the contract specifications were correct and not over estimated.

    b) It was confirmed that in the 12 months CPOB had been established significant saving had been made.

    c) It was explained that the commissions cycle looked at procurement in flight and a separate committee looked at the gold and silver tier projects.

    d) The Contract Management Review group was responsible for identifying the savings by targeting the contracts before the time came for renewal.

3. RESOLVED Members considered and noted the report.

254. Legal Update
(Item 16)

1. The update was presented to the committee by General Counsel, Mr Ben Watts.

2. Mr Watts provided the Committee with an update in relation to legal spend on complaints and some of the issues involved. He also advised Members of a more in-depth update following a review of prior issues advised to the Committee that would come to the next meeting.

3. RESOLVED Members noted the legal update.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Governance and Audit Committee Action Tracker

G&A Reference Number	Meeting Date	Minute No.	Agenda Item/Subject	Action	Responsible Officer/Area	Status
GA001	23 July 2024	222.6.a	Internal Audit Annual Report 2023-24	A progress report from management on the implementation of the agreed management actions would be presented at the next meeting.	Ben Watts	This report was considered by Members at the 9 October 2024 meeting of the Governance and Audit Committee.
GA002	23 July 2024	223.4	Risk Management Verbal Update	Committee's tracking of the risk relating to the Council's financial position would be considered as part of the agenda setting process.	Mark Scrivener John Betts	This was discussed at the agenda setting meeting for 12 November 2024. It was agreed that further discussions were required to determine what information could be shared and the most appropriate way to share the information to Members.
GA003	23 July 2024	225.2.b	External Audit Progress Report and Sector Update	Members would receive an update on the Council's progress towards addressing the	Ben Watts John Betts	Completed. This report was considered by Members at the 9

				recommendations outlined in the previous year's VFM findings.		October 2024 meeting of the Governance and Audit Committee.
GA004	23 July 2024	225.2.c	External Audit Progress Report and Sector Update	The Committee's role in relation to the Council's productivity plans would be considered as part of a review of the Committee's Terms of Reference.	Ben Watts Katy Reynolds	This will be reviewed by December 2024.
GA005	23 July 2024	222.6.b	Internal Audit Annual Report 2023-24	Following a request for clarification regarding contract management (and the Council's governance in relation to wholly owned companies), it was agreed that a paper providing further information would be considered as part of the agenda setting process.	Ben Watts	This has been added to the Governance and Audit Committee agenda for 12 December 2024.
GA006	23 July 2024	222.6.c	Internal Audit Annual Report 2023-24	Further clarification regarding the Internal Audit process in relation to advisory and follow-up audits would be provided to the Committee.	Jonathan Idle	Completed: Further information provided to the Governance and Audit Committee via email on 13 August 2024.
GA007	9 October 2024	230.7.c	Internal Audit Management	It was agreed that a final report be provided before	Ben Watts Amanda	This item has been tentatively added to

			Actions Update	the end of the current administrative cycle (before end of March 2025)	Beer	the 20 March 2025 Governance and Audit Committee agenda.
GA008	9 October 2024	230.7.b	Internal Audit Management Actions Update	The latest compliance figures will be uploaded to the Teams site before the Governance and Audit Committee meeting on 12 November 2024.	Ben Watts Amanda Beer	Completed: Compliance figures uploaded to Teams site on 8 November 2024. An updated position will be added to the Teams site once available and reported to GAC in January.
GA009	9 October 2024	230.4	Internal Audit Management Actions Update	Training on the audit process and how audits are built will be developed for Committee Members as part of the revised induction programme to be launched in 2025.	Jonathan Idle	The induction programme for 2025 is currently in development.
GA010	9 October 2024	230.7.b	Internal Audit Management Actions Update	A detailed version of Appendix 1 would be circulated to the Committee via the Teams site ahead of the Governance and Audit Committee on 12 November 2024.	Ben Watts Amanda Beer	Completed: Detailed version of Appendix 1 circulated to the Governance and Audit Committee via email on 8 November 2024

GA011	9 October 2024	234	Progress Update on the Grant Thornton Value For Money Recommendations	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts John Betts	This item has been tentatively added to the 20 March 2025 Governance and Audit Committee agenda.
GA012	9 October 2024	231.2.m	Annual Customer Feedback Report 2023/24	The Committee would be provided with further details regarding the legal costs of complaints for 2023/24	Ben Watts	Completed: This was discussed with the Committee during the Legal Update Item on 12 November 2024.
GA013	9 October 2024	237.1.b	Audit Backstop and Revised Date	Ahead of the Committee's consideration of the accounts, training would be provided to the Committee on how to effectively read the accounts.	John Betts Cath Head	
GA014	12 November 2024	244.2.h	Verbal Update on Corporate Risk Register	The Chair suggested that Members receive a briefing on two of the risk areas highlighted during the item. The Chair would discuss this further with the Head of Risk and Delivery Assurance	Mark Scrivener/ Chair	This will be discussed as part of the agenda setting process.
GA015	12	251.2.e	Internal Audit	School Loans Information:	David Adams	Completed: This

	November 2024		Progress Report – Exempt Report	A comprehensive suite of documents referred to by Internal Audit in the key strengths section, and further information on current loans would be provided to Members outside of the meeting.		information was provided to Members via Teams on 19 November 2024.
GA016	12 November 2024	251.2.c	Internal Audit Progress Report – Exempt Report	RB18-2024 – Loans to Schools: The Corporate Director for Children, Young People and Education, confirmed that policy had been updated and amended. The areas for development which had been identified were historic cases but will be revisited and an update to the Committee would be provided.	CYPE	

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From: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 12 December 2024

Subject: Audit Findings Report for Kent County Council

Status: Unrestricted

Summary: The Audit Findings Report for Kent County Council sets out the opinion of the External Auditor on the Council's financial statements. The Governance and Audit Committee has the responsibility of receiving and reviewing this report.

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1) Introduction

a) Under the International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Appointed Auditor, Grant Thornton UK LLP, are required to issue as opinion as to whether:

- Kent County Council's financial statements give a true and fair view of both the financial position and the income and expenditure for the year; and
- Have been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

b) The External Auditor is also required to report whether other information published together with the audited financial statements is materially inconsistent with the financial statements and/or whether information obtained in the audit or otherwise appears to be materially misstated.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;

ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and

iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Findings Report for Kent County Council for assurance.

4) Appendices

Appendix: Grant Thornton's Audit Findings Report for Kent County Council 2023/24

5) Background Documents

CIPFA's Position Statement 2022
International Standard on Auditing (UK) 260
National Audit Office (NAO) Code of Audit Practice

6) Contact Details

Katy Reynolds
Governance Advisor
katy.reynolds@kent.gov.uk
03000 422252

The Audit Findings for Kent County Council

Year ended 31 March 2024

Grant Thornton

Private and Confidential

Governance and Audit Committee
Kent County Council
County Hall
Maidstone
ME14 1XQ

12 December 2024

Grant Thornton UK LLP

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Dear Governance and Audit Committee Members

Audit Findings for Kent County Council for the year ended 31 March 2024

This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit and Governance Committee.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Paul Dossett

Partner
For Grant Thornton UK LLP

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Page 27

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July to October. Our findings are summarised on pages 8 to 29. The Council's single entity draft financial statements were published with the appropriate publication notice on 31 May 2024. The suite of supporting working papers were submitted for audit in mid July. The group financial statements and supporting working papers were submitted to us on 29 August 2024, three months after the national deadline and have not yet been published. We have recommended in Appendix B that this is not repeated in 2024/25. As in previous years, the quality of the financial statements and supporting working papers continues to be high evidenced by the relatively small number of adjustments and disclosure issues identified during our audit. There was no impact on useable reserves from the adjustment made to the financial statements.

The Annual Governance Statement (AGS) provided for audit and presented to Governance and Audit Committee members in November 2024 is not yet complete. We have reviewed the draft version but cannot conclude on the AGS until we have reviewed a final version. This remains an outstanding audit matter. We have raised a recommendation on the timeliness of the AGS production and presentation to audit in Appendix B.

We have identified 1 adjustment to the financial statements that have resulted in a £10.4m reduction to expenditure and corresponding increase in assets. We have also identified 6 misstatements from our testing which management have decided not to adjust for. Individually and in aggregate, these misstatements are not material to the financial statements. The net impact of these misstatements would increase expenditure by £40.4m and decrease assets by £40.4m. Details of these can be found in Appendix D. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Four issues arose during the current and prior year audit which we feel is important to give prominence to.

- Schools cash reconciliations – reconciliations are not always prepared by schools as at 31 March, giving rise to differences between the cash book and the bank statement
- Schools salaries account reconciliations – an unadjusted misstatement in the 2022/23 financial year was posted twice in error in 2023/24
- Journal entries posted different than the preparer – this is a long-term issue that is expected to be rectified by the Oracle upgrade in August 2025.
- Over-optimistic assumptions in the calculation of the expected credit losses for Adult Social Care costs – audit has identified a significant difference in our calculation of the provision, noting that the Council intend to make some changes to the provision calculation in 2024/25.

These issues are set out in more detail in the audit findings section of this report

We have raised three new control recommendations for management as a result of our audit work in the current year. These are detailed in Appendix B. We have followed up on prior year control recommendations raised as part of our work and note that four of seven recommendations have been implemented. This is detailed in Appendix C.

1. Headlines – continued

Financial Statements

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- review of the final draft AGS so that we can ensure information is consistent with the financial statements and meets the requirements of the financial reporting framework;
- review of the updated financial statements;
- receipt of subsequent events confirmation email from management;
- receipt of signed management representation letter; and
- completion of internal review processes and closedown of audit file.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified. We anticipate signing our opinion shortly after the Governance and Audit Committee on 12 December 2024

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), which is presented as a separate paper to the Governance and Audit Committee. We have identified significant weaknesses in the Council's arrangements for VFM in the following areas: • Financial sustainability – adult social care overspends • Financial sustainability – reducing spend on the high needs block • Governance – implementation of high priority actions from Internal Audit As such, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We have completed the majority of work under the Code and expect to be able to certify the completion of the audit following completion of Whole of Government Accounts procedures.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024 and a 28 February 2025 statutory deadline for 2023/24 audits. This was passed into legislation in October 2024. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

New National Audit Office Code of Audit Practice

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code of Audit Practice (the Code) before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by 30 November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Local context:

As at 31 March 2024, the Council held £781 million of borrowings (£703 million long-term and £78 million short-term). The majority of the long-term borrowing is held with Public Work Loans Board (PWLB) and Barclays Bank PLC on a fixed interest rate. The borrowings taken out by the Council have been used to finance capital acquisition of operational assets. Unlike other Councils, we have not seen any evidence of the Council borrowing excessive amounts to invest in exotic instruments, nor have we seen any evidence of the Council taking excessive risks. Current borrowing is in line with the Council's prudential indicators, and we have no concerns that those indicators are inappropriate.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Governance and Audit Committee.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries set out on page 5 being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 12 December 2024.

Acknowledgements

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

As highlighted in our previous progress reports presented to the Governance and Audit Committee during the audit there have been challenges to our audit. Challenges included:

- the timely response to some of our queries, particularly where it required information outside of finance
- annual leave over the summer holidays that reduced the resources available in your finance team and our audit team to respond to queries
- the reconciliation issues in your schools' cash balances and Schools Salary account
- pension valuation and the national arising issue of the IFRIC 14 asset ceiling, which required internal consultations with our technical team
- the control issue we identified in your general ledger where journals were being posted by a user other than the person who prepared the journal. This led to additional lines of enquiries and testing to gain the required assurances. This is a known long-term issue.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

In our Audit Plan, communicated in March 2024, we assessed materiality at 1.5% of the prior year gross revenue expenditure, plus interest payable. Materiality was assessed as £42m for the Council and £43m for the group.

In the 2023/24 draft accounts, gross revenue expenditure plus interest payable had increased by more than 5% and therefore we reassessed our materiality levels. No benchmarks were changed as there were no indicators of additional inherent risk at the point of reassessment.

We set out in this table our determination of materiality Kent County Council and the Group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£48,000,000	£45,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year. We considered 1.5% to be an appropriate rate to apply to the gross expenditure benchmark.
Performance materiality	£31,200,000	£29,575,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Trivial matters	£2,400,000	£2,275,000	The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.
Specific Materiality for Senior Officers Remuneration	N/A	£20,000	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. We have therefore assessed a specific materiality for senior officer remuneration that is £20k per each senior officer. Note this is not a cumulative amount and was applied to each senior officer.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regards to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. As reported to you in the prior year, part of our work to understand the design and implementation effectiveness of controls around journals, confirmed that your ledger system allows people to post journals that they did not prepare themselves. For example, person 'X' accesses the ledger system and prepares the debits and credits for a journal but does not click post. That journal is then held in draft within the system. Person 'Y' then accesses the draft journal and posts it to the ledger. This functionality in the system meant that it was possible for somebody who shouldn't post journals to the ledger i.e. senior management, to create a journal and have somebody post it on the system. Equally, the ledger itself does not retain an audit trail as to why person 'Y' has posted the journal and whether person 'X' is satisfied with it. We performed additional procedures to review and test journal entries posted by users other than who prepared them. In total, we identified 21 different people had posted 68 journals that they did not create during the period. During one financial year, the number of transactions posted to the ledger is more than 100,000. Contextually therefore, 68 journals is a small number and supported management's initial assertion that journals posted by a user that did not create the transaction is rare. We have discussed the matter with management who are satisfied that there are sufficient mitigating controls and that they are comfortable with the level of residual risk. As required by the ISA's and to ensure transparency, we are communicating this control deficiency to ensure all concerned are aware of the issue. **See Recommendation 6 in Appendix C.** **Conclusion:** Our work has not identified any material issues in relation to this risk.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the Council and the Group's revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Kent County Council or the Group Although we have rebutted this risk, we have still performed substantive work on all relevant assertions of revenue where those revenue streams are material to the financial statements in accordance with auditing standards. No issues arose from this work that would cause us to reassess our rebuttal of the presumed risk. Conclusion: Our work has not identified any material issues in relation to this risk.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings (Rolling revaluation) The Authority revalues its land and buildings on a rolling four-yearly basis. Investment properties are valued annually. These valuations represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified the closing valuation of land and buildings and investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement. Pinpointing the significant risk: We pinpointed the significant risk around the following: • assets which were material; • assets where the valuation movement differed significantly to what we would expect based on indices; • assets where we were aware of a significant change in any of the key assumptions from the prior period; and • any other factors which in our auditor judgement increased the risk of material misstatement in a particular asset.	We have • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert (Wilks, Head and Eve). • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engaged our own valuer (Gerald Eve) to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessed the value of a sample of assets in relation to market rates for comparable properties. • Assessed the value of a sample of assets held at Depreciated Replacement value – testing provided assurance on the reasonableness of key assumptions used by your valuer including the build cost, obsolesce rate and floor areas. • Reviewed assets not revalued to obtain assurance there is no material difference between the carrying value and current value of those assets as at the balance sheet date. • Assessed the value and reasonableness of key assumptions in relation to a sample of investment properties Conclusion: Our work has not identified any material issues in relation to this risk.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of the pension fund net liability (£34.8 million) The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£34.8m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Following a national issue arising where local authorities are paying secondary contributions to pension funds and the additional liability has not been fully recorded in the actuarial estimate, thus reducing any pension assets held and invoking the use of the asset ceiling, as set out in IFRIC14. We have performed a review, confirming that the Council does not pay secondary contributions and there was not an initial pension asset at 31 March 2024. Conclusion: Our work has not identified any material issues in relation to this risk.	Council and Group

2. Financial Statements - Observations in respect of other risks

This section provides commentary on 'other risks'. Other risks are risks to the financial statements which we have assessed as not being significant under ISAs.

Other risks identified	Commentary	Relevant to Council and/or Group
Testing of expenditure Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where an entity is required to meet financial targets. Having considered the risk factors relevant to Kent County Council and the Group and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 11 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 10. Whilst we have concluded that there is no significant risk, we have assessed that there is some risk of material misstatement that requires an appropriate audit response.	We have: • Performed testing over post year end transactions to assess completeness of expenditure recognition. • Tested a sample of operating expenses to gain assurance in respect of the accuracy and occurrence of expenditure recorded during the financial year. **Conclusion:** Our work has not identified any material issues in relation to this risk.	Council and Group

2. Financial Statements - Observations in respect of other risks

Other risks identified	Commentary	Relevant to Council and/or Group
Schools cash and pay expenditure reconciliations In the prior year we noted that almost half of the balance held at bank was held in schools accounts. We further noted that bank reconciliations on these balances were not always performed as at 31 March, with some being prepared weeks before. This meant that the balance reported to KCC central finance by schools and therefore used in the preparation of the financial statements was often significantly different to the actual balance at 31 March 2024. We raised a recommendation in the prior year to ensure all bank reconciliations were performed as at 31 March 2024, but note that our Audit Findings Report was not presented until 1 March 2024, giving limited time for the recommendation to be implemented. The schools payroll account is managed by a third-party service provider. No reconciliation was provided for this bank account at 31 March 2024. It was requested from the third-party provider as part of the audit process. When received it was not sufficient, and the finance team then completed an appropriate bank reconciliation for the account. The figure per the cashbook was £578k, however, the figure per the NatWest bank confirmation was £11,200k. The reconciliation process was successfully completed, with all reconciling items being identified and verified. However, the reconciliation process highlighted an erroneous entry in the payroll account for the March 2023 PAYE and NI costs of £2.8m where the journal entries had not been entered in the 2022/23 accounts and so were raised in the 2023/24 accounts. This journal had been duplicated in error. This has been raised as an unadjusted misstatement in Appendix D.	We have: • We have tested bank reconciliations as part of our schools income and expenditure testing. • We have again, identified a number of schools where the year-end reconciliation was performed in advance of 31 March 2024. A projected error of £4.8m has been calculated for those schools that did not complete bank reconciliations at the reporting date. This is not material and management have chosen not to adjust the financial statements. It has therefore been reported as an unadjusted misstatement in Appendix D. Our control finding and recommendation from the 2022/23 audit regarding school cash reconciliations has been repeated – see **Recommendation 7 in Appendix C.** The error identified through our work on the schools payroll reconciliation highlights the importance of the reconciliation process. While in this instance the reconciliation highlighted one error which is immaterial, had the reconciliation been completed earlier, this error would not have been identified as part of the audit process. Our control finding and recommendation from the 2022/23 audit regarding school cash reconciliations has been repeated – see **Recommendation 1 in Appendix C.** **Conclusion:** Our work has not identified any material issues in relation to this risk.	Council

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	On 01 April 2024, management formally adopted IFRS 16. For 2023/24, a disclosure was made to reflect the impact on the 2024/25 accounts (Note 3 – Accounting standards that have been issued, but not yet adopted). Management asserted that the adoption of IFRS 16 will introduce right of use assets on the balance sheet with a value of approximately £23.7m matched against future lease liabilities of £23.7m.	Our work to review this disclosure centred around the following two steps: • Review and reperformance of steps implemented by management to identify leases which are impacted by IFRS 16. These were checked against the CIPFA Code of Practice as well as industry guidance. • Review and reperformance of calculations to determine the future lease liabilities using present value calculations. Our work on the above two steps did not note any issues. However, we have noted that PFI liabilities were not included in management's calculations. Furthermore, no exercise was undertaken to show peppercorn leases at their market value. The omission of these from the calculations mean that the disclosure does not present the full liability that will be presented in 2024/25. We have requested that management update the disclosure to reflect the above and have raised a recommendation in Appendix B to ensure that these calculations are performed for the 2024/25 accounts.

Page 40

2. Financial Statements – Key findings arising from the group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below sets out the results of our work against the risks set out for Group Audit.

Component	Individually Significant?	Risks identified	Planned audit approach	Findings and conclusions
Kent County Council	Yes	We have detailed the significant risks for the audit of this entity on pages 10 to 13	Full scope audit performed by Grant Thornton UK LLP	Our findings are set out in this report and based on the work to date, we plan to issue an unmodified opinion in respect of the single entity financial statements
Commercial Services Kent Ltd	No	None	Audit of expenditure, carried out by the group audit team of Commercial Services expenditure. Corroborated by analytical reviews performed by Grant Thornton UK LLP	Work in this area is complete but remains subject to internal review processes.
• Global Commercial Services Group Ltd (formerly Kent Holdco Ltd) • EDSECO Ltd • Kent County Trading Ltd • Cantium Business Solutions Ltd • GEN2 Property Ltd • Invicta Law Ltd • Kent Top Temps Ltd • Commercial Services Trading Ltd and its subsidiary (CES Holdings Ltd)	No	None	Analytical reviews performed by Grant Thornton UK LLP.	Work in this area is complete but remains subject to internal review processes.
Group consolidation	N/A	None	• To document our understanding of the consolidation process • To review and test (where appropriate) intercompany eliminations • To ensure intercompany eliminations are complete • Perform an analytical review at the group level as part of our risk assessment process	Work in this area is complete but remains subject to internal review processes.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £2,599m	Other land and buildings comprises circa £2bn of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end for operational assets or fair value (FV) for assets designated as surplus. The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 88% of total assets were revalued during 2023/24. The valuation of properties valued by the valuer has resulted in a net decrease of £21.4m. Management has considered the year end value of properties not re-valued in year (£325.2m). In particular, management have considered the potential valuation change in the assets based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.	As part of our work we have: • reviewed the land and buildings valuation estimate in line with ISA540 requirements and have no issues to raise; • reconciled the fixed asset register to the ledger and the financial statements • assessed management's valuation expert and found them to be competent, capable and independent; and • verified the valuer's outcome against our independent auditor's expert valuation trend report. • verified that management's judgement that the carrying value of assets is not materially different to the current value is reasonable. This has been done by setting an independent expectation of the difference using indices provided by Gerald Eve. • assessed the reasonableness of alternative site judgements and assumptions • assessed the accuracy and completeness of underlying information used to determine the estimate; and • assessed the reasonableness of key underlying assumptions for DRC buildings i.e. build costs, floor areas and obsolescence. This assurance was provided to us by our auditor's expert. • assessed the reasonableness of key underlying assumptions for EUV assets and assets held at market value i.e. investment properties. This included assessing the reasonableness of yields and rental figures. This assurance was provided to us by our auditor's expert. Conclusion: Our work has not identified any material issues in relation to this accounting estimate.	Green

Page 42

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £34.8m	The Council's net pension liability at 31 March 2024 is £34.8m (PY £62.4m) comprising the Local Government pension scheme as administered by Kent County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.3m net actuarial gain during 2023/24.	• We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. • We have performed additional tests in relation to the accuracy of the contribution figures, benefits paid and asset returns, to gain assurance over the 2023-24 roll-forward calculation carried out by the actuary. • We have used PwC as our auditor expert to assess the actuary's assumptions – see table below for our comparison of actuarial assumptions:	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	4.8%-4.95%	●
Pension increase rate	2.95%	2.85% - 3%	●
Salary growth	3.95%	3.85% - 4%	●
Life expectancy – Males currently aged 45/65	Pensioners: 20.8 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	●
Life expectancy – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 22.6 – 24.3 Future pensioners: 24.1 – 25.7	●

- Continued overleaf

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £34.8m		• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed there were no significant changes in 2023/24 to the valuation method. • We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. • We have conducted appropriate work to confirm that the application of an asset ceiling, as required by IFRIC 14 is not required. **Conclusion** Our work has not identified any material issues in relation to this accounting estimate.	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £59.4m	The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt – known as its Minimum Revenue Provision (MRP). The Council's approach to the MRP is set out to Members as part of the Budget and council tax proposals each year. The basis for the charge is set out in Regulations and statutory guidance. This year end the MRP charge was £59.4m, a net increase of £1.2m from 2022/23 (58.2m in PY).	**Findings:** We have carried out the following work: • Confirmed that the Council's policy on MRP complies with statutory guidance. • Assessed that there are no changes to the Council's MRP policy in comparison to 2022/23. Assessed and benchmarked the percentage of the Council's MRP charge against the opening capital financing requirement (4.59%). As this is well above 2%, it falls within our 'Green' range – no concerns identified. • Assessed and benchmarked the percentage of the Council's total debt against the capital financing requirement (83%). As this is below 100%, it falls within our 'Green' range – no concerns identified. **Conclusion:** Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. Based on our findings, we are satisfied that the MRP charge complies with regulations and is set at a prudent level to repay borrowing over the long term. The MRP charge must remain under regular review, particularly in light of future capital spending plans.	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
PFI liability (carrying value - £185.2m) (fair value - £218.4m)	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation. In line with IFRS 13 requirements, in addition to the carrying value of the liability on the balance sheet, management must also disclose the fair value of the liability. Management has engaged an expert to estimate the fair value of the PFI liability (£218.4m). There has been no change in the methodology or underlying assumptions in management's estimation process compared with the prior year.	Conclusion: Our work in respect of the estimate of your PFI liability, including the fair value estimate has not identified any material issues.	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation (£110.4m)	Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including vehicles are depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant. For existing assets the source data is the carrying value at the start of the year. For existing buildings this was provided by the valuer. For other existing assets it is the brought forward depreciated replacement cost. For new assets it is the purchase cost during the year. For buildings this is the revaluation performed at year end. The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset. There has been no change in the methodology or underlying assumptions in management's estimation process compared with the prior year.	**Assets not depreciated in the year of acquisition:** As we communicated in the prior year, management's accounting policy to not depreciate assets in the year it was brought into use is not consistent with the LG Code (4.1.2.41) which requires assets to be depreciated at the point in which they are brought into use. We have performed work that confirms this departure does not lead to a material misstatement in the accounts. We have estimated the impact as £2.8m, which is significantly below our materiality level. This has been recognised as an unadjusted misstatement in Appendix D. **Remaining economic life assumption:** As we reported in the prior year, for specialised assets valued under the 'Depreciated Replacement Cost' method, your valuer provides you with information on the remaining economic life (REL) assumption for each asset. The REL is the key assumption for a depreciation calculation as it sets out how many years the cost of the asset is depreciated. Each year your valuer has assigned the same REL for each DRC asset at 46 years. According to your valuer, 46 years is the life of a DRC asset as new, and your valuer has formed the judgement that it is appropriate to depreciate your entire DRC portfolio on this basis because there is a system of repairs and maintenance both historically and into the future. Our auditor's expert has communicated to us that in their view, this is an unreasonable judgement and one that does not satisfy the requirements to form the assumption based on its current condition. Our auditor expert does not believe it is appropriate to base the assumption on future events which are contingent i.e. future repairs and maintenance. What this means is that our auditor's expert considers the REL assumption used by the Authority to be optimistic and set too high. As a result of this risk, we have done work to quantify the potential impact to determine whether there is a risk of material misstatement in the estimate. A sensitivity analysis was carried out based on a REL calculated from obsolescence data provided by your valuer. We were comfortable with using this data because our auditor's expert concluded that the obsolescence data used by your valuer was reasonable. Using the obsolescence data, we arrived at a REL of 32 years. If this REL was applied to your asset base, the difference on your depreciation estimate would be £10m. As this is not material, we are satisfied that whilst your depreciation charge is optimistic, it is not materially misstated. We have included this difference in our schedule of unadjusted misstatements to ensure that when added to other misstatements, there isn't a material uncertainty in your financial statements. See Appendix D for details.	Amber

Assessment

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2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Assessment</th></tr>
<tr><td>Provision for adult social care debts (£18.5m)</td><td>
The Council provides social care support to adults as part of their statutory duties. Some of these services are charged to the individual and remain unpaid at the year-end. As at 31 March 2024, the total debt outstanding from KCC residents was £60.5m (PY £44.7m).
In line with the relevant accounting standards, management must estimate a provision for doubtful debt on an expected loss basis. Management's estimate for the provision in the draft financial statements is £18.5m (PY 14.0m).
The council have a methodology for estimating the value of debts that they consider are unlikely to be settled – typically referred to as a bad debt provision. Where debt is secured and the Council has a right to recover debts against a person's estate, no provision is made. For unsecured debts, the Council calculate the provision using a weighted average. This is based purely on the age of the debt, with no account taken of the type of debt – in a cost of living crisis, individual debts are more likely to remain unpaid.
The weighted averages used are set out below. We consider these all to be overly optimistic.
<table>
<tr><th>Age profile of debt</th><th>Weighted average provision</th></tr>
<tr><td>Current</td><td>1%</td></tr>
<tr><td>Up to 6 months</td><td>5%</td></tr>
<tr><td>6 months to 1 year</td><td>41%</td></tr>
<tr><td>1 year to 3 years</td><td>47%</td></tr>
<tr><td>Over 3 years</td><td>62%</td></tr>
</table>
We have performed a sensitivity analysis using alternative percentage figures to quantify the level of optimism. This analysis suggests that the estimate is potentially understated by £14.4 million. This is not a factual misstatement but rather a judgemental quantification of the impact of optimistic assumptions. In line with the auditing standards, we are reporting this to you as an audit difference included in our unadjusted misstatement reporting in Appendix D.
We had raised a control finding regarding the default rates used by the Council in calculating this provision in our 2022/23 AFR. As this has not been actioned, the recommendation has been raised again. See Recommendation 3 in Appendix C.
</td><td>Amber</td></tr>
</table>

Assessment

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle EBS	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Financial reporting, expenditure, payables, payroll and journals	Not applicable

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	4 July 2024	4 July 2024	
Opening trial balance for 2023-24	4 July 2024	4 July 2024	
Closing trial balance for 2023-24	4 July 2024	4 July 2024 30 July 2024	An initial TB was provided on 4 July 2024, however, there were issues identified with the mapping requirements of the reporting and the Council had to rework this to provide an updated TB on 30 July 2024.
All general ledger transactions during 2023-24	4 July 2024	19 July 2024	Significant effort was input by the audit team, finance team and Cantium Business Solutions to use the Discoverer tool to enable a full download of the general ledger that could be utilised by our Digital Audit Team, providing efficiencies for the audit team. Work done in 2023/24 will be usable in future years, ensuring efficiencies in our audits going forward.
Mapping between the trial balance and the financial statements for 2023-24	4 July 2024	26 June 2024 9 August 2024	Initial mapping documents received were not in a format that was compatible with our software and had to be reworked.
Draft accounts for 2023-24		31 May 2024	Council financial statements were published and presented for audit on 31 May 2024, in line with requirements. Group financial statements were not presented for audit until 29 August 2024 and have not yet been published. See recommendation 1 in Appendix B.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group covering the financial statements, annual governance statement and narrative report which is included in the Governance and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All confirmation responses were received. PENDING NATWEST CONFIRMATIONS FOR 7 SCHOOLS
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We are satisfied that the Council's accounting policies, estimates and disclosures are reasonable having completed our work and confirmed several adjustments to the financial statements
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management is being provided as promptly as possible. Information and evidence which needs to be provided outside of the main finance team does however take longer and has resulted in some delays in the audit process.

2. Financial Statements: other communication requirements

Page 52

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and its group and the environment in which it operates • the Council and group's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment for the Council and group. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. The Annual Governance Statement (AGS) provided for audit and presented to Governance and Audit Committee members in November 2024 is not yet complete. We have reviewed the draft version but cannot conclude on the AGS until we have reviewed a final version. This remains an outstanding audit matter. Subject to the satisfactory completion of the outstanding matters, we plan to issue an unmodified opinion in respect of other information.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the group exceeds the specified reporting threshold of £2bn we examine and report on the consistency of the WGA consolidation pack with the group's audited financial statements. This work is not yet started and will be completed after the financial statements audit is complete.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of Kent County Council and its group in the audit reports, as detailed in Appendix H and I. Formal closure of the audit will not take place until we have completed procedures on the Whole of Government Accounts.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Significant weakness identified	Conclusion	Outcome
Kent County Council made good progress overall with spending control and savings plans during 223/24. However, its' spend on adult social care and health remains stubbornly high. At the time of writing this report, the forecast overspend for the whole Council in 2024/25 stood at £16.3 million. This was more than matched by the forecast shortfall in adult social care and health savings for the year of £16.5 million. Special educational needs and disability is the other area were the Council struggles to contain spend. Despite the Council participating in a safety valve agreement (and complying with its terms), the Council's dedicated schools grant deficit continued to grow in 2023/24	Significant weakness identified and key recommendation raised	Key Recommendation - The Council should explore options for increased efficiency in the adult social care and health directorate in 2024/25 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored
	Significant weakness identified and key recommendation raised	Key Recommendation - The Council should work holistically to reduce spend on the high needs block. The Council has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million
Only 38% of Internal Audit recommendations were implemented during 2023/24. Although there have been changes to operating standards since the year end, which are understood to have helped, it is still the case that by September 2024 there were 14 high priority Internal Audit actions due and 12 high priority Internal Audit actions in progress.	Significant weakness identified and key recommendation raised	Key Recommendation - Remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

Paul Dossett is currently serving their seventh year on the engagement. As discussed, and agreed with you and PSAA, we will rotate Paul in 2025/26. We have mitigated the familiarity threat by an additional partner reviewing their key judgements to ensure that these are not influenced by the familiarity that may arise from a long relationship with the Council.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £446,964 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related	Nil	N/A	N/A

Page 58

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee via our Audit Plan. None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Page 60

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Publication of group financial statements** The council financial statements were published on the Kent County Council website by 31 May 2024, alongside the appropriate publication notice, as required by legislation. These accounts were for the Council only and did not contain the group financial statements and notes. Group accounts were not presented for audit until August 2024. Group accounts are required because the component companies which are owned by the Council are deemed to be financially material by management. Their exclusion from the financial statements that are published for inspection could raise the point that the published accounts are not materially accurate. The financial statements on the website have not been updated for the inclusion of group accounts and they have therefore not been open for public inspection. This practice was followed in the prior year.	For 2024/25 and beyond, the council should produce full group accounts for publication on the website by 30 June, so the public inspection period is applied to the group accounts and not only the council accounts. **Management response** The deadline for the production of the single entity accounts of 31 May is extremely challenging and group accounts, considered disclosure to the accounts rather than part of the main statements, has been deemed by management as acceptable to publish as part of the final accounts. The change to the publication date for draft accounts to 30 June means including group financial statements is more achievable in future years and plans are in place to deliver this for 2024/25
● Medium	**Preparation and publication of the Annual Governance Statement** The Annual Governance Statement (AGS) is a key part of the annual reporting for the Council. While the Council chooses to report its AGS separately to the financial statements, which it is entitled to, the AGS should be published with the draft financial statements by 31 May of the reporting year.	For 2024/25 and beyond, the council should produce the Annual Governance Statement at the same time as the full group accounts, by 30 June. **Management response** This is agreed and schedules are in place to ensure the AGS is published in line with the draft financial statements.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● Medium	**Implementation of IFRS 16 – Leases** The Council has undertaken work during 2023/24 to identify the impact of the implementation of IFRS 16 for leases. The work done did not consider the impact of IFRS 16 on PFI liabilities, or peppercorn leases. Peppercorn leases will require the asset and resulting liability to be stated at market value, which could be a significant value depending on the level and nature of assets held on peppercorn leases.	Management will require to undertake a review of PFI liabilities and peppercorn leases to ascertain the full impact of the implementation of IFRS 16 in the 2024/25 accounts. **Management response** Management took the view that to incur costs in requesting valuations for peppercorn leases for the estimation of the impact of IFRS 16 was not good use of Council resources but always planned to obtain these for the 2024/25 accounts as part of the implementation of the standard. Draft valuations have now been obtained and are currently being reviewed – they are not a significant value. Guidance from CIPFA on the remeasurement of the PFI liability is still in draft so accurately calculating the impact of this was not possible for 2023/24, but work is underway on this as planned in 2024/25 and will be completed once final guidance is published by CIPFA.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Kent County Council's 2022/23 financial statements, which resulted in [x] recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note [X] are still to be completed but note that our 2022/23 Audit Findings Report was not issued until March 2024 so there has been limited time for implementation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	**Cash reconciliation – schools salaries account** As part of the work conducted on cash and cash equivalents, we selected for testing the school's salaries bank account. A reconciling item of £2.8m for PAYE was included erroneously in the reconciling items and was not a true reconciling item. We recommended that management ensure bank reconciliations are performed and reviewed on a monthly basis to ensure the financial statements are complete and accurate. During our 2023/24 audit we identified that reconcilaitions have not been completed during the year or at year-end as the prior year recommendation was issued after 2023/24 year-end instructions had been issued. Further, we identified that the correcting journal entry for the £2.8m identified in 2022/23 had been duplicated in the ledger but has not been paid twice. We again assess this as a high priority recommendation for management	Auditor update 2023/24 There has been no change to the schools payroll bank reconciliation process. We continue to flag the lack of reconciliation in our Audit Findings Report to ensure there is complete transparency of the issue with the Governance and Audit Committee and to encourage best practice.
2	✓	**VAT uncertainty** Testing of the VAT debtor identified a difference of £4,280k arising from a transaction made in 2019/20 pertaining to Kings Hill. The history of the transaction is complex and involves two voluntary disclosures to HMRC in respect of underpaid and overpaid VAT. As a result of our challenge, management have revisited this transaction and through their investigation, they have now concluded that their 31 March 2023 VAT claim of £32,601k included an error. They had incorrectly claimed again for the £4,280k which they had already received in October 2022. Whilst evidence provided does support management's judgement, because the VAT issue is complicated and because management's judgement is not support by expert tax advice, this was disclosed in our 2022/23 Audit Findings Report as an uncertainty.	Auditor update 2023/24 The Council has obtained expert tax advice on the matter and settled the liability with HMRC.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3	✓	**Adult Social Care Provision for bad debts** As part of our review of your estimate, we have concluded that the assumptions used by management are optimistic leading to an understatement in the provision for doubtful debt. More information is set out on page 24. We recommended in the 2022/23 AFR that management obtained updated information regarding default rates in adult social care debtors to inform the percentages they apply to age debt.	**Auditor update 2023/24** As part of the Council's annual review of the adequacy of the bad debt provision percentages, they consider the rate of default and the adequacy of the percentages used. An amendment will be made to the provision calculation for 2024/25 which is not expected to have a material impact to the current provision held.
4	✓	**Fully depreciated VPE** As part of our audit work, we identified a material amount of VPE which was fully depreciated. Management reviewed this balance and concluded that there was insufficient evidence to confirm whether those assets existed or not. Thereby increasing the risk that VPE gross cost and accumulated depreciation is misstated.	**Auditor update 2023/24** No further issues were identified by our audit testing in 2023/24. Management have performed a review to ensure that all nil NBV VPE are written out of the financial records where they are no longer in use.
5	✓	**Journals – policies and procedures** As explained on page 10, our audit work identified that journals can be posted by a user other than the person who prepared it. We were also told that this functionality should only be used in rare circumstances. Whilst our testing has not identified any issues with the journals posted by a user that did not create the journal, we have agreed with management the need to strengthen and communicate policies and procedures about the appropriate use of the functionality and the need to retain an audit trail as to the rationale of it being used.	**Auditor update 2023/24** No further issues were identified by our audit testing in 2023/24.
6	X	**Journals authorisation** As reported in prior years (since 2021/22), manual journals posted to the general ledger do not require authorisation or approval. There is no segregation of duties between the preparer and poster of a journal.	**Auditor update 2023/24** There has been no change to the journal control environment for 2023/24. We continue to flag the lack of journal authorisation in our Audit Findings Report to ensure there is complete transparency of the issue with the Governance and Audit Committee and to encourage best practice. We note that the Council is currently planning a new ledger system and encourage that appropriate controls around manual journals are implemented. Management have engaged with the external auditors for guidance on their proposed approach in the new accounting system. The new system will improve controls.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
7	X	**School bank account reconciliations** As reported in prior years (since 2021/22), schools bank reconciliations are not always being performed as at 31 March. This results in a projected misstatement on the schools bank accounts. This year the error is projected to be £4.8m. We again assess this as a high priority recommendation for management	**Auditor update 2023/24** We note that the recommendation made in the 2022/23 Audit Findings Report was received after the closedown instructions had been sent to schools for 2023/24. We have therefore projected an error on the schools bank balances again. **Management update 2023/24** Work was undertaken during the 2022/23 audit to show that the risk of misstatement was unlikely. As per the Audit Finding Report from the 2022/23, due to timescales, preparations for closedown processes in schools were too advanced for changes to be made for the 2023/24 year end, but we committed to addressing it as part of the 2024/25 year end timetable. Changes to timetables have been made to allow time for reconciliation returns to be completed as at 31 March, which has in part been made feasible by the extension to publish draft accounts to 30 June.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
REFCUS correction Correction of expenditure incorrectly classified as REFCUS (Revenue Expenditure Funded by Capital Under Statute), which should have been recorded as the Council's capital expenditure	Cr REFCUS (10,450)	Dr Assets under construction 386 Dr Infrastructure assets 10,064 Cr Capital Adjustment Account (10,450)		Dr Movement in Reserves Statement 10,450
Overall impact	(10,450)	0	0	10,450

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 37b – Pension liability 'Other movements in the liability/asset' are more correctly described as 'Present value of unfunded obligation'	Management have agreed to change the disclosure	✓
Note 2 – Accounting Policies Inclusion of the de-minimis limits of £5,000 for revenue accruals and £10,000 for capital accruals in the accounting policies, in line with the council's practices.	Management have agreed to change the disclosure	✓
Note 2 – Accounting Policies The impact of implementing IFRS 16 did not clarify that the £20m estimate did not include PFI liabilities or peppercorn leases.	Management have agreed to change the disclosure	✓
Note 6 – Remuneration disclosures Changes to wording regarding exit packages under £40,000 and the records kept by the Council. The Interim Corporate Director of Finance was added to the remuneration table rather than only being disclosed in the foot note to the table.	Management have agreed to change the disclosure	✓
Note 8 – Material items of income and expense Prior year comparative figures were not documented in full in the first draft accounts	Management have agreed to change the disclosure	✓
Note 32 – Reconciliation of liabilities arising from finance activities Figures for lease liabilities and on balance sheet PFI liabilities were incorrectly stated in the first draft accounts.	Management have agreed to change the disclosure	✓
Note 38 – Audit fee Final fee variations for 2022/23 have now been agreed with PSAA and the prior year audit fee required to be amended to reflect the approved fee variation. The proposed fee for Teacher's Pensions assurance also required amendment for 2023/24.	Management have agreed to change the disclosure	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. These have been reported to the Governance and Audit Committee as they are over our trivial threshold of £2.75m, but are underneath materiality, individually and in aggregate. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Schools payroll bank reconciliation - PAYE incorrect journal As set out on page x, audit testing identified a correction journal for PAYE costs that had incorrectly been entered in the ledger twice.		Dr Cash 2,784 Cr Creditors (2,784)	0	0	Immaterial projected audit difference
Schools bank reconciliation As set out on page x, audit have identified an uncertainty in the value of cash and cash equivalents held by schools as not all schools perform bank reconciliations as at 31 March. Audit extrapolated the known error in our sample across the total population to correct the potentially overstated cash balance.	Dr Income 4,880	Cr Cash (4,880)	4,880	(4,880)	Immaterial projected audit difference
Depreciation As in prior year, audit work identified that the remaining life assumption was based on inappropriate judgements about future activity rather than it being based on the current state of each property. Audit estimate that this has understated the deprecation charge in 2023/24	Dr Deprecation expense 10,008	Cr Accumulated deprecation (10,008)	10,008	(10,008)	Immaterial projected audit difference
First year depreciation charge The Council does not depreciate assets in the year of their addition as we would expect. The journal represents the depreciation that audit consider should have been charged	Dr Deprecation expense 2,822	Cr Accumulated deprecation (2,822)	2,822	(2,822)	Immaterial projected audit difference

D. Audit Adjustments (continued)

Impact of unadjusted misstatements - continued

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Provision for doubtful debts – social care debtors As set out on page x, audit concluded that the assumptions used to calculate the social care debtors provision for doubtful debts were optimistic. Audit have calculated an amount considered to be more prudent, which is shown here as an audit difference	Dr Expenditure 14,394	Cr Bad debt provision (14,394)	14,394	(14,394)	Immaterial projected audit difference
Commercial services creditor Management include a 15% provision against invoices they receive, because, in their view, not all of them will pass validation. Comparison between the 15% provision and the post period-end payments, we consider there to be a difference of £6.185m, which understates the accrual at 31 March 2024.		Dr Debtors 6,185 Cr Creditors (6,185)	0	0	Immaterial projected audit difference
Overall impact	**32,104**	**(32,104)**	**32,104**	**(32,104)**	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Depreciation: In the prior year we determined that depreciation was undercharged by £11.984 million. As accumulated depreciation is written out on revaluation, we are satisfied that the prior year misstatement has no impact as at 31 March 2024. **Note** – a similar issue for 2023/24 has arisen and this is captured in the schedule of 2023/24 unadjusted misstatements.	Nil	Nil	Nil
Salaries bank account: In the prior year we identified that the cashbook figure for the salaries bank account was overstated by £2.8m. This was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.	Nil	Nil	Nil
Operating expenditure – recharges overstatement: In the prior year we reported that the internal recharge process had not been properly completed, meaning that expenditure was overstated by £3.5m and revenue was understated by £3.5m. This misstatement had no impact on the net expenditure or general fund and therefore has no impact on the 2023/24 accounts	Nil	Nil	Nil
Commercial services – creditor/debtor overstatement: In the prior year we reported that intercompany transactions had been incorrectly recorded in the ledger, overstating creditors and debtors by the same amount. This was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.	Nil	Nil	Nil
Commercial services creditor In the prior year we reported that an energy accrual was understated by £3.5m. As the accrual was offset by a corresponding debtor, this was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.	Nil	Nil	Nil
Overall impact	**Nil**	**Nil**	**Nil**

E. Fees and non-audit services

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

Audit fees	**Proposed fee £**	**Final fee £**
Scale fee	420,984	420,984
ISA 315 fee variation	12,550	15,690
Use of expert for PPE valuations		10,380
Total audit fees (excluding VAT)	£433,444	£446,964

Non-audit fees for other services	**Proposed fee £**	**Final fee £**
Audit Related Services - Grant Claims	15,000	TBC
Total non-audit fees (excluding VAT)	15,000	TBC

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation
- included as a separate agenda item

H. Audit opinion
- included as a separate agenda item

Page 74

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Independent auditor's report to the members of Kent County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 20], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government Act 1972).

We enquired of management and the Governance and Audit Committee concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to

- unusual journal entries made during the year and at the accounts preparation stage; and
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of land and buildings and the valuation of the defined benefit pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

- journal entry testing, with a focus on testing unusual journal entries made during the year and accounts preparation for appropriateness and corroboration
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and the significant estimates related to the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except:

- On 12 December 2024, we identified that the Authority had made good progress overall with spending control and savings plans during 2023/24. However, its spend on adult social care and health remains stubbornly high. Special educational needs and disability is another area where the Authority struggles to contain spend. We recommended that the Authority should:
    - explore options for increased efficiency in the adult social care and health directorate in 2024/25 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored.
    - work holistically to reduce spend on the high needs block. The Authority has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million.
- On 12 December 2024, we identified that only 38% of Internal Audit recommendations were implemented during 2023/24. We recommend that the authority should:
    - ensure that remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

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

London

Date:

By:	Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford Interim Corporate Director Finance – John Betts
To:	Governance and Audit Committee – 12 December 2024
Subject:	DRAFT STATEMENT OF ACCOUNTS 2023-24
Classification:	Unrestricted

Recommendations:

Members are asked to:

a) Consider and approve the 2023-24 Statement of Accounts
b) Approve the Letters of Representation
c) Note the recommendation in the Audit Findings Report and their management responses

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1. INTRODUCTION

1.1 The draft Statement of Accounts of the County Council for 2023-24 follows this report. The Accounts and Audit (Amendment) Regulations 2024 state that;

… the publication date for final, audited accounts is by 28 February 2025. 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 Statement of Accounts are finalised and signed by the Committee Chairman today on the basis that the audit work is substantially completed.

1.3 The draft Statement of Accounts attached to this report are for comment and review and reflect changes identified as part of the audit process.

1.4 The report and the draft Statement of Accounts are the culmination of eight months' work after year end and collaboration with the external auditors. Responses to over 225 queries have been provided and evidence of income, expenditure and year-end adjustments (for example specific invoices, bank statements, grant letters) has been provided for over 600 individual sample requests.

1.5 The Audit Findings Report (AFR) is once more a positive outcome for the Council. The signing of the accounts before the end of the 2024 calendar year will allow planning time to implement audit recommendations in the AFR ahead of the completion of the 2024-25 accounts.

1.6 The deadline for the publication of draft accounts has been extended to 30 June from 31 May for years 2024-25 to 2027-28. The audit backstop dates for the next four years are:

- 2024-25: 27 February 2026
- 2025-26: 31 January 2027
- 2026-27: 30 November 2027
- 2027-28: 30 November 2028

1.7 The public inspection period concluded on 12 July 2024.

1.8 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.

1.9 The purpose of the Governance & Audit committee includes the following:

Review and approval of the Statement of Accounts, with related reports, and Annual Governance Statement, and ensure that they properly reflect the risk environment and supporting assurances of the Council

2. <u>STATEMENT OF ACCOUNTS - CONTENTS</u>

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 2023-24 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 3-19

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 2023-24 narrative provides information on the funding strategy applied during 2023-24 and the direction of travel for 2024-25 onwards.

2.5 The details of the revenue outturn are shown on page 14. This shows an overspend of £9.6m 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 20 June 2024. After committed roll forwards and bids approved by Cabinet on 29 June, the resulting overspend was £12.4m.

2.6 The £12.4m overspend was funded by drawdowns from reserves.

2.7 The level of KCC general revenue reserves is £43.2m, a net increase of £5.8m which was part of the replenishment of general reserves as part of the 2023-24 approved budget. This injection to the reserve was part of budget setting to maintain the general reserve at 5% of our net revenue budget position. £12.4m was drawn down to fund the 2023-24 overspend referred to in paragraphs 2.5 and 2.6.

2.8 Capital expenditure excluding that incurred by schools under devolved arrangements was £192.7m less than the revised cash limits. Of this, £198.3m reflects re-phasing of capital expenditure plans across all services and £5.561m was due to real variations on a small number of projects. The overall unspent capital resources will be carried forward into 2024-25 and beyond in order to accommodate the revised profiles of capital expenditure.

2.9 The 2023-24 International Accounting Standard (IAS) 19 report shows a further decrease in the Pensions' Reserve deficit of £27.6m.

Statement of Responsibilities Page 20

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 21-26</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 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 increased by £30.2m in 2023-24. The increase is due to a large increase in capital grants unapplied (£61.5m). The main movements are summarized in the table below:

	£m
Relating specifically to capital	
Increase in capital grants unapplied –grant funding received in year for projects in progress	**-61.5**
Increase in usable capital receipts – proceeds from sale of fixed assets and loan repayments available to meet future capital expenditure	**-5.8**
Other movements	
Increase in general fund reserves: Contribution in the approved budget	 **-5.0**
Decrease in earmarked reserves: Funding the 2023-24 overspend KCC's contribution to the DSG Safety Valve Agreement Drawdown to support the 2023-24 per approved budget Drawdown of Section 31 Grant per approved budget Drawdown from Major Projects reserves	 **+12.4** **+14.4** **+4.3** **+2.3** **+3.0**

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 decreased by £46m. This includes additions of £184m, revaluation decreases of £30m, disposals and derecognition of £96m, depreciation of £110m and other smaller adjustments.

2.17 Current assets increased by £26m. £51m is due to an increase in short-term debtors, offset by a reduction of £24m in short-term investments. The short terms debtors figure has increased for three main reasons; the VAT debtor has increased by £29m primarily due to two reimbursements being due from HMRC, the debtor with government departments has increased by £16m in respect of grant income due, and £14m relates to trade receivables, offset by smaller reductions in other balances.

2.18 Current liabilities reduced by £19m, due to a decrease in temporary borrowing of £12m and a decrease in short term creditors of £25m, offset by an increase in short-term provisions of £11m relating to a capital project.

2.19 Long-term liabilities have decreased by £58m. The significant movements include a decrease in long-term borrowing of £19m and a decrease in the pensions liability of £28m.

2.20 Net worth has increased from a surplus of £2,975m to a surplus of £2,999m. This is due to the range of movements as detailed in sections 2.16 to 2.19.

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. The cash and cash equivalents balance is very similar to 2022-23.

The Expenditure and Funding Analysis

2.22 The Expenditure and Funding Analysis detailed on pages 27 to 28 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.

Notes to the Accounts pages 27-127

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 35-43 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 45 to 48 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 58-68 shows the movements on these assets, which have decreased in net book value from £3.74bn to £3.70bn.

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.

Group Accounts pages 128-145

2.28 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 132 to 133
iii) Group Balance Sheet on page 134
iv) Group Cash Flow Statement on page 136

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.

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

Pension Fund Accounts pages 145-176

2.30 Pages 145 to 176 contain a summarised extract of a more detailed statement produced for the Pension Fund.

Glossary

2.31 A glossary of some of the terms used within the Accounts is provided on pages 184 to 185.

3. RECOMMENDATION

Members are asked to:

3.1 Consider and approve the Statement of Accounts for 2023-24.

3.2 Approve the Letters of Representation

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

Joe McKay
Acting Chief Accountant
Ext: 419601

Cath Head
Head of Finance Operations
Ext: 416934

Draft Statement of Accounts

2023/2024
Draft Statement of Accounts

Kent County Council
kent.gov.uk

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03000 421447

Notes to the Accounting Statements Index

Statement of Accounts 2023-24

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 2023-24 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 2023-24.

• 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 21 to 22)

~ 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 23 to 25)

~ 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 25)

~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 26)

• 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 27 to 28)

• 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 2024 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of Global Commercial Services Group Ltd (formerly Kent Holdco Ltd).

• The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council but is accounted for completely separately. (See pages 145 to 176).

• The Independent Auditor's Report to the Council - this will be provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit.

• 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 184 to 185 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 2023-24 are prepared on an IFRS basis, as adapted and implemented by the Code.

There are no significant changes to accounting practice to report for 2023-24.

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 Strategic Commissioning (Integrated & Adults) Business Delivery Unit Public Health
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets Education & Special Educational Needs Integrated Children's Services (Operations & County Wide) Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets Environment & Circular Economy Growth & Communities Highways & Transportation
Chief Executive’s Department (CED)	Strategic Management & Departmental Budgets Commercial & Procurement Finance Governance, Law & Democracy Strategic Commissioning Strategy, Policy, Relationships & Corporate Assurance
Deputy Chief Executive's Department (DCED)	Strategic Management & Departmental Budgets Corporate Landlord Human Resources & Organisational Development Infrastructure Marketing & Resident Experience Technology
Non-Attributable Costs (NAC)	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.

To meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "Delivering Good Governance in Local Government (2016)" the Council is required to produce an Annual Governance Statement (AGS). Please see the 2023-24 AGS for further information on how the Council has complied with these principles.

Strategic and Corporate Plans

Every few years, KCC produces a flagship strategy to set the strategic direction for the Council which shapes business and resource planning. KCC's latest Strategic Statement, 'Framing Kent's Future', was approved by County Council in May 2022 and sets out the council's ambition and strategic priorities until 2026. The strategy is built around four key priorities. Each of these four priorities (Levelling Up Kent, Infrastructure for Communities, Environmental Step Change, New Models of Care and Support) has a number of commitments attached, setting out what we will do to deliver them.

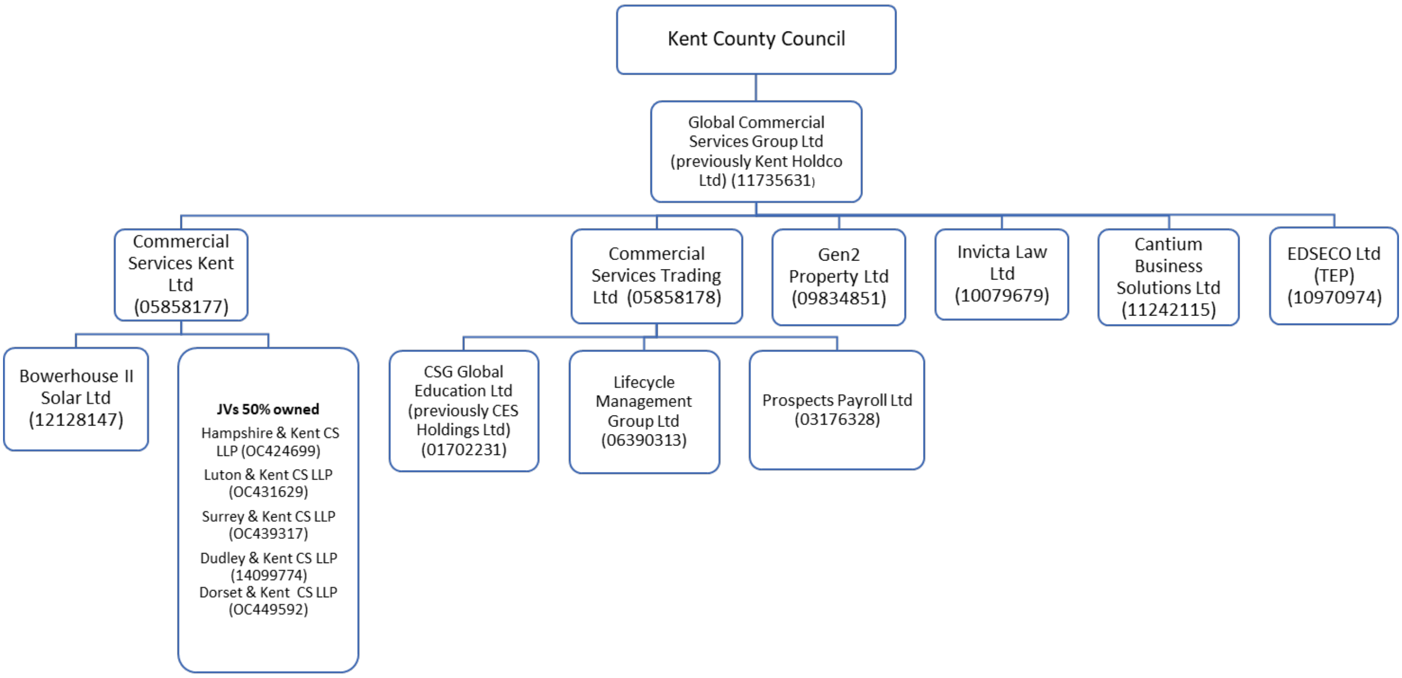
Framing Kent's Future acknowledged the significant financial pressures the council would be facing over the coming four years, and since the strategy was approved, the financial and operating landscape facing the council has become ever more testing due to an acceleration of demand pressures and the continued impact of the challenging national and global economic environment. In autumn 2023, 'Securing Kent's Future', the Council's Budget Recovery Strategy acknowledged the changed financial landscape, and the fundamental policy priority of bringing the budget back into balance. This meant there needed to be a short-term reprioritisation of all council activity, and whilst the Strategic Statement's priorities remain vital to the medium-long term future for Kent, it is critical to focus efforts on delivering the objectives of the New Models of Care and Support priority. Securing Kent's Future requires a multi-faceted, multi-year programme of activity and is supported by robust Delivery Plans which will be iterative.

In order to support delivery of Framing Kent's Future and the shifting pressures affecting the council, for 2023-24, a council-wide single business plan was developed, and brought together all significant activity to be undertaken across the organisation, over and above the council's core service delivery.

For 2024-25, Securing Kent's Future has underpinned KCC's strategic business planning. In order to support this, divisions were asked to produce their own individual plans to provide a comprehensive picture of the key priorities and activities across the Council's services for the year ahead, set against the context of ensuring financial sustainability as described through the budget recovery strategy. Delivery of the activity within the divisional business plans will be taken forward through the existing management structures of the council and high-level monitoring will be undertaken.

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:



Each company in this structure chart is 100% owned by its parent company, other than the Joint ventures which are 50% owned by their parent, CSKL and the relevant local authority partner (Hampshire, Luton, Surrey, Dudley or Dorset).

Although many of the companies trade with KCC, they also have other clients.

Global Commercial Services Group 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 Global CS to help generate efficiencies and consistency between the companies. Prior to May 2023 Global Commercial Services Group was known as Kent Holdco Ltd.

Commercial Services Kent Ltd - provides temporary staff, waste management, vehicle leasing and managed portfolio services on behalf of KCC. It manages solar farms and provides energy services (Laser), helping clients achieve carbon reduction.

GEN2 Property Ltd - provides property services and property management consultancy.

Invicta Law Ltd - specialises in child protection and community care.

Cantium Business Solutions Ltd - 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 - 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. Services include early years and childcare management, schools' financial management, governor services, clerking, professional development, outdoor learning and specialist employment advice. The main clients are schools within Kent.

Bowerhouse II Solar Ltd - a company generating electricity through renewable energy, reducing carbon emissions.

GSG Global Education Ltd - this company is involved in the provision of education supplies and equipment to international schools. Prior to March 2023 this company was called CES Holdings Ltd.

Lifecycle Management Group Ltd - provides a fully managed procurement service and contract management.

Prospects Payroll Ltd - provides payroll services (specialising in the Education sector).

Joint ventures - joint venture partnerships between Commercial Services Kent Ltd and various local authorities (Hampshire County Council, Luton Borough Council, Surrey County Council, Dudley Metropolitan Borough Council and Dorset Council). They provide agency and interim staff and recruitment for hard to fill permanent contracts.

Financial Report

Setting the Revenue Budget for 2023-24 - the budget strategy

The Council previously had a good financial track record delivering a small net surplus on its revenue budget in each of the last 22 years up to 2021-22. 2022-23 outturn ended with a £47.1m overspend after roll forwards, balanced from drawdowns from general and risk reserves. The budget setting continues to be a robust and prudent approach to both annual revenue budget and medium-term financial plan albeit spending forecasts have been considerably volatile and unpredictable in recent years, together with the added uncertainty from one-year settlements. In year budget management and monitoring has proved more challenging, identifying and implementing corrective action in response to volatile and unpredictable spending changes has proved to be exceptionally difficult in the timescales required, leading to a weakening of financial resilience through use of reserves. Future budgets will need to focus on restoring financial resilience.

In recent years the local government sector has faced significant and unprecedented financial challenges. These fell into 3 distinct periods:

- 2011-12 to 2015-16 was a period of significant annual reductions in central government grant support (as well as changes to funding arrangements that saw the transfer of specific grants into general grants and the introduction of business rate retention), and council tax freezes/2% increases in the latter years of the period. The transfer of specific grants and devolution of additional responsibilities disguised the negative impact of budget reductions during this period. There was no recognition of spending growth and consequently significant savings had the be achieved to balance budgets. KCC planned for savings of £433m over this five-year period to balance grant reductions and spending growth.
- 2016-17 to 2019-20 represented a “flat cash” settlement over the four-year period. This flat cash included further reductions in the main revenue support grant, additional and increasing grants to reflect social care pressures, and modest annual council tax increases up to government determined referendum limits (including the introduction of and annual expansion of a specific adult social care council tax levy). The grant settlements did not include any specific funding for legislative reforms such as Care Act 2014, Children and Families Act 2014, introduction of National Living wage, etc., even though these proved to

add additional cost pressures on councils over and above pressures for prices and population demographics. KCC planned for savings of £250m over this four-year period to balance flat cash settlement and spending growth.

- 2020-21 to 2023-24 has seen increases in government grants (both grants to deal with the impact of Covid-19 pandemic and subsequently additional grants for social care, to compensate for loss of business rates, and annual indexation increases), and higher council tax referendum thresholds. The Covid-19 pandemic saw councils increasing reserves in the early part of this period but in the latter part the increases from grants and council tax have not been sufficient to cover rising costs (both from inflation/cost increases and service demands) and councils continued to plan for savings, and from 2022-23 have started to draw on reserves. KCC planned for savings of £200m over this four-year period.

The scale of forecast spending increases and funding settlements is predicted to lead to KCC savings requirements for 2024-27 returning to the levels required in 2011-16.

The 2023-24 budget

A high-level presentation of the changes between the final approved revenue budget for 2022-23 and the final 2023-24 budget 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 and in particular the magnitude spending growth compared to the available funding from government settlement and local taxation (which as explored later in this narrative changed considerably as the 2023-24 evolved).

Change in net spending	**£m**	**Change in net funding**	**£m**
Additional spending	219.3	Net increase in government grants	63.8
Savings from spending reductions	-39.1	Change in council tax base	12.0
Changes in income	-15.6	Increase in council tax charge	41.7
Changes in specific grants	-34.7	Change in retained business rates	7.4
Changes in reserves	-5.7	Change in collection fund and compensation	-0.8
Total change in net spending	**124.1**	**Total change in net funding**	**124.1**

Although 2023-24 was a further one-year settlement (effectively the 5th consecutive one-year settlement) the core principles for council tax referendum and grant settlements for 2024-25 were also announced (albeit without individual authority indicative allocations). This enabled a more predictable funding assumption to be included in three year medium term to be published covering 2023-24 to 2025-26 (albeit 2025-26 remained highly speculative). Spending forecasts have continued to prove unpredictable due to a combination of in year variances and inaccurate future forecasts.

The budget for 2023-24 was approved by full Council on 9th February 2023. The net revenue budget for 2023-24 was £1,310.9m an increase of £119.4m on 2022-23 final budget of £1,191.5m. The 2023-24 budget presented to County Council for approval comprised of £216.8m of increased spending including base budget changes to reflect the full year effect of forecast variances in 2022-23 budget monitoring, provision for forecast pay, price and other demand and cost driver increases, and increased spending from specific grants including the extension of Household Support Fund into 2023-24. The budget presented included £54.8m of savings and income, £31.9m increased specific government grant income and net £10.7m from changes in reserve contributions and drawdown. The budget presented to County Council did not include final local government finance settlement, the council's share of retained business rates and collection fund balances, and final announcement of some departmental specific grants e.g. public health, as these had not been announced in time for publication.

The final local government finance settlement and share of business rates was reported to Cabinet on 30th March and were incorporated in the final budget along with the increased grant income and spending from subsequent specific grant announcements as reflected in the final table above. Savings and other income were unchanged from the budget approved by County Council. Cabinet agreed that the additional £3.6m of funding in the final settlement from Services Grant, Extended Rights to Free Travel Grant as well as retained share of business rates and compensations was used to reduce the draw down from smoothing reserves to balance 2023-24. In line with established policy the £1.1m business rate collection fund surplus was transferred into local taxation equalisation reserve. These changes approved by cabinet increased the final net revenue budget to £1,315.6m and increase of £124.1m on the final budget for 2022-23.

The capital programme presented planned rolling programmes over 10 years together with approved projects where funding has been secured over the planned duration for the projects. Projects under development where funding has not yet been secured are presented in a separate schedule that does not form part of the approved programme. The ten-year capital programme for 2023-24 to 2032-33 was £1,624m funded by a combination of government grants (£959m), borrowing (£400m and other sources (£265m).

The revenue and capital budgets represented the culmination of a long evolution process updating the original 2023-24 plan in the 2022-25 MTFP. This updating process started in May 2022 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 the extraordinary economic consequences of global and national circumstances which have had a significant impact on public spending and borrowing, and on local spending. Adult social care spending has come under pressure particularly older persons residential and nursing care where the cost of packages for new clients has been continually rising (although there are also combination of demand and cost pressures for other client groups and care settings but to a relatively lesser extent than older persons). There have also been significant cost and demand pressures in children's services including children in care, home to school transport and special educational needs.

Inflation rose significantly during 2022-23 (after the original medium-term plans for 2023-24 and 2024-25 were prepared) and the 2023-24 budget was based on the forecasts from the Office for Budget Responsibility (OBR) although it was recognised that forecasts had become significantly less reliable following the recent economic shocks and consequently the 2023-24 budget also included a 1% risk contingency.

The MTFP showed a balanced position over the three years 2023-24 to 2025-26 based on funding, spending and savings/income assumptions albeit with a drawdown from smoothing reserves in 2023-24 and details of new efficiency and policy savings in 2024-25 and 2025-26 still to be fully developed. The MTFP maintained a general reserve of 5% of net revenue spending, although income from insecure sources (New Homes Bonus Grant, Company Dividends and Business Rate Pool) was returned to support core spending rather than added to reserves. The budget also assumed that 2022-23 would be balanced without drawing down reserves that would subsequently need to be replenished.

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

- 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.
- Impact of 2022-23 forecast overspend on usable revenue reserves.

- Changes in circumstances affecting the delivery of planned savings.
- 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 and children's services (children in care and transport providers).

In each year up to 2021-22 the final outturn showed a small surplus which was added to reserves but 2022-23 and 2023-24 were balanced with drawdowns from reserves. The overspends in these years were a combination of under delivery of savings and additional unplanned spending.

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, cost inflation, recruitment and retention difficulties, additional statutory requirements (often without sufficient levels of funding to support changes) 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.

The pressures on local government finances have become particularly acute now, with several authorities over recent years issuing Section 114 (S114) notices under the 1988 Finance Act; essentially a statutory stop on all non-essential spending. In addition to these sector-wide concerns, there are some challenges unique to KCC that compound the pressures the Council is facing, for example, as a result of Kent's strategic location as the Gateway to Europe and main entry point into the UK through the Short Straits channel crossings. These factors all affect 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.

Given the above, in delivering Securing Kent's Future the council is required to increase its risk appetite to successfully mitigate the significant financial risk it currently faces, while also continuing 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 in a challenging financial context, 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 2023-24 were difficult to predict in the absence of an indicative settlement from government, uncertainties around the government's plans for Social Care charging reforms and volatile council tax base in previous years. Consequently, these were based on a prudent approach using the best information available in late 2021 when the initial plans for 2023-24 were developed as part of 2022-25 MTFP. These initial plans were based on the following assumptions:

- 1% increase in council tax base from new dwellings, changes in discounts/exemptions and collection rates.
- Council tax referendum limit allowing an increase in the household charge up to but not exceeding 2% (same as 2022-23 provisional settlement).
- The social care council tax levy for further 1% increase in the household charge (same as 2022-23 provisional settlement).
- Final year of council tax and business rates collection fund deficits from 2020-21 under 3-year Covid dispensation with no subsequent surpluses.
- Retained business rates increasing in line with 3.8% CPI (based on autumn 2021 Office for Budget Responsibility (OBR) forecasts) linked inflationary uplifts to the business rate multiplier with some of the temporary covid-19 reliefs assumed to be removed and reflected in business rate share rather than compensation grant.
- Government grants rollover at the same amounts as 2022-23 other than Services Grant (this grant was introduced in 2022-23 and at the time it was announced as a temporary measure so the assumption was that this would be a phased removal) and with inflationary uplifts to revenue support grant and business rates top-up on the same basis as uplifts in business rates multiplier.
- Pro rata share of nationally announced amount from National Insurance increase to fund Social Care reforms spread over two years from October 2023.

These assumptions resulted in an initial forecast increase in available funding of approx. £42m (+3.5%), with 60% of this increase anticipated to fund the Social Care Reforms from the National Insurance increase. The assumptions were updated in spring/summer 2022 for the allocation of directorate resource envelopes. The update included increasing council tax base assumption to 1.5%, assuming 1% council tax collection fund surplus (average of recent years adjusted for Covid-19 impacts), no reduction in Services Grant, and increased CPI assumption to 10% (based on March 2022 OBR forecasts) for business rate and grant uplifts. This revised funding assumption represented approx. £78m increase on 2022-23 (+6.6%), with just under 1/3 of this increase for Social Care reforms.

The Chancellor of the Exchequer announced the 2022 Autumn Statement (setting out high level government departmental spending plans for 2023-24) on 17th November 2022. The announcement included significant changes for local authorities including delaying the Social Care charging reforms (with the funding repurposed and allocated to address spending pressures in health and adult social care, of which £1.3bn was available for social care) plus an additional £1bn for social care from new money (£0.4bn of which would be allocated to local authorities via a new social care grant and £0.6bn managed through Better Care Fund), and higher council tax referendum thresholds (3% for general levy plus further 2% for adult social care). The autumn statement also confirmed that business rate multiplier would be frozen with additional compensation paid to local authorities for impact on retained shares. The funding estimate was revised following the announcement and now represented approx. £98m increase (+8.2%) based on the assumed allocation of additional grants, assumed reduction in Services Grant for the return of the element for employer's national insurance increase, and take up of increased council referendum thresholds, with nothing now required for Social care reforms.

The provisional local government finance settlement was published on 19th December 2022 confirming the Autumn Statement allocations for individual grants and council tax referendum limits. The £1.3bn repurposed social care funding was allocated through existing Social Care Grant which included an element for council tax equalisation and transfer of Independent Living Fund Grant (these resulted in an allocation circa £4m more than had previously assumed albeit now shown through existing grants), the new social care grant from the £0.4bn was largely as assumed (now called Market Sustainability and Improvement Fund Grant), and the settlement included allocation of £0.3bn from the new money in Better Care Fund through Hospital Discharge Grant (£7m for KCC). The reduction in Services Grant was more than expected with some of this money redistributed to fund other increases in the settlement.

The administration's draft budget was published on 4th January 2023 based on the provisional settlement and showed a total revenue funding estimate of £1,306.8m (an increase of £115.3m or 9.7% on the approved budget for 2022-23). The estimated council tax base increase for the draft budget was still based on the assumed 1.5% from the summer update pending confirmation from individual districts.

The final draft budget for County Council approval was published on 1st February 2023. The settlement funding was the same as previous draft (final settlement was not published until 6th February) and the final draft included the council tax base notification from districts for precepting purposes (1.46% increase i.e. slightly lower than previous assumption of 1.5%) and council tax collection fund balance (£4.5m higher than previously assumed albeit the additional surplus transferred to smoothing reserve rather than funding additional spending). The revenue funding estimate for County Council was £1,310.9m (an increase of £119.4m or 10% on approved budget for 2022-23).

The final local finance settlement was confirmed on 6th February 2023 and included some minor changes including an increase for all authorities from Levy Surplus account allocated though Settlement Funding Assessment. The final settlement together with business rate tax base and collection fund balances was included in final budget approved by Cabinet on 30th March. The final net revenue for 2023-24 was £1,315.6m (an increase of £124.1m or 10.4% on 2022-23).

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

	Final 2022-23 in 2022-25 MTFP £m	Original 2023-24 in 2022-25 MTFP £m	Summer 2022 Update for Resource Envelope £m	Estimate from Autumn Statement November 2022 £m	Draft Budget January 2023 £m	County Council Budget February 2023 £m	Final Budget March 2023 £m	Final Change on 2022-23 £m
Council Tax (inc. tax base)	823.1	856.2	860.4	877.2	877.2	876.8	876.8	53.7
Retained Business Rates	52.8	60.6	63.9	63.9	58.1	58.1	60.2	7.4
Collection Funds & Compensation for losses	9.9	-3.4	3.6	3.6	3.6	8.1	9.2	-0.8
General Grants	184.1	179.7	195.0	190.9	200.4	200.4	201.6	17.6
Existing Social Care Grants	104.5	104.5	104.5	104.5	138.8	138.8	138.8	34.3
New Services Grant	13.0	6.5	13.0	9.8	7.3	7.3	7.6	-5.4
New Social Care Grant	4.2	29.1	29.1	39.5	21.4	21.4	21.4	17.3
Total	1,191.5	1,233.2	1,269.5	1,289.4	1,306.8	1,310.9	1,315.6	124.1

<u>Spending, Changes in Reserves and Savings & Income</u>

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 and other cost drivers, legislation, and service improvements.

The final budget showed £219.3m of additional spending growth in 2023-24 (£182.3m excluding spending funded by increases in specific grants/external sources). This is historically an exceptionally high level of spending growth way in excess of the additional funding available from government settlement and local taxation, the breakdown of spending growth is as follows:

- £63.5m net base budget changes reflecting full year effect of 2022-23 variances
- £69.5m (£65.2m excl. externally financed) for forecast index linked contractual price increases and negotiated contracts
- £34.0m (£33.5m excl. externally financed) for forecast increases in demand/demographic changes and non-index linked/negotiated price uplift unit cost increases (referred to as demand and cost drivers)
- £14.9m (£14.2m excl. externally financed) for increases in Kent scheme pay
- £37.5m (£5.9m excl. externally financed) other including spending from government grant, service improvements and other legislative requirements

Changes in Reserves
The net movement in reserves was -£5.7m (£6.3m excl. externally financed) i.e. net draw down. This movement comprised planned additional drawdowns in 2023-24 totalling £8.5m from Corporate Reserves to balance 2023-24 budget (£4.3m from corporate reserves to be repaid in 2024-25), Public Health Reserve (£3.2m) and other specific reserves (£1.0m). The change in reserves included £23.5m additional contributions in 2023-24 to risk reserve (£12m), general reserve (£5.8m to maintain this at 5%) and local tax equalisation reserve (£5.6m from collection fund balances). The change in reserves also includes removal of £29.5m of previous year contributions and £8.8m draw down from reserves in 2022-23 budget.

Savings and Income
Although the 2023-24 funding settlement represented an increase over previous years with additional funding both from government grants and local taxes, the total increase of £124.1m was not sufficient to fully fund the additional spending growth of £219.3m and net -£5.7m changes in contributions and drawdown from reserves. Additional savings and income of £54.8m plus £34.7m of increased specific grant income were required to balance the budget. The savings and income (excluding grants) comprised of:

- £9.6m from efficiency savings from staffing, contracts and managing premises (doing the same for less money)
- £23.9m policy savings (service reductions)
- £1.7m from service transformation (improved outcomes at lower cost)
- £3.9m rephasing of capital financing and increased income from financial investments
- £15.6m income generation

Budget Consultation and Engagement
Consultation on budget strategy was launched on 19th July 2022 and was open for 7 weeks until 5th September 2022. The consultation focussed on the financial challenge the council potentially faced in a highly volatile, and more risky/uncertain environment than previously, with rising costs of fuel, energy and inflation more generally resulting in increased costs for most services. These cost increases were 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. The consultation identified that this combination meant that forecasting future spending and income is much harder than in previous years. The consultation sought views on council tax increases up to referendum level and for adult social care. The consultation also sought views on areas for savings and income to balance the overall budget and close the gap between spending and likely funding forecasts. Responses to the consultation were set out in a report considered by elected Members (Councillors) at Cabinet Committee/Scrutiny Committee/Cabinet meetings during January 2023 in advance of the budget debate and approval by County Council on 9th February 2023.

Revenue Budget and Outturn

In February 2023 the Council approved a net revenue budget for 2023-24 of £1,315.6m. In addition, £2.7m was rolled forward from 2022-23 and £9.4m additional funding was received from the Market Sustainability and Improvement Fund increasing the budget to £1,327.7m. The outturn position for the year against the revised budget is set out in the following table, together with the sources of income from which the Council's net revenue expenditure was financed.

Directorate/Department		Budget £000	Outturn £000	Variance £000
Adult Social Care & Health including Public Health	ASCH	528,724	561,326	32,602
Children, Young People & Education	CYPE	347,002	371,637	24,635
Growth, Environment & Transport	GET	195,346	191,465	-3,881
Chief Executive's Department	CED	31,035	28,076	-2,959
Deputy Chief Executive's Department	DCED	83,694	75,643	-8,050
Non-Attributable Costs including Corporately Held Budgets	NAC	141,872	113,568	-28,304
		1,327,673	1,341,715	14,043
School's Delegated Budgets	CYPE	0	42,024	42,024
Delegated Schools Budgets - DfE contribution to DSG Deficit		0	-19,360	-19,360
		1,327,673	**1,364,379**	**36,707**
FUNDED BY:				
Reserves		-2,688	-2,688	0
Reserves (Funding of 2023-24 overspend)		0	-12,288	-12,288
Revenue Support Grant (RSG)		-11,073	-11,073	0
Council Tax Yield including Collection Fund		-883,647	-883,647	0
Local Share of Business Rates & Business Rate Collection Fund		-60,137	-63,581	-3,444
Business Rate Top Up		-140,802	-140,802	0
Business Rate Compensation Grant		-44,241	-43,004	1,237
New Homes Bonus (NHB)		-2,273	-2,273	0
Improved Better Care Fund (iBCF)		-50,014	-50,014	0
Social Care Support Grant		-88,771	-88,771	0
Market Sustainability & Improvement Fund		-23,810	-23,810	0
Services Grant		-7,599	-7,599	0
Adult Social Care Discharge Fund		-7,012	-7,012	0
Compensation for Covid-19 related Business Rate Reliefs Grant		0	-2,097	-2,097
Compensation for irrecoverable Local Taxation Losses - Transfer to/from Reserves		-2,348	-2,348	0
Other Un-ringfenced Grants		-3,258	-3,396	-138
Total Funding		-1,327,673	-1,344,403	-16,730
NET OUTTURN POSITION		**0**	**19,977**	**19,977**

The net overspending within the directorates is £9.601m, being +£14.043m and -£4.442m funding variance (excluding -£22.664m delegated schools net overspend). There are £2.771m roll forward requests and these will be added to the 2024-25 budget to support the rescheduling of projects. The overspend (including roll forwards) have been funded by a £12.372m drawdown from reserves.

What the money is spent on

	2022-23 £000	2023-24 £000
KCC Employees	373,206	402,319
Schools Employees	520,694	551,847
Support Services	66,257	77,948
Premises related costs	50,028	48,659
Transport related costs	77,820	93,081
Supplies and Services	37,367	36,995
Professional Fees, Grants & Subscriptions	114,222	121,318
Commissioned Services	1,205,247	1,364,721
Accounting Adjustments	53,093	48,375
Schools revenue expenditure	218,819	228,142
	2,716,753	**2,973,406**

Where the money came from

	2022-23 £000	2023-24 £000
General Grants	367,553	445,769
Specific Government Grants	1,166,452	1,211,085
Council Tax	830,447	883,647
Fees, Charges and Other Income	284,375	317,651
Reserves	54,855	14,967
	2,703,682	**2,873,139**

The 'what your money is spent on' and 'where the money came from' tables do not reconcile to the information in the Outturn table as they contain accounting adjustments.

Schools

In total, schools' reserves have decreased by £2.5m, this amount is made up of academy conversions of £0.7m, an increase in the value of schools' deficit balances of £0.4m and an increase in schools' surplus balances of £1.4m.

In addition, there was a £39.6m net overspend in year on the Central DSG Reserve made up of £42.7m overspend on High Needs budgets, £1.3m underspend relating to School Block related spend, £1.4m underspend on Early Years and an underspend on central DSG budgets of £0.4m. The council made a contribution of £14.4m and as part of the safety valve agreement Kent received £19.4m towards the historic deficit. The net surplus from 22-23, after offsetting the in year deficit, was £36.2m and is held in an earmarked 'DSG Safety Valve reserve' and the balance remains unchanged as at 31 March 2024.

Schools now have £58.6m of revenue reserves as reflected in note 22 on page 85 and there is a deficit balance of £103.4m in the DSG Adjustment Account as reflected in note 23 on page 86. 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 13: Local Authority Reserves and Balances.

Revenue earmarked reserves are £312.851m and Note 24 on pages 95 to 96 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2024. The general reserve position as at 31 March 2024 is £43.228m which is a net increase of £5.800m.

At 31 March 2024 the Council has usable capital reserves of £207.887m as shown on Note 22 (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 2024 totalled £36.453m, see Note 25 on page 97 to 98.

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 was undertaken during 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 £237.287m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget £000	Outturn £000	Variance £000
Children, Young People & Education	120,402	52,319	-68,083
Adult Social Care & Health	3,634	2,951	-683
Growth, Environment & Transport	265,761	146,309	-119,452
Chief Executive's Department	1,586	-350	-1,936
Deputy Chief Executive's Department	23,526	20,995	-2,531
	414,909	222,224	-192,685
Devolved Capital to Schools	9,500	15,063	5,563
TOTAL	424,409	237,287	-187,122

Expenditure excluding that incurred by schools under devolved arrangements was £192.685m less than cash limits. Of this, -£198.246m reflected re-phasing of capital expenditure plans across all services and +£5.561m was due to real variations on a small number of projects. Rephased capital resources will be carried forward into 2024-25 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2023-24 was £15.063m.

Details of the financing of capital expenditure are on pages 72 and 73.

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 2024 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 97.

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 2023-24 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £35m. This is a decrease in the deficit of £27.6m from 2022-23.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2023-24, earlier years and for future years. The balance currently stands at £781m (short- and long-term) as shown on the balance sheet on page 25. 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 2023-24 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 2024-25 budget was carried out over a similar timeframe to 2023-24 from 13th July 2023 to 6th September. The consultation included some key facts about Kent, KCC's strategic priorities and the financial challenges the council has faced through 2022-23 outturn and balancing 2023-24 budget. The consultation identified the large proportion of the council's budget spent on the main service areas including social care services for vulnerable adults & older people, children's social care, public transport (including home to school), 3waste recycling & disposal, and highways management & maintenance which are the areas which have been subject to vast majority of spending growth.

The 2024-25 budget was developed based on the core principles for 2024-25 funding settlement which were announced as part of 2023-24 settlement. These included further increases in social care grants (in addition to increases in 2023-24) and same 3%+2% council tax referendum principles as 2023-24. The announcement of these core principles was a consideration in planning to publish an earlier draft budget for scrutiny in November, with key decisions then published in principle in January in advance of full Council budget meeting in February. The core principles also meant that funding forecasts for 2024-25 were less volatile than 2023-24 (as demonstrated earlier in this narrative).

Cabinet approved "Securing Kent's Future – Budget Recovery Strategy" on 5th October 2023. SKF set out the recent challenge from rising spending particularly in adult social care, children in care and home to school transport. The strategy recognised that councils have to comply with competing statutory duties including setting a balanced budget, meet statutory requirements to deliver services and to secure value for money. SKF represented a reset of the Council's strategic priorities with the objective of delivering new models of care prioritised over other objectives. SKF also set objectives to bring 2023-24 budget back into balance, identify savings from service transformation in adult social care, children's services and from reviews of contracts & staffing towards setting a sustainable 2024-25 budget and MTFP, identify other policy choices and reset scope of the Council's ambitions, and transformation of the operating model of the Council. The draft budget for 2024-25 and MTFP was developed to reflect the revised strategic priorities.

An initial draft revenue budget and MTFP was published in November albeit with a significant £48.8m gap between forecast spending and funding in 2024-25 (with lesser gaps in later years assuming previous year gaps were closed). The imbalance was largely due to increased spending forecasts significantly exceeding the available funding in government settlement and from local taxation, requiring substantial balancing savings/income that were not possible to be fully identified for the November publication. The increased spending growth was largely as a result the need to plan for further significant base budget changes in response to forecast overspends for 2023-24, significantly higher demand and cost drivers than previously forecast, as well as rate of inflation not falling as fast as forecast during 2023. The first draft includes replenishment of general reserves drawn down to balance 2022-23 outturn over two years to return general reserves to 5% by 2025-26. The initial draft also included continuation of 1% risk contingency provision. The plan assumed no further draw down from reserves to balance 2023-24 outturn that would require subsequent replenishment.

The first draft was published before the Autumn Budget Statement 2023 on 22nd November, although when announced this did not include any significant changes from expectations other than higher inflation forecasts for 2024 and into 2025 (leading to higher price uplifts not fully compensated by higher index linked business rate/grant uplifts). The provisional local government finance settlement was announced on 18th December 2023, again with no significant changes other than a larger than expected reduction in Services Grant.

A revised draft budget was published on 3rd January 2024 based on the provisional settlement. This represented a balanced position compared to the November draft albeit largely through £19.8m of one-offs in 2024-25 (use of reserves and capital receipts) that needed to be replaced with policy savings in 2025-26, and removal of previous risk contingency within the plans for 2024-25. The planned replenishment of general reserves to 5% by 2025-26 remained unchanged from initial draft.

The final local government finance was announced on 5th February and included an additional £0.6bn social care grant (£12.8m for KCC) compared to provisional settlement, this had been first announced in late January. The additional grant was reflected in the final draft budget for Council approval published on 9th February 2024 for full council approval on 19th February 2024 to fund latest spending forecasts and provide some investment in transformation activity along with limited other changes from the revised 3rd January draft. Thes final draft was net revenue budget of £1,423.6m, £108m increase on 2023-24 final budget. However, this did not include the final share of retained business rate or business rate collection balance (or some late grant announcements).

As in 2023-24 these were reported and approved by Cabinet in March resulting in a final approved net revenue budget for 2024-25 of £1,429.5m. The 10 year capital programme was unchanged from the Council approval of £1,665.3m

There are no detailed government departmental spending plans beyond 2024-25 with only overall high level total public sector spending plan consistent with the fiscal 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. To achieve these targets public spending is forecast to grow in cash terms but at a slower rate than the overall economy representing real terms reductions.

In the absence of detailed government plans, the later years of 2024-27 MTFP are based on flat cash grant settlements (other than those subject to index linked increases through business rate multiplier) and same council tax referendum principles as 2023-24 and 2024-25. The plans for 2025-26 and 2026-27 will be updated during the course of 2024 with the aim of publishing a draft 2025-26 budget and MTFP in November, and final draft in January for Cabinet endorsement and County Council approval.

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 Joe McKay, Acting Chief Accountant.

Telephone (03000) 42 14 47 or E-Mail joe.mckay@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 12 December 2024 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 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 2024.

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 2024.

Certificate of the Corporate Director Finance

John Betts
Acting 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.

		Year Ended 31 March 2024		
Service	**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Adult Social Care & Health including Public Health	ASCH	865,528	-290,820	574,708
Children, Young People & Education	CYPE	1,608,074	-1,189,157	418,917
Growth, Environment & Transport	GET	318,676	-70,160	248,516
Chief Executive's Department	CED	60,495	-33,650	26,845
Deputy Chief Executive's Department	DCED	107,705	-13,107	94,598
Non-Attributable Costs including Corporately Held Budgets	NAC	17,084	-14,041	3,043
Cost of Services		**2,977,562**	**-1,610,935**	**1,366,627**
Other operating Expenditure	**12**			89,800
Net Surplus on trading accounts	**33**			-4,487
Financing and Investment Income and Expenditure	**13**			21,035
Taxation and Non-Specific Grant Income	**14**			-1,521,511
(Surplus) or deficit on Provision of Services				**-48,536**
(Surplus)/deficit arising on revaluation of non-current assets				21,446
Remeasurement of the net defined benefit liability				3,359
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				23,855
Total Comprehensive Income and Expenditure				-24,681

Year Ended 31 March 2023

Service	Notes	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**

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 2023

	General Fund	Ear-marked General Fund Reserves	S31 – 75% Tax Income Guarantee Grant and Business Rate Relief Grant Reserves	**Total General Fund including Ear-marked Reserves**	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
Balance at 31 March 2022 carried forward	-56,188	-393,152	-20,040	**-469,380**	-33,291	-74,183	**-565,890**	-682,709	**-1,248,599**
Movement in reserves in 2022-23				**0**					**0**
Total Comprehensive Income & Expenditure	21,672			**21,672**			**21,672**	-1,736,673	**-1,715,001**
Adjustments between accounting basis and funding basis under regulations	-4,772			**-4,772**	-5,936	-28,020	**-38,729**	38,729	**0**
Net increase/decrease before Transfers to Earmarked Reserves	**16,900**			**16,900**	**-5,936**	**-28,020**	**-17,057**	**-1,697,944**	**-1,715,001**
Transfer between Usable and Unusable Reserves	2,371	-20,063	17,692	**0**					**0**
Transfers to/from Earmarked Reserves (total of *s in Note 22)				**0**					**0**
Increase/Decrease (movement) in year	**19,271**	**-20,063**	**17,692**	**16,900**	**-5,936**	**-28,020**	**-17,057**	**-1,697,944**	**-1,715,001**
Balance at 31 March 2023	**-36,917**	**-413,215**	**-2,348**	**-452,480**	**-39,227**	**-102,203**	**-593,910**	**-2,380,653**	**-2,974,563**

Year Ended 31 March 2024

	General Fund	Ear-marked General Fund Reserves	S31 – 75% Tax Income Guarantee Grant and Business Rate Relief Grant Reserves	**Total General Fund including Ear-marked Reserves**	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
Balance at 31 March 2023 carried forward	-36,917	-413,215	-2,348	**-452,480**	-39,227	-102,203	**-593,910**	-2,380,653	**-2,974,563**
Movement in reserves in 2023-24									
Total Comprehensive Income & Expenditure	-48,537			**-48,537**			**-48,537**	23,854	**-24,683**
Adjustments between accounting basis and funding basis under regulations	70,367			**70,367**	-5,008	-61,448	**3,911**	-3,911	
Net increase/decrease before Transfers to Earmarked Reserves	**21,830**	**0**	**0**	**21,830**	**-5,008**	**-61,448**	**-44,626**	**19,943**	**-24,683**
Transfer between Usable and Unusable Reserves		14,400		**14,400**			**14,400**	-14,400	
Transfers to/from Earmarked Reserves (total of *s in Note 22)	-27,943	25,595	2,348	**0**					
Increase/Decrease (movement) in year	**-6,113**	**39,995**	**2,348**	**36,230**	**-5,008**	**-61,448**	**-30,226**	**5,543**	**-24,683**
Balance at 31 March 2024	**-43,030**	**-373,220**	**0**	**-416,250**	**-44,234**	**-163,652**	**-624,136**	**-2,375,110**	**-2,999,246**

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.

	Notes	31 March 2024 £000	£000	31 March 2023 £000
Property Plant & Equipment	**16**	3,695,126		3,741,347
Heritage Assets	**20**	8,546		7,986
Investment Property	**17**	43,168		51,140
Intangible assets		330		1,681
Long-term investments	**38**	301,053		323,487
Long-term debtors	**26**	50,787		50,940
Total long-term assets			4,099,010	4,176,581
Inventories		2,537		8,710
Assets held for sale (<1yr)		1,614		4,091
Short-term debtors	**26**	397,669		346,204
Short-term investments	**38**	36,683		60,423
Cash and Cash equivalents	**28**	142,511		135,958
Total current assets			581,014	555,386
Temporary borrowing	**38**	-78,369		-90,155
Short-term Lease Liability	**38**	-9,207		-8,458
Short-term provisions	**25**	-26,905		-16,346
Creditors	**27**	-441,793		-466,545
Cash and Cash equivalents	**28**	-10,967		-4,244
Total Current liabilities			-567,241	-585,748
Creditors due after one year	**27**	-34		-35
Provisions	**25**	-9,548		-10,030
Long-term borrowing	**38**	-702,562		-721,893
Other Long-Term Liabilities	**37/38**	-243,325		-284,855
Capital Grants Receipts in Advance	**15**	-158,068		-154,842
Long-Term Liabilities			-1,113,537	-1,171,655
Net Assets/(Liabilities)			2,999,246	2,974,564
Usable Reserves	**22**	-624,135		-593,911
Unusable Reserves	**23**	-2,375,111		-2,380,653
Total Reserves			-2,999,246	-2,974,564

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	**2023-24 £000**	2022-23 £000
Net (Surplus) or deficit on the provision of services		-48,536	21,672
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**29**	-181,115	-371,114
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**29**	249,452	252,876
Net cash flows from operating activities		19,801	-96,566
Investing Activities	30	-56,040	56,639
Financing Activities	31	36,409	27,855
Net increase (-) or decrease in cash and cash equivalents		170	-12,072
Cash and cash equivalents at the beginning of the reporting period		131,714	119,642
Cash and cash equivalents at the end of the reporting period	**28**	**131,544**	131,714

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 2024

	As reported to Management £000	Adjustments to arrive at the net amount chargeable to the General Fund Balance £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care & Health	561,326	11,481	572,807	1,901	**574,708**
Children, Young People & Education	371,637	4,921	376,558	42,359	**418,917**
Growth, Environment & Transport	191,465	1,775	193,240	55,275	**248,515**
Chief Executive's Department	28,076	5	28,081	-1,236	**26,845**
Deputy Chief Executive's Department	75,643	11,405	87,048	7,551	**94,599**
Non-Attributable Costs including Corporately Held Budgets	113,568	-110,441	3,127	-84	**3,043**
Schools' Delegated Budgets	22,664	-22,664	0	0	**0**
Cost of Services	**1,364,379**	**-103,518**	**1,260,861**	**105,766**	**1,366,627**
Other Income and Expenditure	-1,344,402	105,372	-1,242,515	-176,134	**-1,415,164**
Surplus or Deficit	**19,977**	**1,854**	**21,831**	**-70,368**	**-48,537**
Opening General Fund Balance			-452,480		
Less/Plus Surplus or (Deficit) on General Fund in Year			21,830		
Transfers between Usable & Unusable Reserves			14,400		
Closing General Fund Balance at 31 March 2024			**-416,250**		

Note 9a on pages 45 to 48 provides an 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.

Year Ended 31 March 2023

	As reported to Management £000	Adjustments to arrive at the net amount chargeable to the General Fund Balance £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care & Health	479,488	2,065	481,553	6,127	487,680
Children, Young People & Education	338,294	-12,051	326,243	47,725	373,968
Growth, Environment & Transport	179,608	4,208	183,816	53,394	237,210
Chief Executive's Department	29,906	-1,433	28,473	1,379	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
Net Cost of Services	1,230,906	-129,594	1,101,312	118,586	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	38,849	16,900	4,772	21,672
Opening General Fund Balance			-469,380		
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020					
Less/Plus Surplus or (Deficit) on General Fund in Year			-16,900		
Transfers between Usable & Unusable Reserves			0		
Closing General Fund Balance at 31 March 2023			**-452,480**		

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 2023-24 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. The majority of expenditure is created using iProcurement and accruals are generated automatically. Outside of iProcurement, a de minimus of £5,000 for revenue and £10,000 for capital is used for income and expenditure items. 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 64. 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 His Majesty's Revenue and Customs (HMRC). 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

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 further deferred 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 or finance leases, with only the assets and liabilities relating to finance leases recognised on our Balance Sheet. This accounting change will have an impact on our accounts and will require new accounting for an estimated 178 assets, of which 120 are property or land, 57 are vehicles, and 1 is equipment. Based on the work undertaken so far, we estimate a right of use asset value and corresponding lease liability of approximately £23.7m. This value excludes the impact of peppercorn leases (which need to be valued at a cost to the Council and will increase the right of use asset value), the impact of PFI lease liabilities, and the impact of sub-lease arrangements. This work will be undertaken during 2024-25 to form part of our disclosure in the 2024-25 statement of accounts.

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. £319m worth of assets in the balance sheet have not been revalued in 2023-24. 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 2023-24 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 wholly owns Global Commercial Services Group Ltd and this company and its subsidiaries are consolidated into our Group Accounts.

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 pages 106 to 107. 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 2024 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. It is estimated that the annual depreciation charge would increase by £1.9m for every year that asset lives had to be reduced. 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 £2,276.8m 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 £215.8m on the balance sheet, are significantly influenced by assumptions around rents and yields. Surplus assets valued on a Fair Value basis, totalling £99.2m, 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 0.1% in the discount rate would result in an increase in the pension liability of £53.7m. A 1-year increase to life expectancy assumptions would result in an increase in the pension liability of £142.0m. A reduction in the value of the assets would increase the pension liability on the Balance Sheet. The net pension liability carrying value for 2023-24 is £34.8m. More information on the carrying amount of the assets & liabilities impacted by estimation uncertainty can be found in Note 37 on pages 108 to 114.
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:

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.

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2023 to 31 March 2024

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 2023-24, 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 Officers whose remuneration is disclosed on pages 39 to 42 are included in the renumeration bandings shown in the table on the following page 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 Non-Schools 31 March 2024	Total Number of Employees Schools 31 March 2024	Total Number of Employees Non-Schools 31 March 2023	Total Number of Employees Schools 31 March 2023
50,000 - 54,999	315	367	250	241
55,000 - 59,999	207	227	184	160
60,000 - 64,999	145	139	105	98
65,000 - 69,999	65	99	67	72
70,000 - 74,999	65	70	44	55
75,000 - 79,999	40	52	22	34
80,000 - 84,999	29	26	26	20
85,000 - 89,999	19	23	15	14
90,000 - 94,999	12	8	9	12
95,000 - 99,999	14	11	15	7
100,000 - 104,999	10	8	9	4
105,000 - 109,999	4	2	5	5
110,000 - 114,999	8	6	5	1
115,000 - 119,999	3	7	3	4
120,000 - 124,999	4	1	3	2
125,000 - 129,999	1	3	3	2
130,000 - 134,999	1		2	
135,000 - 139,999	3		1	
140,000 - 144,999	2	1	1	1
145,000 - 149,999				
150,000 - 154,999	1	1	1	
155,000 - 159,999	1		3	
160,000 - 164,999	2			
165,000 - 169,999	1		1	
170,000 - 174,999	1			
175,000 - 179,999				
180,000 - 184,999	1		1	
185,000 - 189,999				
190,000 - 194,999	1			
195,000 - 199,999				
200,000 - 204,999				
205,000 - 209,999				
210,000 - 214,999				
215,000 - 219,999			1	
Total	**955**	**1,051**	**776**	**732**

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 2023-24 is as follows:

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remun-eration excl pension Contribution £	Employer Pension Contri-bution £	Total Remun-eration incl pension Contribution £
Chief Executive – David Cockburn	1	86,036					86,036	15,817	101,854
Chief Executive – Amanda Beer	2	142,345					142,345	29,181	171,525
Deputy Chief Executive – Amanda Beer	3	56,744					56,744	11,633	68,377
Corporate Director Adult Social Care & Health – Richard Smith		187,100					187,100	38,355	225,445
Corporate Director Children, Young People & Education – Sarah Hammond		163,854					163,854	33,590	197,445
Corporate Director Growth, Environment & Transport – Simon Jones		155,810					155,810	31,941	187,751
Corporate Director Finance - Zena Cooke	4	152,744		7,436			160,180	32,837	193,017
Director of Public Health*		123,842		16,158			140,000	28,700	168,700
General Counsel – Ben Watts		123,842		14,475			138,317	917	139,234
Director of Infrastructure		123,842					123,842	25,388	149,230
Director of Strategy, Policy, Relationships & Corporate Assurance		123,842					123,842	25,388	149,230

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remun-eration excl pension Contribution £	Employer Pension Contri-bution £	Total Remun-eration incl pension Contribution £
Director of Technology		122,012		12,568			134,580	27,589	162,169
Strategic Commissioner (Interim)	5	45,880		542			46,422	9,448	55,870
Head of Commercial & Procurement	6	62,569		3,792			66,361	13,673	80,034
Director of Human Resources & Organisational Development		115,959	3,500				119,459	24,489	143,948

* This includes all contractual entitlements.

Notes	
1	Mr Cockburn left KCC on 31 July 2023
2	Mrs Beer was appointed as Chief Executive from 1 August 2023
3	Mrs Beer was Deputy Chief Executive from 1 April to 31 July 2023. The Deputy Chief Executive was vacant for the remainder of the year
4	In the absence of the Corporate Director Finance since 8 January 2024, the role has been filled by an Acting Corporate Director Finance from 8 January 2024 until 31 March 2024 at a cost of £50,400
5	The Strategic Commissioner post was deleted from 1 September 2023 and replaced by the Head of Commercial & Procurement
6	The Head of Commercial & Procurement post was introduced from 1 September 2023

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

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remun-eration excl pension Contribution £	Employer Pension Contri-bution £	Total Remun-eration incl pension Contribution £
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
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	3	123,891		1,900			123,891	26,674	150,565
Director of Strategy, Policy, Relationships & Corporate Assurance		118,532	6,700				125,232	26,674	151,906
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									

Notes	
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 Dunkley (CBE) left KCC in June 2022
4	Mrs Hammond was 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 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, 79% 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 2023-24 of £0.9m includes schools and commitments in 2024-25.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies 2022/23	(b) Number of compulsory redundancies 2023/24	(c) Number of other departures agreed 2022/23	c) Number of other departures agreed 2023/24	(d) Total number of exit packages by cost band [(b)+(c)] 2022/23	(d) Total number of exit packages by cost band [(b)+(c)] 2023/24	(e) Total cost of exit packages in each band £ 2022/23	(e) Total cost of exit packages in each band £ 2023/24
80,001 - 120,000	0	0	0	0	0	0	£0	£0
40,001 - 80,000	0	2	0	1	0	3	£0	£133,207
20,000 - 40,000	11	12	5	3	16	15	£459,409	£363,410
0 - 20,000	15	40	7	11	22	51	£153,841	£355,255
Total	**26**	**54**	**12**	**15**	**38**	**69**	**£613,250**	**£851,872**

Note 7. Members Allowances

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

	2023-24 £000	2022-23 £000
Allowances	2,055	1,975
Expenses	59	44
Total	**2,114**	**2,019**

In 2023-24 the cost of the County Cars was £11.5k (£33.5k in 2022-23).

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 £87.2m (£113.1m in 22-23) includes a loss of £86.7m (£93.5m in 22-23) 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

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.

2023-24	**Drawdown to/from Reserves (Note 1) £000**	**Investment Income reported at Directorate Level (Note 1) £000**	**Chief Exec's Dept Recharges (Note 1) £000**	**Realignment of Financing Items for Accounting Purposes (Note 1) £000**	**Adjustments for Trading Activities (Note 1) £000**
Adult Social Care & Health	11,465		16		
Children, Young People & Education	4,152	546	31	192	
Growth, Environment & Transport	1,050	513	296		-83
Chief Executive's Department	348		-343		
Deputy Chief Executive's Department	9,859	2,485			-940
Non-Attributable Costs including Corporately Held Budgets	-18,777	18,681		-110,344	
Schools Delegated Budgets	-22,664				
Net Cost of Services	**-14,567**	**22,225**	**0**	**-110,152**	**-1,023**
Other income and expenditure from the Expenditure and Funding Analysis	17,323	-22,225		110,152	121
Total	**2,756**	**0**	**0**	**0**	**-902**

2023-24	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (Note 2) £000	Net change for the Pensions Adjustments (Note 3) £000	Other Differences (Note 4) £000	Total Adjustment between Funding and Accounting Basis £000
Adult Social Care & Health	**11,481**	5,778	-3,667	-210	**1,901**
Children, Young People & Education	**4,921**	36,948	-15,126	20,537	**42,359**
Growth, Environment & Transport	**1,776**	57,482	-2,646	440	**55,276**
Chief Executive's Department	**5**	172	-1,415	6	**-1,237**
Deputy Chief Executive's Department	**11,404**	8,312	-728	-33	**7,551**
Non-Attributable Costs including Corporately Held Budgets	**-110,440**	0	-1	-83	**-84**
Schools' Delegated Budgets	**-22,664**	0	0	0	**0**
Net Cost of Services	**-103,517**	**105,207**	**-23,583**	**20,657**	**105,766**
Other income and expenditure from the Expenditure and Funding Analysis	**105,371**	-174,067	-7,396	5,329	**-176,134**
Total	**1,854**	**-65,375**	**-30,979**	**25,986**	**-70,368**

2022-23	Drawdown to/from Reserves (Note 1) £000	Investment Income reported at Directorate Level (Note 1) £000	Chief Exec's Dept Recharges (Note 1) £000	Realignment of Financing Items for Accounting Purposes (Note 1) £000	Adjustments for Trading Activities (Note 1) £000
Adult Social Care & Health	2,046		19		
Children, Young People & Education	-12,548	241	58	198	
Growth, Environment & Transport	3,226	420	626		-64
Chief Executive's Department	-728		-703		
Deputy Chief Executive's Department	5,506	1,886			-1,141
Non-Attributable Costs including Corporately Held Budgets	-50,612	11,592		-108,877	
Schools' Delegated Budgets	19,263				
Net Cost of Services	**-33,847**	**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	**38,701**	**0**	**0**	**0**	**148**

2022-23	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (Note 2) £000	Net change for the Pensions Adjustments (Note 3) £000	Other Differences (Note 4) £000	Total Adjustment between Funding and Accounting Basis £000
Adult Social Care & Health	**2,065**	2,530	3,597	-1	**6,126**
Children, Young People & Education	**-12,051**	35,386	13,018	-679	**47,725**
Growth, Environment & Transport	**4,208**	50,390	2,437	567	**53,394**
Chief Executive's Department	**-1,431**	326	1,411	-358	**1,379**
Deputy Chief Executive's Department	**6,251**	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	**-129,592**	**99,925**	**21,289**	**-2,628**	**118,586**
Other income and expenditure from the Expenditure and Funding Analysis	**168,441**	-100,852	-1,045	-11,917	**-113,814**
Total	**38,849**	**-927**	**20,244**	**-14,545**	**4,772**

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 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:

	2023-24 £000	2022-23 £000
Adult Social Care & Health	-120,691	-98,083
Children, Young People & Education	-122,934	-103,500
Growth, Environment & Transport	-51,039	-45,986
Chief Executive's Department	-13,209	-11,385
Deputy Chief Executive's Department	-13,345	-16,202
Non-Attributable Services	-7,099	-9,219
Total Income analysed on a segmental basis	**-328,317**	**-284,375**

Note 10. Expenditure and Income Analysed by Nature

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

	2023-24 £000	2022-23 £000
Expenditure		
Employee benefits expenses	936,945	922,078
Other services expenses	1,955,679	1,790,780
Support service recharges	77,948	66,257
Depreciation, amortisation, impairment	115,754	125,646
Interest payments including interest on Defined Liability of the Pension Fund	44,316	53,531
Precepts and levies	2,280	2,144
Loss/(Gain) on the disposal of assets	87,169	113,106
Total expenditure	**3,220,091**	**3,073,542**
Income		
Fees, charges and other service income	-336,766	-325,774
Interest and investment income	-34,170	-19,677
Income from council tax and non-domestic rates	-939,432	-885,685
Government grants and contributions	-1,958,261	-1,820,734
Total income	**-3,268,629**	**-3,051,870**
Surplus or Deficit on the Provision of Services	**-48,538**	**21,672**

Included in the 2022-23 'Fees, charges and other services income' is £106.1m (£85.3m in 2022-23) 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 2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-110,436			110,436
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-7,925			7,925
Movements in the fair value of Investment Properties	-7,165			7,165
Amortisation of intangible assets	-1,351			1,351
Capital Grants and contributions applied	135,128			-135,128
Income in relation to donated assets	0			0
In year revenue expenditure funded from capital under statute	-43,491			43,491
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	6,690			-6,690
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	-99,274			99,274
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	-162			162
Realised & unrealised gains/(losses) on financial assets held at FVPL	3,485			-3,485
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	59,421			-59,421
Capital expenditure charged against the General Fund	19,973			-19,973
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	94,027		-94,027	0
Application of grants to capital financing transferred to the Capital Adjustment Account			32,579	-32,579
Cessation of recyclable grant repaid to accountable body	-1,319	1,319		0

31 March 2024 (contd..)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
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	7,433	-7,433		0
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	5,035	-5,035		0
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	195	-195		0
Use of the Capital Receipts Reserve to finance new capital expenditure		14,639		-14,639
Loan repayments	857	-8,303		7,446
Movement in Donated Assets Account	3,815			-3,815
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	495			-495
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	473			-473
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-59,746			59,746
Employer's pensions contributions and direct payments to pensioners payable in the year	90,725			-90,725
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-5,815			5,815
KCC contribution to the DSG Safety Valve	-14,400			14,400
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	-6,219			6,219

income calculated for the year in accordance with statutory requirements				
31 March 2024 (contd..)	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable reserves £000**
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	-81			81
Total Adjustments	**70,368**	**-5,008**	**-61,448**	**-3,912**

31 March 2023	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-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			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	10,353	-10,353		0

Comprehensive Income and Expenditure Statement				
31 March 2023 (contd..)	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable reserves £000**
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	2,046	-2,046		
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.	0			0
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	1,168			-1,168

Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
Total Adjustments	**-4,772**	**-5,936**	**-28,021**	**38,729**

Note 12. Other Operating Expenditure

	2023-24 £000	2022-23 £000
Levies	2,280	2,144
(Gains)/Losses on the disposal of non-current assets	87,169	113,106
Assets held for Sale - revaluation movements ((Gains)/Losses)	351	171
	89,800	**115,421**

Note 13. Financing and investment income and expenditure

	2023-24 £000	2022-23 £000
Interest payable and similar charges	54,761	54,947
Net interest on the net defined benefit liability	-10,054	-1,022
(Gain)/loss from settlements	-296	-2,015
Pensions - Administration expenses and curtailments	2,954	1,992
Interest receivable and similar income	-20,548	-12,898
Income & expenditure in relation to investment properties and changes in fair value	586	985
Changes in fair value of Financial Assets held at fair value through profit and loss	-3,958	18,835
Other investment income	-2,410	-2,523
	21,035	**58,301**

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 2024, the Council's estimated share of these liabilities is £7.8m.

	2023-24 £000	2022-23 £000
Income from Council Tax	-873,968	-829,729
Non-domestic rates income and expenditure	-65,464	-55,956
Non-ringfenced government grants	-381,429	-305,873
Capital Grants and Contributions	-200,651	-176,363
	-1,521,512	**-1,367,921**

KCC's share of surplus on the Council Tax is £1.2m (2022-23 surplus of £10.9m). For 2023-24, the Business Rate Collection Fund has a surplus of 3.2m (2022-23 a deficit of £0.2m). 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 2023-24:

	2023-24 £000	2022-23 Restated £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Yield including Collection Fund	-873,968	-829,729
Local Share of Business Rates & Business Rate Collection Fund	-65,464	-55,956
Revenue Support Grant (RSG)	-11,073	-10,018
Social Care Support Grant	-88,771	-54,478
Business Rate Top-Up	-140,802	-138,429
Business Rate Compensation Grant	-44,581	-30,727
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-50,015	-50,015
New Homes Bonus (NHB) & NHB Adjustment Grants	-2,273	-4,381
Covid 19 Compensation for Covid related business rate reliefs	-2,097	2,508
Services Grant	-7,599	-12,953
Adult Social Care Discharge Fund	-7,012	0
Social Care Reform Grant	-23,810	-4,161
Other Un-ringfenced Grants	-3,396	-3,157
Capital Government Grants & Contributions	-200,651	-176,363
Total	**-1,521,512**	**-1,367,921**

	2023-24 £000	2022-23 £000
Credited to Services		
Dedicated Schools Grant	-844,380	-842,657
Education Funding Agency	-104,692	-85,648
Other DFES Grants	-52,310	-45,998
Department of Health Grants	-101,770	-104,334
Department for Transport	-15,369	-8,983
Asylum	-41,479	-33,192
Department of Business, Energy & Industrial Strategy	0	-198
Department for Housing, Levelling-up, Communities & Housing	-35,955	-33,617
Department for Environment Food & Rural Affairs	-1,776	-9,398
Other	-40,538	-37,789
Total	**-1,238,269**	**-1,201,814**

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:

	2023-24 £000	2022-23 £000
Capital Grants Receipts in Advance		
Department for Education	-197	-197
Other Grants	-39,494	-59,155
Other Contributions	-118,377	-95,490
Total	**-158,068**	**-154,842**

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 minimis 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.

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 minimis 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 £87.2m includes a loss of £86.7m 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.

Movement on balances - Movements in 2023-24	**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 2023	2,621,106	59,330	6,027	102,029	103,813	2,892,305	348,213
Additions	25,063	8,349	20	60,292	57	93,781	3,940
Donations						0	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-69,327				134	-69,193	-21,545
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-12,300				-442	-12,742	-5,225
Derecognition - Disposals	-89,845	-1,708			-4,846	-96,399	-23,911
Derecognition - Other	-1,073	-7,175				-8,248	
Assets reclassified (to) / from Held for Sale					-928	-928	
Transfers from Assets Under Construction	36,519	4,240		-57,758	121	-10,585	
Other Movements in cost or valuation	-3,315			10,236	1,311	1,939	
At 31 March 2024	**2,506,828**	**63,036**	**6,047**	**114,799**	**99,220**	**2,789,930**	**301,472**
Accumulated Depreciation and Impairment at 1 April 2023	-9,061	-38,510			-227	-47,798	-5,287
Depreciation Charge	-50,104	-5,182			-135	-55,421	-6,730
Depreciation written out to the Revaluation Reserve	47,294				123	47,417	10,009
Depreciation written out to Surplus / Deficit on the Provision of Services	5,021				148	5,169	1,846
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	90	-8		-343		-261	
Derecognition – Disposals	330	942			3	1,275	
Derecognition - Other		7,140				7,140	
Other movements in Depreciation and Impairment	-568	8		343	88	-129	
At 31 March 2024	**-6,998**	**-35,610**	**0**	**0**	**0**	**-42,608**	**-162**
Net Book Value At 31 March 2024	**2,499,830**	**27,426**	**6,047**	**114,799**	**99,220**	**2,747,322**	**301,310**
Net Book Value At 31 March 2023	**2,612,045**	**20,820**	**6,027**	**102,029**	**103,586**	**2,844,507**	**342,926**

Movement on balances - Comparative 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**
Accumulated Depreciation and Impairment at 1 April 2022	-8,972	-36,397			-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 2022	**2,458,276**	**19,162**	**10,604**	**82,514**	**122,788**	**2,693,344**	**393,786**

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.

	2023-24 £000	2022-23 £000
Net Book Value as at 1 April	**896,840**	851,550
Additions	89,750	94,442
Derecognition		
Depreciation	-54,753	-51,074
Impairment		
Transfers from Assets Under Construction	15,968	1,922
Other movements in cost		
Net Book Value as at 31 March	**947,805**	**896,840**

Reconciliation to Property, Plant and Equipment balance:

	2023-24 £000	2022-23 £000
Infrastructure Assets	947,805	896,840
Other PPE Assets	2,747,322	2,844,507
Total PPE Assets	**3,695,127**	**3,741,347**

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.

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 2024 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	458	0	**458**
31/03/2022	163,455	0	**163,455**
31/03/2023	147,854	0	**147,854**
31/03/2024	2,181,328	99,220	**2,280,548**
TOTAL	**2,493,095**	**99,220**	**2,592,315**

In addition, land and buildings totalling £6.735m are held at cost as at 31st March 2024, reflecting new assets that will be revalued in 2024-25.

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 2023-24 all land and buildings which have not had a valuation within the last four years have been valued. All schools, social care establishments, county offices, and surplus assets were 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 2023-24 and are confident that the carrying amount of these assets as at 31 March 2024 is not materially different to their current value as at 31 March 2024.

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

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2024 are shown in the following table:

Recurring fair value measurements using:	**Level 2 inputs £000**	**Level 3 inputs £000**	**Fair value as at 31 March 2024 £000**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
Residential developments/conversions	800	72,478	73,278	*Market approach*	*Market approach*
Car Park		348	348		*Income approach*
Residential dwellings		1,437	1,437		*Income & Market approach*
Non-residential institutions		2,186	2,186		*Income approach*
Assembly & Leisure		421	421		*Income approach*
Amenity land /woodland/grazing land		3,549	3,549		*Market approach*
Educational land/agricultural land		7,051	7,051		*Income & Market approach*
Industrial development/Commercial development/Mixed Development		10,525	10,525		*Market approach*
Commercial warehousing/units		425	425		*Income & Market approach*
	800	**98,420**	**99,220**		

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2023 (excluding in year additions) are as follows:

Recurring fair value measurements using:	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2023 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
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**		

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 surplus assets held at fair value, are analysed below:

	2023-24 £000	2022-23 £000
Opening balance	102,737	121,711
Transfers into Level 3	5,377	203
Transfers out of Level 3	-4,912	-4,268
Additions	0	36
Donations	0	0
Derecognition	-4,675	-18,272
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	-294	703
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	306	2,455
Depreciation charge	-135	-90
Other changes	16	259
Closing balance	**98,420**	**102,737**

£0.3m of losses 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 £0.3m 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 31/03/24 £000	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	72,478	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,350,000 - £4,650,000 per hectare reduced by 0% - 90% 2) £275,000 per unit less construction costs and fees	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	348	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £65 - £350 per permit 2) £13,250 3) 5% - 8%	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	1,437	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and location discount	1) £1,400 - £6,516 per annum 2) Years Purchase in Perpetuity 4% 3) £385,000 unit reduced by 50%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	2,186	1) Estimated rent 2) Estimated yield	1) £1,924 - £6,200 per annum and £90 - £95 per square metre 2) 6.5% - 9%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	421	1) Passing rent 2) Estimated yield	1) £150 per annum and £55 per square metre 2) 8% - 10%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

	Fair Value as at 31/03/24 £000	Unobservable input	Quantitative Information	Sensitivity
Amenity land /woodland/grazing land	3,549	1) Estimated land value	1) £22,230 - £100,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Educational land/agricultural land	7,051	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £300 - £3,150 per annum 2) 5% - 9% 3) £22,230 - £4,400,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/Commercial development/Mixed Development	10,525	1) Land value reduced to reflect uncertainty	1) £250,000 - £2,250,000 per hectare reduced by 0% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Commercial warehousing/units	425	1) Estimated rent 2) Estimated yield	1) £95 - £129 per square metre 2) 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**98,420**			

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 35 of the 95 assets is their current use. Of the remaining 60 assets, 55 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 £155.2m in future years (£120.0m in 2022-23).

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:

	2023-24 £000	2022-23 £000
Rental income from Investment Property	2,484	1,905
Direct operating expenses arising from Investment Property	-940	-1,141
Net gain/(loss)	**1,544**	**764**

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.

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

	2023-24 £000	2022-23 £000
Balance at start of the year	51,140	50,745
Additions:		
• Purchases		2,288
• Construction		
• Subsequent expenditure		47
Disposals:	-4,706	
Net gains/(losses) from fair value adjustments	-2,459	-1,749
Transfers:		
• to/(from) Inventories	378	
• to/(from) Property, Plant & Equipment	-1,367	-191
Other Changes	182	
Balance at end of the year	**43,168**	**51,140**

Fair Value Hierarchy

Details of the Authority's investment properties, and information about the fair value hierarchy as at 31 March 2024 are shown below:

Recurring fair value measurements using:	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2024 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	530	6,298	6,828	*Market*	*Market*
Offices	27,741	1,752	29,493	*Income*	*Income*
Industrial development / commercial development	60	1,341	1,401	*Market*	*Market*
Non-residential institutions		132	132		*Income*
Car Parks		1,187	1,187		*Income*
Ransom Strips	500		500	*Market*	
Industrial units	2,744	103	2,847	*Income*	*Income*
Affordable housing	780		780	*Market*	
	32,355	**10,813**	**43,168**		

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 £000**	**Level 3 inputs £000**	**Fair value as at 31 March 2023 £000**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
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 Parks		1,233	1,233		*Income*
Ransom Strips	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**		

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:

	2023-24 £000	**2022-23 £000**
Opening balance	32,414	35,019
Transfers into Level 3		1,581
Transfers out of Level 3	-17,985	-955
Additions		47
Disposals	-3,041	
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	-725	-3,278
Other changes	150	
Closing balance	10,813	32,414

£0.7m 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 31/03/24 £000	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	6,298	1) Estimated land value 2) Discount for uncertainty	1) £2,700,000 - £3,300,000 per hectare 2) 50% - 65%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	1,752	1) Estimated rent 2) Estimated yield 3) Void period	1) £124 per square metre 2) 9.5% - 10.5% 3) 2 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development	1,341	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	132	1) Estimated rent 2) Estimated yield	1) £110 per square metre 2) 10% - 11%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Parks	1,187	1) Estimated rent 2) Estimated yield	1) £250 per space; £30/sqm 2) 7.75% - 8.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial Units	103	Estimated yield	8.25% - 9.25%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**10,813**			

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 20 of the 29 properties is their current use. Of the remaining 9 properties, 5 are held for capital appreciation as investments, 2 have an alternative use as a result of existing lease arrangements and 2 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 following table (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.

	2023-24 £000	2022-23 £000
Opening Capital financing requirement	1,292,420	1,294,084
Capital investment		
Property, Plant and Equipment	183,529	183,340
Revenue expenditure funded from capital under statute	43,491	61,631
Long-Term Debtors	10,974	10,241
Other	-386	2,849
	1,530,028	1,552,145
Sources of finance		
Capital receipts	-14,639	-13,389
Government grants and other contributions	-167,707	-160,852
Direct revenue contributions	-19,973	-27,211
(MRP/loans fund principal)	-59,421	-58,273
Closing Capital Financing Requirement	1,268,288	1,292,420
Movement	**-24,132**	**-1,664**

Explanation of movements in year	**2023-24 £000**	**2022-23 £000**
Increase in underlying need to borrow (supported by Government financial assistance)		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	-24,414	-1,664
Assets acquired under finance lease	282	
Increase/(decrease) in Capital Financing Requirement	**-24,132**	**-1,664**

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.

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 2023	94,642	11,153	24,296	70,198	73,201	66,495	339,985
Additions	881	11	813	931	838	163	3,637
Transfers out	-23,609						-23,609
Transfers in							0
Revaluations	-1,750	-204	-1,409	-5,768	-2,026	-3,757	-14,914
Depreciation	-1,610	-227	-540	-1,344	-1,642	-1,285	-6,648
As at 31 March 2024	68,554	10,733	23,160	64,017	70,371	61,616	298,451

£24m assets transferred out relates to one school converting to academy status.

NB The value of PFI assets in Note 16 includes £2,859k in relation to service concession arrangements (IFRIC 12) assets that are not included in this note.

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 2023	55,997	5,496	10,323	45,332	46,900	29,490	193,538
Additions							0
Liability repaid	-2,296	-948	-409	-1,220	-2,070	-1,325	-8,267
As at 31 March 2024	53,701	4,548	9,914	44,112	44,830	28,166	185,271

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.

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	2,617	4,749	4,609	2,360	14,334
Within 2-5 years	12,447	16,620	19,616	10,864	59,548
Within 6-10 years	24,383	13,389	27,408	11,750	76,930
Within 11-15 years	14,254	1,982	11,946	2,238	30,420

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	1,009	668	1,015	340	3,031
Within 2-5 years	3,539	1,021	2,631	855	8,046
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	293	766	2,168	1,160	4,386
Within 2-5 years	2,838	2,673	9,303	1,995	16,810
Within 6-10 years	6,783	1,805	10,411	968	19,967
Within 11-15 years	0	0	0	0	0

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	1,708	3,133	0	530	5,371
Within 2-5 years	8,628	11,136	0	1,720	21,484
Within 6-10 years	13,855	10,083	0	2,917	26,855
Within 11-15 years	19,920	4,245	0	899	25,065
Within 16-20 years	0	0	0	0	0

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

3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	2,036	4,166	2,824	1,672	10,698
Within 2-5 years	9,971	14,587	12,021	7,595	44,175
Within 6-10 years	19,731	12,108	16,796	8,062	56,698
Within 11-15 years	13,091	1,912	4,788	844	20,636

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	1,324	1,287	1,097	223	3,931
Within 2-5 years	5,103	4,566	4,387	1,668	15,724
Within 6-10 years	7,580	4,327	5,484	2,264	19,655
Within 11-15 years	9,053	2,460	5,484	2,659	19,655
Within 16-20 years	5,105	374	1,645	738	7,862

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	8,987	14,769	11,712	6,284	41,752
Within 2-5 years	42,527	50,604	47,958	24,696	165,785
Within 6-10 years	72,332	41,712	60,099	25,961	200,104
Within 11-15 years	56,319	10,598	22,218	6,641	95,776
Within 16-20 years	5,105	374	1,645	738	7,862
Total	185,271	118,057	143,633	64,320	511,280

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.

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 Royal Harbour Academy school became an academy on 1 April 2023.

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 2023-24, the Council made payments of £5.5m 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 £5.6m for 2024-25 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 2024-25 the Council is committed to making payments estimated at £4.4m per year under a contract with NHS Property Services, of which an estimated £3.9m 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 (£4.3m was invoiced in 2023-24, of which £3.7m 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 2023-24 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 2023-24the 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 minimis 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 £000	Artwork - Paintings & Sculptures £000	Archives £000	Historical & Archaeological Artefacts £000	Civic Regalia £000	Total Heritage Assets £000
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**
Cost or Valuation **At 1 April 2023**	2,043	2,670	3,065	188	21	7,987
Additions	306					306
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve			254			254
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2024	**2,349**	**2,670**	**3,319**	**188**	**21**	**8,547**

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £2.237m, which represents spend on these assets including £306k capital expenditure added to these assets in 2023-24. 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.

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, £952k

Knatchbull/Brabourne Manuscripts, £1,845k. 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.

There is a wooden model of Broadstairs Lifeboat that was launched 84 times between 1868 -1888, displayed in a wood and glass cabinet. This model has been restored by a member of the public and is now on display in **Broadstairs Library.**

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.

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 2024 £000	31 Mar 2023 £000
Not later than one year	9,114	8,779
Later than one year and not later than five years	18,637	15,317
Later than five years	12,769	16,954
	40,520	**41,050**

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 £10.9m 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 2024 £000	31 Mar 2023 £000
Minimum lease payments	11,046	10,462
Contingent rents	354	389
Sublease payments receivable	-807	-807
	10,593	**10,044**

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 2023 £000	Net Movement in year £000	Balance 31 March 2024 £000	Purpose of Reserve
Usable Capital Receipts	-39,226	-5,008	-44,234	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-37,428	-5,800	-43,228	Resources available to meet future unforeseen events
General Fund - Commercial Services	511	-312	199	Resources available to meet future unforeseen events
Capital Grants unapplied	-102,205	-61,447	-163,653	See note below
Earmarked Reserves*	-353,334	40,483	-312,851	See Note 24
Schools Reserve*	-61,083	2,449	-58,634	See table below
Surplus on Trading Accounts*	-1,146	-589	-1,735	Commercial Services
Total	**-593,911**	**-30,224**	**-624,136**	

The Net Movement in year figures in rows with an asterisk (*) in the table above match the 'Transfers to/from Earmarked Reserves' figures in the Earmarked GF Reserves and S31 – 75% Tax Guarantee grant and Business Rates Relief Grant Reserves columns in the Movement in Reserves Statement (MIRS).

Capital grants unapplied of £163.7m as at 31 March 2024 includes the schools capital reserves of £0.984m. This has decreased from the surplus of £3.851m held by schools as at 31 March 2023. The remainder reflects Government grants and contributions received in year for projects in progress.

School Reserves

At 31 March 2024 funds held in school revenue reserves stood at £58.634m. These reserves are detailed in the table below:

	Balance at 1 April 2023 £000	Movement £000	Balance at 31 Mar 2024 £000
School delegated revenue budget reserves - committed	-18,981	599	-18,382
School delegated revenue budget reserves - uncommitted	-41,790	1,802	-39,988
Unallocated Schools budget	0	0	0
Community Focused Extended School Reserves	-312	48	-264
	-61,083	**2,449**	**-58,634**

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 2023 £000	Net Movement in year £000	Balance 31 March 2024 £000	Purpose of Reserve
Revaluation Reserve	-1,585,992	102,308	1,483,684	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-978,593	-79,341	-1,057,934	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	18,215	-1,446	16,769	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	-10,631	6,219	-4,412	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves - KCC	61,556	-27,524	34,032	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
Pensions Reserves - DSO	893	-96	797	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
Pooled Investment Adjustment Account	6,043	-473	5,570	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	8,865	995	9,860	This absorbs the differences on the General Fund from accruing for untaken annual leave
Post Employment Account	1,375	-914	461	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	5,815	103,431	Recognition of deficits in respect of the schools budget
Total	**-2,380,653**	**5,543**	**-2,375,110**	

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.

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		-1,585,992		-1,464,591
Upward revaluation of assets	-44,384		-235,274	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	65,830		16,040	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		21,446		-219,234
Difference between fair value depreciation and historical cost depreciation	26,880		22,727	
Accumulated gains on assets sold or scrapped	53,981		75,106	
Amount written off to the Capital Adjustment Account		80,861		97,833
Balance at 31 March		**-1,483,685**		**-1,585,992**

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.

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		-978,593		-898,381
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	110,436		102,330	
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	7,925		2,936	
- Income in relation to donated assets			-30,767	
- Amortisation of intangible assets	1,351		1,544	
- Revenue expenditure funded from capital under statute	36,801		61,631	
- 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	99,274		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	162		1,723	
- Realised and unrealised gains/losses on financial assets held at FVPL	-3,485		3,455	
		252,464		266,760
Adjusting amounts written out of the Revaluation Reserve		-80,861		-97,833
Net written out amount of the cost of non-current assets consumed in the year		-806,990		-729,454
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	-14,639		-13,389	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-135,128		-119,596	
- Application of grants to capital financing from the Capital Grants Unapplied Account	-32,579		-40,475	
- Statutory provision for the financing of capital investment charged against the General Fund	-59,421		-58,273	
- Capital expenditure charged against the General Fund	-19,973		-27,211	
		-261,740		-258,944
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		7,165		1,749
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-3,815		
Write down of long-term debtors		7,446		8,056
Balance at 31 March		**-1,057,934**		**-978,593**

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.

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		18,215		21,354
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		-495		-2,189
Balance at 31 March		**16,770**		**18,215**

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.

	2023-24	2022-23
Balance at 1 April	62,449	1,558,693
Remeasurement of the net defined liability/(asset)	3,359	-1,516,489
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	59,746	105,201
Employer's pension contributions and direct payments to pensioners payable in the year	-90,725	-84,956
Balance at 31 March	**34,829**	**62,449**

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.

	2023-24	2022-23
Balance at 1 April	-10,631	557
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	6,219	-11,188
Balance at 31 March	**-4,412**	**-10,631**

Accumulated Absences Account

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

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		8,865		9,254
Settlement or cancellation of accrual made at the end of the preceding year	-8,865		-9,254	
Amounts accrued at the end of the current year	9,860		8,865	
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		995		-389
Balance at 31 March		9,860		8,865

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.

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		1,375		2,154
Settlement or cancellation of accrual made at the end of the preceding year	-855		-1,210	
Amounts accrued at the end of the current year	-59		431	
		-914		-779
Balance at 31 March		461		1,375

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

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Balance as at 1st April		-6,043		-9,365
Upward revaluation of investments				
Downward revaluation of investments	-474		15,408	
Change in impairment loss allowances				
		-474		15,408
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		**5,569**		6,043

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.

	2023-24 £000	**2022-23 £000**
Balance as at 1st April	97,616	97,616
School budget deficit transferred from General Fund in accordance statutory requirements	20,214	0
KCC's contribution to the DSG Safety Valve agreement for 2023-24	-14,400	
Balance at 31 March	103,430	97,616

Note 24. Earmarked Reserves

A reserves review took place during 2023-24 which resulted in some recategorization of reserve balances.

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2023 or 31 March 2024 in the tables on page 96.

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. This includes £36.2m held in DSG Safety Valve Reserve set aside to fund the deficit held in the DSG Adjustment Account.

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.

Other Earmarked Reserves	Balance at 1 April 2023 £000	Movement £000	Balance at 31 Mar 2024 £000
VPE reserve	-20,274	-2,280	-22,554
Smoothing Reserves	-109,211	-39,440	-148,651
Major Projects	-68,877	27,864	-41,013
Partnerships	-67,661	16,140	-51,521
Grant and External Funds	-53,182	37,031	-16,151
Departmental Under/Overspends	-3,303	531	-2,772
Insurance Reserve	-13,185	805	-12,380
Public Health Reserve	-16,899	-85	-16,984
Special Funds	-742	-83	-825
Total Earmarked Reserves	**-353,334**	**40,483**	**-312,851**

Other Earmarked Reserves	Balance at 1 April 2022 £000	Movement £000	Balance at 31 Mar 2023 £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	-41,313	-67,661
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**	**-2,680**	**-353,334**

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 £000	Post Employment £000	Accumulated Absences £000	Other Provisions £000	Total £000
Short Term					
Balance at 1 April 2023	-3,292	-1,224	-8,864	-2,966	-16,346
Additional Provisions made in 2023-24	-2,824	-350	-6,593	-12,204	-21,971
Amounts used in 2023-24	3,014	820	5,597	1,696	11,127
Unused amounts reversed in 2023-24	0	0	0	285	285
Balance at 31 March 2023	**-3,102**	**-754**	**9,860**	**-13,189**	**-26,905**
Long Term					
Balance at 1 April 2023	-7,783	-520	0	-1,727	-10,030
Additional/Reduction in Provisions made in 2023-24	-206	0	0	-288	-494
Amounts used in 2023-24	0	443	0	0	443
Unused amounts reversed in 2023-24	0	0		533	533
Balance at 31 March 2024	**-7,989**	**-77**	**0**	**-1,482**	**-5,548**
Total Provisions at 31 March 2024	**-11,091**	**-831**	**-9,860**	**-14,671**	**-36,453**

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 2024. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

Other Provisions

Other provisions includes an amount relating to a capital project where there are ongoing negotiations with the third party deliverer. A best estimate has been included, however the exact amount and timing of the payment is dependent on the outcome of the ongoing negotiations.

Note 26 - Amounts owed to the Council by debtors

31 March 2024	Short Term £000	Long Term £000	Total £000
Medway Council (transferred debtor)	0	27,784	**27,784**
Recoverable VAT	55,799	0	**55,799**
Trade Receivables	155,635	0	**155,635**
Payments in Advance	29,346	0	**29,346**
General Debtors	156,889	23,003	**179,892**
Total	**397,669**	**50,787**	**448,456**

31 March 2023	Short Term £000	Long Term £000	Total £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**

Capital short term debtors amounting to £20.7m are included in the accounts at 31 March 2024 (£9.8m in 2022-23). These relate to grants and external funding towards capital expenditure incurred in 2023-24 which had not been received by 31 March 2024 along with loan repayments funded from capital falling due in 2023-24.

Note 27. Amounts owed by the Council to creditors

31 March 2024	Short Term £000	Long Term £000	Total £000
Receipts in Advance	79,908	0	**79,908**
Contract Liabilities	1,734	0	**1,734**
Deferred Income	7,062	0	**7,062**
General Creditors	353,089	34	**353,123**
Total	**441,793**	**34**	**441,827**

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**

Capital creditors amounting to £24.2m are included in the accounts at 31 March 2024 (£27.4m in 2022-23).

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 2024 £000	At 31 March 2023 £000
Bank current accounts	-10,967	-4,244
Call accounts (same day access funds)	142,511	135,958
Total Cash and Cash Equivalents	**131,544**	**131,714**

Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2023-24 £000	2022-23 £000
Interest received	-20,507	-12,182
Interest paid	54,912	55,315
Employee Costs	952,720	891,486
Income from Council Tax	-939,432	-885,685
Government Grants	-1,857,983	-1,687,069

	2023-24 £000	2022-23 £000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:		
Movement in pension liability	30,979	-20,245
Carrying amount of non-current assets sold	-99,274	-123,908
Carrying amount of capital inventory old	-162	-1,723
Carrying amount of Financial Assets held at FVPL	3,958	-18,863
Amortisation of fixed assets	-1,351	-1,545
Depreciation of fixed assets	-110,436	-102,330
Impairment and downward valuations	-7,925	-2,936
Increase/(decrease) debtors	47,106	28,915
(Increase)/decrease creditors	21,350	-88,360
Increase/(decrease) stock	-6,173	4,243
Movement on investment properties	-7,165	-1,749
REFCUS	-36,801	-61,631
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-15,221	19,018
	-181,115	-371,114

	2023-24 £000	2022-23 £000
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	13,520	12,876
Capital grants applied	227,836	217,251
Payment of Collection Fund Deficit	8,096	22,749
	249,452	252,876

Note 30. Cash Flow Statement - Investing Activities

	2023-24 £000	2022-23 £000
Purchase of property, plant and equipment, investment property, and intangible assets	240,790	251,829
Purchase of short-term and long-term investments	2,770,890	1,108,337
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-12,468	-10,353
Proceeds from capital inventory	-195	-2,046
Proceeds from short-term and long-term investments	-2,821,144	-1,062,165
Other receipts from investing activities	-233,914	-228,963
Net cash flows from investing activities	-56,040	56,639

Note 31. Cash Flow Statement - Financing Activities

	2023-24 £000	2022-23 £000
Cash receipts of short- and long-term borrowing	0	-75,700
Relating to finance leases and on-balance sheet PFI contracts	5,832	4,356
Repayments of short- and long-term borrowing	30,577	99,199
Net cash flows from financing activities	36,409	27,855

Note 32. Reconciliation of Liabilities arising from Financing Activities

	2023-24 1 April £000	Financing cash flows £000	Non-cash changes: Acquisition £000	Non-cash changes: Other non-cash changes £000	2023-24 31 March £000
Long-term borrowings	-721,893			19,331	-702,562
Short-term borrowings	-90,156	30,577		-18,790	-78,369
• IFRIC 12	-2,003	157			-1,846
• Lease Liabilities	-406				-406
• On balance sheet PFI liabilities	-193,537	8,267			-185,270
Total liabilities from financing activities	**-1,007,996**	**39,001**	**0**	**541**	**-968,454**

	2022-23 1 April £000	Financing cash flows £000	Non-cash changes: Acquisition £000	Non-cash changes: Other non-cash changes £000	2022-23 31 March £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 33. Trading Operations

The results of the various trading operations for 2023-24 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover £000	Expenditure £000	Surplus/ Deficit (-) 2023-24 £000	Surplus/ Deficit (-) 2022-23 £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	9,727	8,681	1,046	1,792
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	13,276	9,828	3,448	2,233
Transport Services Provision of lease cars, minibuses, and lorries, plus vehicle maintenance and repairs	2	9	-7	2
Total surplus	23,005	18,518	4,487	4,027

Note 34. Audit Costs

In 2023-24 the following fees were paid relating to external audit and inspection:

	2023-24 £000	2022-23 £000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	447	238
Fees payable in respect of other services provided by the appointed auditor	15	10
	462	248

The 2023-24 £15k fee payable for other services relates to the Teachers' Pensions end of year certificate.

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 2023-24 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2023-24 before academy and high needs recoupment			1,623,773
Academy and high needs figure recouped for 2023-24			-791,762
Total DSG after academy and high needs recoupment for 2023-24			832,011
Brought forward from 2022-23			36,263
Carry-forward to 2024-25 agreed in advance			0
Agreed initial budget distribution in 2023-24	303,125	565,149	868,274
In-year adjustments	14,565	3,425	17,990
Final budgeted distribution for 2023-24	317,690	568,575	886,264
Less actual central expenditure	301,642		301,642
Less Actual ISB deployed to schools		568,575	568,575
Plus Local Council contribution for 2023-24	14,400		14,400
Carry Forward to 2023-24	30,448	0	30,448
Plus Carry-forward to 2024-25 agreed in advance			0
Carry-forward to 2024-25			36,263
DSG unusable reserve at the end of 2022-23			-97,616
Addition to DSG Safety Valve reserve at the end of 2023-24*			-5,815
Total of DSG unusable reserve at the end of 2023-24			-103,431
Net DSG position at the end of 2023-24			**-67,168**

*2023-24 in-year DSG Deficit after additional contributions from both the DfE and KCC contribution.

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. This deficit is held in the DSG Adjustment Account in Note 23 on pages 86 to 94. A DSG Safety Valve earmarked reserve holds the net in-year surplus that has arisen due to the additional DfE funding and KCC contribution.

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		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 Safety Valve reserve at the end of 2022-23			36,263
Total of DSG unusable reserve at the end of 2022-23			-97,616
Net DSG position at the end of 2022-23			**-61,353**

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 2023-24 is shown in Note 7 on page 44. During 2023-24 works and services to the value of £1.346m (£1.939m in 2022-23) 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 108 to 114 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 £6.497m and cash held by the Pension Fund on behalf of KCC is £6.252m.

Payments to other local authorities and health bodies, excluding precepts, totalled £84.1m. Receipts from other local authorities and health bodies totalled £99.4m. Details of the highest values with individual public bodies is shown in the table below.

Local authority or health body	Amount £m
Payments	
Kent Community Health NHS Foundation Trust	£42.4m
Maidstone & Tunbridge Wells NHS Trust	£6.5m
Wandsworth Borough Council	£4.4m
NHS Property Services Ltd	£1.6m
Tunbridge Wells Borough Council	£1.5m
Receipts	
NHS Kent & Medway ICB	31.2m
Medway Council	£5.3m

Entities Controlled or Significantly Influenced by the Council

The Council has one active subsidiary company, the largest of which is Global Commercial Services Group Ltd (formerly known as Kent Holdco Ltd). During the year the total values of payments made to and received from Global Commercial Services Group Ltd, were £78.1m and £5.5m respectively (£73.5m and £5.2m respectively in 2022-23).

Kent County Council also has an interest in the following companies:

Active companies with less than or equal to 50% control	Payments made in 2023-24 £000
Design South East Ltd (formerly The North Kent Architecture Centre Ltd)	3,000
Aylesham & District Community Workshop Trust	10,090
Trading Standards South East Ltd	21,645
Kent PFI Holdings Company 1 Ltd	12,458
TRICS Consortium Ltd	3,835
Produced in Kent (PINK) Ltd	31,768
Discovery Park Technology Investments LP	1,266

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 2023-24, Kent County Council paid £57.8m (£55.6m in 2022-23), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 23.7% (23.7% in 2022-23) 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 2023-24 these amounted to £4.9m (£4.6m in 2022-23), representing 2.0% (1.9% in 2022-23) 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 2023-24 Kent County Council paid £0.07m (£0.05m in 2022-23), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2022-23) 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.

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

Comprehensive Income and Expenditure Statement	**2023-24 £000**	**2022-23 £000**
Cost of Services:		
Current service cost	-65,846	-105,951
Past service costs	-1,296	-295
	-67,142	-106,246
Financing and Investment Income and Expenditure:		
Net interest expenses	10,054	1,022
(Gain)/loss from settlements	296	2,015
Administration expenses	-2,954	-1,992
Total Charged to the Surplus or Deficit on the Provision of Services	-59,746	-105,201
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)	-46,273	-113,870
Actuarial gains and losses arising on changes in demographic assumptions	46,472	104,949
Actuarial gains and losses arising on changes in financial assumptions	19,067	1,939,161
Actuarial gains and losses arising on impact of asset ceiling	-16,799	0
Experience loss/(gain) on defined benefit obligation	-10,621	-418,106
Other	4,795	4,355
Total Charged to the Comprehensive Income and Expenditure	-3,359	1,516,489
Total charged to Comprehensive Income and Expenditure Statement	**-57,197**	**1,411,288**
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	59,746	105,201
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	-90,725	-84,956
Total Movement in Reserves statement	**-30,979**	**20,245**

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 2023-24, Kent County Council paid an employer's contribution of £90.7m (£84.9m in 2022-23) into the Pension Fund, representing 21% (21% in 2022-23) 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.

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

	2023-24 £000	2022-23 £000
Present value of the defined benefit obligation	3,349,863	3,291,595
Fair value of plan assets	-3,366,662	-3,267,712
Sub total	-16,799	23,883
Impact of asset ceiling	16,799	0
Present value of unfunded obligation	34,829	38,566
Net liability arising from defined benefit obligation	**34,829**	**62,449**

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

Local Government Pension Scheme

	2023-24 £000	2022-23 £000
Opening fair value of scheme assets	3,267,712	3,262,803
Interest on assets	168,576	133,741
Remeasurement gains/(losses) • Return on plan assets (excluding the amount included in the net interest expenses) • Other	-46,273	-113,870
Contributions from employer	95,520	89,311
Contributions from employees into the scheme	30,065	28,946
Benefits paid	-141,128	-127,741
Other	-7,810	-5,478
Closing fair value of scheme assets	**3,666,662**	**3,267,712**

The actual return on scheme assets in the year was £122,303k (2022-23: £19,871k).

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

Liabilities: Local Government Pension Scheme

	2023-24 £000	2022-23 £000
Opening balance at 1 April	3,330,161	4,821,496
Current service cost	65,846	105,951
Interest cost	158,522	132,719
Contribution from scheme participants	30,065	28,946
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	-46,472	-104,949
• Actuarial gains and losses arising on changes in financial assumptions	-19,067	-1,939,161
• Experience loss/(gain) on defined benefit obligation	10,621	418,106
• Other	-4,795	-4,355
Past service costs	1,296	295
Benefits paid	-136,333	-123,386
Liabilities extinguished on settlements	-5,152	-5,501
Closing balance at 31 March	**3,384,692**	**3,330,161**

Local Government Pension Scheme assets comprised:

	2023-24 £000	2023-24 %	2022-23 £000	2022-23 %
Equities	1,958,520	58.2%	2,085,180	63.8%
Gilts	246,677	7.3%	17,899	0.5%
Other Bonds	484,746	14.4%	429,169	13.1%
Property	302,056	9.0%	326,154	10.0%
Cash	53,610	1.6%	58,622	1.8%
Absolute return fund	170,108	5.1%	239,369	7.3%
Infrastructure	150,945	4.5%	111,319	3.4%
Total assets	**3,366,662**	**100%**	**3,267,712**	**100%**

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

		2023-24 % Quoted	2023-24 % Unquoted	2022-23 % Quoted	2022-23 % Unquoted
Fixed Interest Government Securities	UK Overseas	0.0%		1.0%	
Index Linked Government Securities	UK Overseas	7.0%		4.0%	
Corporate Bonds	UK Overseas	4.0% 11.0%			
Equities	UK Overseas	16.0% 37.0%		16.0% 44.0%	
Property	All		9.0%		10.0%
Others	Absolute return portfolio	5.0%		7.0%	
	Private Equity		5.0%		4.0%
	Infrastructure		4.0%		3.0%
	Derivatives		-2.0%		0.0%
	Cash/Temporary Investments		3.0%		2.0%
Net Current Assets	Debtors		1.0%		
	Creditors		0.0%		
Total assets		**80.0%**	**20.0%**	**81.0%**	**19.0%**

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 2023 levels then the pensions deficit would have been £19,067k higher at £53,896k.

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 2025 is £85,574k, this is in line with the revised IAS19 Standard.

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

		2023-24 £000	**2022-23 £000**
Mortality assumptions: Longevity at 65 for current pensioners:	Men	20.8 years	21.1 years
	Women	23.3 years	23.5 years
Longevity at 65 for future pensioners:	Men	22.0 years	22.3 years
	Women	24.7 years	25.0 years
Rate of increase in Consumer Price Index		2.95%	2.90%
Rate of increase in salaries		3.95%	3.90%
Rate of increase in pensions		2.95%	2.90%
Rate for discounting scheme liabilities		4.90%	4.80%
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 0.1%)	3,332,403	3,438,350
Adjustment to long-term salary increase (increase or decrease by 0.1%)	3,387,883	3,381,525
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	3,436,135	3,334,541
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	3,526,659	3,249,192

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £0.8m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2024 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.

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

Categories of Financial Instruments

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

Financial Assets	31 March 2024 Long Term £000	31 March 2024 Short Term £000	31 March 2023 Long Term £000	31 March 2023 Short Term £000
Investments				
• Fair value through profit or loss	201,763	128,912	197,705	134,708
• Amortised cost	99,290	50,283	125,782	61,673
	301,053	**179,195**	**323,487**	**196,381**
Debtors				
• Amortised cost	30,422	309,981	31,640	287,048
• Amortised cost - Soft Loans	20,365	8,980	19,300	6,332
• Non financial assets		78,708		52,824
	50,787	**397,669**	**50,940**	**346,204**
Cash & Cash Equivalents				
Total	**351,840**	**576,864**	**374,427**	**542,585**

Financial Liabilities	31 March 2024 Long Term £000	31 March 2024 Short Term £000	31 March 2023 Long Term £000	31 March 2023 Short Term £000
Borrowing				
• Amortised cost	702,562	78,369	721,893	90,155
• Non-financial liabilities	178,549	9,207	187,489	8,458
	881,111	**87,576**	**909,382**	**98,613**
Creditors				
• Amortised cost	34	354,823	35	377,265
• Non-financial liabilities		86,970		89,280
	34	**441,793**	**35**	**466,545**
Cash & Cash Equivalents		10,967		4,244
Total	**881,145**	**540,336**	**909,417**	**569,402**

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 119.

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 119.

	2023-24 Surplus or Deficit on the Provision of Services £000	2023-24 Other Comprehensive Income and Expenditure £000	2022-23 Surplus or Deficit on the Provision of Services £000	2022-23 Other Comprehensive Income and Expenditure £000
Net gains/losses on: Financial assets measured at fair value through the profit or loss	-474		18,835	
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	**-1,424**	**-950**	**17,885**	**-950**
Interest revenue Financial assets measured at amortised cost	10,726	-	6,233	-
Financial Assets measured at fair value through profit or loss	15,101	-	8,136	-
Total interest revenue	**25,827**	**0**	**14,369**	**0**
Interest expenses	-34,599	-	-34,346	-
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	-18,822	-	-19,257	-
Trust and other fiduciary activities	0	-	0	-
Total fee expense	**-18,822**	**0**	**-19,257**	**0**

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.

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2024 £000	As at 31 Mar 2023 £000
Fair value through Profit and Loss:				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	128,912	134,708
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	174,554	174,080
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	10,127	10,528
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	17,082	13,097
			330,675	**332,413**

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:

	2023-24 £000	2022-23 £000
Opening balance	13,097	16,632
Transfers into Level 3		
Transfers out of Level 3		
Additions		
Derecognition		-28
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	3,985	-3,507
Included in Other Comprehensive Income and Expenditure		
Closing Balance	17,082	13,097

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:

Financial Liabilities	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000
Financial liabilities held at amortised cost				
PWLB loans	462,218	466,692	490,528	518,248
Long-term LOBO and Market Loans	318,714	339,068	321,521	376,632
Cash and cash equivalents	10,967	10,967	4,244	4,244
Other long-term loans				
PFI and finance lease liabilities	187,746	218,413	195,936	240,588
Total	**979,645**	**1,035,140**	**1,012,229**	**1,139,713**

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.

Financial Assets	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000
Financial assets held at amortised cost				
- long-term investments	99,290	97,948	125,782	124,504
- short-term investments	50,283	50,283	61,673	61,829
- cash and cash equivalents				
Amortised Cost - Soft Loans	20,365	11,640	19,300	12,350
Total	**169,938**	**159,871**	**206,755**	**198,683**

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

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

31 March 2024	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Recurring fair value measurements using: **Financial Liabilities** Financial liabilities held at amortised cost:				
• Long-term PWLB loans		466,692		**466,692**
• Long-term LOBO and Market Loans		339,068		**339,068**
PFI and finance lease liabilities			218,413	**218,413**
Total	**0**	**805,760**	**218,413**	**1,024,173**
Financial Assets Financial assets held at amortised cost:				
• Investments held at amortised cost	88,756	60,90	150	**149,596**
• Soft loans to third parties			11,640	**11,640**
Total	**88,756**	**60,690**	**11,790**	**161,236**

31 March 2023	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Recurring fair value measurements using: **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**	**198,863**

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 2024 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 2024 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2024 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.

Credit Risk: Treasury Investments

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 £88.2m 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 2024 £000	31 Mar 2023 £000
AAA	217,668	252,141
AA-	31,138	44,528
A+	8,634	0
A	5,022	1,237
A-	0	0
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	190,600	198,338
Equity	27,209	23,624
Other Local Authorities		
Total Investments	**480,271**	**519,868**

All deposits outstanding as at 31 March 2024 met the Council's credit rating criteria on 31 March 2024.

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 2024 was £1.5m.

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 **Years**	**31 Mar 2024 £000**	**31 Mar 2023 £000**
Not over 1	29,330	30,577
Over 1 but not over 2	32,225	29,330
Over 2 but not over 5	41,674	65,674
Over 5 but not over 10	64,788	66,122
Over 10 but not over 20	212,976	178,867
Over 20 but not over 30	39,800	80,800
Over 30 but not over 40	160,600	130,000
Over 40	150,500	171,100
Uncertain date *	40,000	50,000
Total	**771,893**	**802,470**

* 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. £40m of these LOBO loans have option dates in 2024-25. 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 2024, £255.1m (2023: £254.4m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £40m (2023: £50m) to variable rates.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	400
Increase in interest receivable on variable rate investments	2,067
Decrease in fair value of investments held at FVPL	-1,220
Impact on Provision of Services (surplus)	**1,247**
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*	**-93,724**

*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
5% fall in commercial property prices	2,572
5% fall in equity prices	3,852

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

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

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.

The Council wholly owns Global Commercial Services Group Limited. This is a Local Authority Trading Company (LATCo) and the group companies are consolidated as part of our Group Accounts. GCSG is the holding company for other trading companies as detailed in the Narrative section.

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 (EKO LLP), 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 EKO LLP. 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 2023-24, in the final, audited EKO LLP accounts, the net assets of the joint operation are £9.68m with an operating profit before members remuneration and profit shares available for discretionary division among members of £0.17m.

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.

Two schools on the balance sheet as at 31 March 2024 converted to academy status between 1 April and 1 July 2024. The net book value of these assets as at 31 March 2024 is £45.5m.

There have been no events since 31 March 2024, 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 145 to 176.

Group Accounts

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 Global Commercial Services Group 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:

Global Commercial Services Group Ltd (Holding Company)	100% Subsidiary	Consolidated
Commercial Services Trading Ltd	100% Subsidiary	Consolidated
CSG Global Education Ltd	100% Subsidiary	Consolidated
Lifecycle Management Group Ltd	100% Subsidiary	Consolidated
Prospects Payroll Ltd	100% Subsidiary	Consolidated
Commercial Services Kent Ltd	100% Subsidiary	Consolidated
Bowerhouse II Solar 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
Dudley & Kent Commercial Services Ltd	Joint Venture	Consolidated
Dorset & 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

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.

Global Commercial Services Group Ltd (11735631)

Global Commercial Services Group Ltd (previously called Kent Holdco Ltd) is a company limited by shares and wholly owned by Kent County Council. It was incorporated on 19 December 2018 and the principal activity of the company is that of a holding company. It was established as part of a move to a group structure giving Kent County Council a single point of contact with a streamlined management and executive function. The intention is for Global Commercial Services Group Ltd to help generate efficiencies and consistency between the companies.

On 1 October 2019 the shareholding for Kent County Trading Ltd (05242899), Gen2 Property Ltd, Cantium Business Solutions Ltd and the guarantor for EDSECO Ltd were transferred from Kent County Council to Global Commercial Services Group Ltd. Kent County Trading Ltd was a holding company with Commercial Services Trading Ltd and Commercial Services Kent Ltd sitting beneath it. It was dissolved on 2 January 2024 as part of a move to streamline the structure with one holding company now overseeing all subsidiaries. Both Commercial Services Kent Ltd and Commercial Services Trading Ltd now sit under Global Commercial Services Group Ltd.

Arm's Length and Commercial Trading Companies of Kent Holdco Ltd

Kent County Council's wholly owned companies form a group sitting under Global Commercial Services Ltd (11735631). This company was previously called Kent Holdco Ltd. Global Commercial Services Ltd was incorporated in 2004 and is the immediate parent of Commercial Services Kent Ltd (05858177), Commercial Services Trading Ltd (05858178), Gen2 Property Ltd (09834851), Invicta Law Ltd (10079679), Cantium Business Solutions Ltd (11242115), and EDSECO Ltd (10970974).

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), Dudley & Kent Commercial Services Ltd (14099774) and Dorset & Kent Commercial Services LLP (OC449592). In addition to the joint ventures, Commercial Services Kent Ltd acquired 100% shareholding in Bowerhouse II Solar Ltd (12128147) on 31 March 2022.

On 6 January 2020, Commercial Services Trading Ltd acquired the entire share capital of CSG Global Education Ltd (01702231), this was followed by Lifecycle Management Group Ltd (06390313) on 31 August 2023 and Prospects Payroll Ltd (03176328) on 29 September 2023.

"The group of companies provide a broad range of services covering different industry sectors. These include energy switching services (Lumina), solar farm (Bowerhouse II), international educational supplies (CSG Global Education Ltd), temporary and permanent staff recruitment (Connect2Kent, Connect2Staff, Connect2Hampshire, Connect2Luton, Connect2Surrey, Connect2Dudley and Connect2Dorset), 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 Kent County Council."

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

The following statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Year Ended 31 March 2024

Directorate/Department	**Notes**	**Budget £000**	**Outturn £000**	**Variance £000**
Adult Social Care & Health including Public Health	ASCH	861,586	-290,820	570,766
Children, Young People & Education	CYPE	1,577,345	-1,203,925	373,420
Growth, Environment & Transport	GET	309,726	-69,207	240,519
Chief Executive's Department	CED	37,143	-33,449	3,694
Deputy Chief Executive's Department	DCED	106,120	-9,038	97,082
Non-Attributable Costs including Corporately Held Budgets	NAC	17,084	-14,041	3,043
Groups – Global Commercial Services		131,465	-51,596	79,869
Group Cost of Services		**3,040,469**	**-1,672,077**	**1,368,392**
Other Operating Income and Expenditure	**12**			89,800
Net Surplus on Trading Accounts	**G2**			-9,788
Financing and Investment Income and Expenditure	**13**			**28,097**
Taxation and Non-Specific Grant Income	**14**			-1,521,511
(Surplus) or Deficit on Provision of Services				**-45,010**
Share of (surplus)/Deficit of associate or joint venture				-751
Taxation of Group Entities	**G3**			425
Group (Surplus)/Deficit	**G2**			**-45,336**
(Surplus)/deficit arising on revaluation of non-current assets				21,446
Remeasurement of the net defined benefit liability				3,359
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**23,855**
Total Comprehensive Income and Expenditure				**-21,481**

Year Ended 31 March 2023

Directorate/Department	Notes	Budget £000	Outturn £000	Variance £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 – Global Commercial Services		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 Movement in Reserves Statement

The following 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 2023

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Profit and Loss Reserve £000
Balance at 31 March 2022	**-469,380**	**-33,291**	**-74,183**	**-6,932**
Movement in reserves during 2022-23:				
Total Comprehensive Expenditure & Income	-80,076			97,032
Adjustments between group accounts and Kent County Council accounts	98,559			-98,559
Net increase or decrease before transfers	**18,483**	**0**	**0**	**-1,527**
Adjustments between accounting basis & funding basis under regulations - Note 11	-1,583	-5,935	-28,021	
Net increase/Decrease before Transfers to Earmarked Reserves	**16,900**	**-5,935**	**-28,021**	**-1,527**
Transfer between Usable and Unusable Reserves	0	0	0	0
Increase/Decrease (movement) in Year	**16,900**	**-5,935**	**-28,021**	**-1,527**

Year Ended 31 March 2024

	General Fund and Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Profit and Loss Reserve £000
Balance at 31 March 2023 carried forward	**-452,480**	**-39,226**	**-102,204**	**-8,459**
Movement in reserves during 2023-24:				
Total Comprehensive Expenditure & Income	-137,876			92,540
Adjustments between group accounts and Kent County Council accounts	93,379			-93,379
Net increase or decrease before transfers	**-44,497**	**0**	**0**	**-839**
Adjustments between accounting basis & funding basis under regulations - Note 11	66,327	-5,008	-61,448	
Net increase/Decrease before Transfers to Earmarked Reserves	**21,830**	**-5,008**	**-61,448**	**-839**
Transfer between Usable and Unusable Reserves	14,400			
Increase/Decrease (movement) in Year	**36,230**	**-5,008**	**-61,448**	**-839**
Balance at 31 March 2024 carried forward	**-416,250**	**-44,234**	**-163,652**	**-9,298**

Year Ended 31 March 2023

	Total Usable Reserves £000	Unusable reserves £000	Total Group Reserves £000
Balance at 31 March 2022	**-538,786**	**-675,919**	**-1,259,703**
Movement in Reserves during 2022-23:			
Total Comprehensive Expenditure and Income	**16,955**	-1,736,673	**-1,719,718**
Adjustments between group accounts and Kent County Council accounts	**0**	**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	**-35,539**	35,539	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-18,584**	**-1,701,134**	**-1,719,718**
Transfers between Usable and Unusable Reserves	**0**		**0**
Increase/Decrease (movement) in Year	**-18,584**	**-1,701,134**	**-1,719,718**

Year Ended 31 March 2024

	Total Usable Reserves £000	Unusable reserves £000	Total Group Reserves £000
Balance at 31 March 2023 carried forward	**-602,370**	**-2,377,053**	**-2,979,421**
Movement in Reserves during 2023-24:			
Total Comprehensive Expenditure and Income	**-45,336**	**23,855**	**-21,481**
Adjustments between group accounts and authority accounts	**0**		**0**
Net increase or decrease before transfers	**-45,336**	**23,855**	**-21,481**
Adjustments between accounting basis & funding basis under regulations - Note 11	-129	129	0
Net increase/Decrease before Transfers to Earmarked Reserves	**-45,465**	**23,984**	**-21,481**
Transfers between Usable and Unusable Reserves	14,400	-14,400	0
Increase/Decrease (movement) in Year	**-31,065**	**9,584**	**-21,481**
Balance at 31 March 2024 carried forward	**-633,435**	**-2,367,469**	**-3,000,902**

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2024. The net assets of the Group are matched by Group reserves.

	Notes	31 March 2024 £000	£000	31 March 2023 £000
Property Plant & Equipment	**16**	3,710,351		3,757,166
Heritage Assets	**20**	8,546		7,986
Investment Property	**17**	43,168		51,140
Intangible assets		9,876		9,729
Long-term investments	**G8**	286,345		312,571
Long-term debtors	**G4**	50,787		50,940
Deferred tax asset		0		5
Total long-term assets			4,109,073	4,189,537
Inventories		7,258		9,107
Assets held for sale (<1yr)		1,614		4,091
Short-term debtors	**G4**	411,446		357,904
Short-term investments	**G8**	40,183		58,223
Cash and Cash equivalents	**G6**	158,595		160,234
Current tax asset	**G4**	24		126
Total Current Assets			619,120	589,685
Temporary borrowing	**G8**	-78,369		-90,155
Short-term Lease Liability	**38/G8**	-9,207		-8,461
Short-term provisions	**25**	-26,905		-16,346
Creditors	**G5**	-469,810		-493,028
Current tax liability	**G5**	-408		-244
Cash and Cash equivalents	**G6**	-10,967		-4,244
Total Current liabilities			-595,666	-612,478
Creditors due after one year	**G5**	-14,377		-14,766
Provisions	**25**	-9,788		-10,219
Long-term borrowing	**G8**	-705,532		-721,893
Other Long-Term Liabilities	**G8/37**	-243,325		-284,855
Deferred tax liability		-533		-747
Capital Grants Receipts in Advance	**15**	-158,068		-154,842
Long-Term Liabilities			-1,131,623	-1,187,322
Net Assets/(Liabilities)			3,000,904	2,979,422
Usable Reserves	**G7/22**	-633,432		-602,369
Unusable Reserves	**23**	-2,367,472		-2,377,053
Total Reserves			**-3,000,904**	**-2,979,422**

Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period.

	Notes	2023-24 £000	2022-23 £000
Net (Surplus) or deficit on the provision of services		-45,010	16,959
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**G9**	-184,636	-374,796
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G9**	249,456	252,914
Taxation		364	728
Net cash flows from operating activities		**20,174**	**-104,195**
Investing Activities	**G10**	-48,374	58,598
Financing Activities	**G11**	36,562	28,499
Net increase (-) or decrease in cash and cash equivalents		**8,362**	**-17,098**
Cash and cash equivalents at the beginning of the reporting period		155,990	138,892
Cash and cash equivalents at the end of the reporting period	**G6**	**147,628**	**155,990**

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 32 and estimation uncertainties can be found in Note 5 on pages 33 to 34 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 to 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 Kent County Council 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 Kent County Council 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.

	2023-24 £000	2022-23 £000
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	-38,087	21,672
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	4,039	-3,190
(Surplus) or deficit attributable to subsidiaries	-839	-1,527
Total Group (Surplus) or Deficit	**-34,887**	**16,955**

The consolidation adjustment to the 'Net Surplus on trading accounts' is due the following:

	2023-24 £000	2022-23 £000
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-4,487	-4,027
KCS and Laser expenditure with Subsidiaries	-11,773	-20,516
KCS and Laser income generated through sales to Subsidiaries	6,472	343
	-9,788	**-24,200**

Note G3 - Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

	2023-24 £000	2022-23 £000
Tax in respect of the current year	914	572
Adjustment in respect of prior years	-271	-34
Deferred tax in respect of the current year	-208	-6
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	-10	9
Total Taxation Expenses	**425**	**541**

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 31 March 2024 £000	Short Term Debtors 31 March 2023 £000	Long Term Debtors 31 March 2024 £000	Long Term Debtors 31 March 2023 £000	Total Debtors 31 March 2024 £000	Total Debtors 31 March 2023 £000
Medway Council	0	0	27,784	28,940	27,784	28,940
Recoverable VAT	55,979	26,831	0	0	55,979	26,831
Trade Receivables	166,028	154,715	0	0	166,028	154,715
Payments in Advance	34,708	33,283	0	0	34,708	33,283
General Debtors	154,731	143,075	23,003	22,000	177,734	165,075
	411,446	**357,904**	**50,787**	**50,940**	**462,233**	**408,844**

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 31 March 2024 £000	Short Term Creditors 31 March 2023 £000	Long Term Creditors 31 March 2024 £000	Long Term Creditors 31 March 2023 £000	Total Creditors 31 March 2024 £000	Total Creditors 31 March 2023 £000
Receipts in Advance	82,403	85,509	-	-	82,403	85,509
VAT Payable	3,271	4,212	-	-	3,271	4,212
Contract Liabilities	7,981	2,552	-	-	7,981	2,552
Other HMRC Liabilities	2,031	1,609	-	-	2,031	1,609
Deferred Income	15,444	12,061	14,343	14,731	29,787	26,792
General Creditors	359,088	387,329	34	35	359,122	387,364
	470,218	**493,272**	**14,377**	**14,766**	**484,595**	**508,038**

Note G6 - Cash & Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements.

	31 March 2024 £000	31 March 2023 £000
Single Entity Cash and Bank balances	-10,967	-4,244
Subsidiary cash and bank balances	16,084	24,276
Short term deposits with the Money Market	142,511	135,958
Total Group Cash and Cash Equivalents	**147,628**	**155,990**

Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 134. The reserves of the subsidiaries include:

	2022-23 Usable Reserves Retained Earnings £000		2023-24 Usable Reserves Retained Earnings £000
Balance at 1 April 2022	**6,931**	**Balance at 1 April 2023**	**8,458**
Profit/(Loss) for the year	2,132		3,939
Share of surplus/(deficit) of associate or joint venture	545		0
Dividends paid/declared	-1,150		-3,100
Balance at 31 March 2023	**8,458**	**Balance at 31 March 2024**	**9,297**

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 132 & 133.

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 2024 Long term £000	31 March 2024 Short term £000	31 March 2023 Long term £000	31 March 2023 Short term £000
Investments:				
- Fair value through profit or loss	187,055	128,912	186,789	134,708
- Amortised cost	99,290	53,783	125,782	59,473
	286,345	**182,695**	**312,571**	**194,181**
Debtors:				
- Amortised cost	30,422	311,779	31,640	294,678
- Amortised cost - Soft Loans	20,365	8,980	19,300	6,332
- Non-financial assets		90,687		56,894
	50,787	**411,446**	**50,940**	**357,904**
Cash & Cash Equivalents		16,084		24,276
Total	**337,132**	**610,225**	**363,511**	**576,361**

Financial Liabilities

	31 March 2024 Long term £000	31 March 2024 Short term £000	31 March 2023 Long term £000	31 March 2023 Short term £000
Borrowing				
- Amortised cost	705,532	78,369	721,893	90,155
- Non-financial liabilities	178,549	9,207	187,489	8,458
	884,081	**87,576**	**909,382**	**98,613**
Creditors				
- Amortised cost	34	367,069	35	389,881
- Non-financial assets	14,343	103,149	14,731	103,391
	14,377	**470,218**	**14,766**	**493,272**
Cash & Cash Equivalents		10,967		4,244
Total	**898,458**	**568,761**	**924,148**	**596,129**

Supporting the Cash Flow

Note G9. Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2023-24 £000	2022-23 £000
Interest received	-20,866	-12,182
Interest paid	55,224	55,470
Employee Costs	1,060,336	1,007,642
Income from Council Tax	-939,432	-885,685
Government Grants	-1,857,983	-1,687,069

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:	**2023-24 £000**	**2022-23 £000**
Movement in pension liability	30,979	-20,245
Carrying amount of non-current assets sold	-99,289	-123,999
Carrying amount of Capital Inventory sold	-162	-1,723
Carrying amount of Financial Assets held at FVPL	3,958	-18,863
Amortisation of fixed assets	-2,652	-2,673
Depreciation of fixed assets	-111,549	-103,298
Impairment and downward valuations	-7,925	-2,936
Income from shares in group undertakings	0	0
Increase/(decrease) debtors	46,359	23,695
(Increase)/decrease creditors	23,841	-86,927
Increase/(decrease) stock	-1,849	4,357
Change in provisions	-51	116
Movement on investment properties	-7,165	-1,749
REFCUS	-36,801	-61,631
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-22,330	21,080
Taxation	0	0
	-184,636	**-374,796**

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:	**2023-24 £000**	**2022-23 £000**
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	13,524	12,914
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	227,826	217,251
Payment of Collection Fund Deficit	8,096	22,749
	249,456	**252,914**

Note G10 - Group Cash Flow Statement - Investing Activities

	2023-24 £000	2022-23 £000
Purchase of property, plant and equipment, investment property, and intangible assets	242,742	254,126
Purchase of short-term and long-term investments	2,774,912	1,108,337
Proceeds from capital inventory	-195	-2,046
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-12,472	-10,391
Proceeds from short-term and long-term investments	-2,818,943	-1,062,165
Other receipts from investing activities	-234,418	-229,263
Net cash flows from investing activities	**-48,374**	**58,598**

Note G11 - Group Cash Flow Statement - Financing Activities

	2023-24 £000	2022-23 £000
Cash receipts of short- and long-term borrowing	-1,000	-76,020
Relating to finance leases and on-balance sheet PFI contracts	5,835	4,370
Repayments of short- and long-term borrowing	30,577	99,199
Other payments from financing activities	1,150	950
Net cash flows from financing activities	**36,562**	**28,499**

Pension Fund Accounts

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2023-24 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March:

	Notes	2023-24 £000	2022-23 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	321,214	297,692
Transfers in from other pension funds	8	12,280	17,306
		333,494	314,998
Benefits	9	-303,175	-270,995
Payments to and on account of leavers	10	-15,424	-15,184
		-318,599	-286,179
Net additions from dealings with members		**14,895**	**28,819**
Management expenses	11	-34,788	-32,502
Net withdrawals including fund management expenses		**-19,983**	**-3,683**
Returns on investments			
Investment Income	13	157,148	153,112
Taxes on Income		-371	-198
Profit and loss on disposal of investments and changes in the market value of investments	15a	157,715	-3,704
Net return on investments		**314,492**	**149,210**
Net increase in the net assets available for benefits during the year		**294,599**	**145,527**
Opening net assets of the scheme		**7,847,952**	**7,702,425**
Closing net assets of the scheme		**8,142,551**	**7,847,952**

Net Assets Statement as at 31 March

	Notes	2023-24 £000	2022-23 £000
Investment assets		8,144,656	7,860,392
Investment liabilities		-3,800	-12,323
Net investment assets	15	**8,140,856**	**7,848,069**
Current assets	21	34,778	29,503
Current liabilities	22	-33,083	-29,620
Net assets available to fund benefits at the period end		**8,142,551**	**7,847,952**

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 Administering 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 284 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council 31-Mar-24	Kent County Council 31-Mar-23	Other Employers 31-Mar-24	Other Employers 31-Mar-23	Total 31-Mar-24	Total 31-Mar-23
Contributors	22,005	21,885	33,286	31,468	55,291	53,353
Pensioners	25,252	24,878	25,156	23,705	50,408	48,583
Deferred Pensioners	24,495	24,618	26,150	25,284	50,645	49,902
Total	71,752	71,381	84,592	80,457	156,344	151,838

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 2024. 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 15.7% to 36.4% 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 2023-24 financial year and its position at 31 March 2024.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 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, 81% 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 Fund 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 (bonds) 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 2023. 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 2024. 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	Valuation of unquoted private	The total private equity, infrastructure and

equity and infrastructure and other level 3 investments (Note 17)	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.	other level 3 investments on the financial statements are £755m. 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 £73m on a fair value of £727m. 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 2024, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions receivable

	2023-24 £000	2022-23 £000
By category		
Employees' contributions	71,244	66,582
Employers' contributions		
-normal contributions	231,833	192,792
-deficit recovery contributions	13,852	35,993
-augmentation contributions	4,284	2,325
Total Employers' contributions	249,969	231,110
Total contributions receivable	**321,214**	**297,692**
By type of employer		
Kent County Council	116,271	109,234
Scheduled bodies	186,945	174,513
Admission bodies	17,998	13,945
	321,214	**297,692**

8. Transfers in from other pension funds

By category	2023-24 £000	2022-23 £000
Individual	12,280	17,306
Group	0	0
	12,280	**17,306**

9. Benefits payable

By Category	2023-24 £000	2022-23 £000
Pensions	254,015	227,129
Retirement commutation and lump sum benefits	42,833	36,188
Death benefits	6,327	7,678
	303,175	**270,995**
By type of employer		
Kent County Council	133,038	121,133
Scheduled bodies	151,361	133,453
Admission bodies	18,777	16,409
	303,175	**270,995**

10. Payments to and on account of leavers

	2023-24 £000	2022-23 £000
Group transfers	0	0
Individual transfers	13,747	14,009
Payments/refunds for members joining state scheme	1	3
Refunds of contributions	1,676	1,172
	15,424	**15,184**

11. Management expenses

	Notes	2023-24 £000	2022-23 £000
Administration costs		5,258	3,684
Governance and oversight costs		1,660	992
Investment management expenses	12	27,641	27,665
Audit fees		96	46
Pooling expenses		133	115
		34,788	**32,502**

12. Investment management expenses

	Notes	2023-24 £000	2022-23 £000
Investment managers fees	12a	27,419	27,448
Transaction costs		163	166
Custody fees		59	51
Total		**27,641**	**27,665**

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 Fund.

12a. Investment management fees

	2023-24 £000	2022-23 £000
Fixed income	4,054	3,802
Equities	13,356	13,343
Private equity / infrastructure	6,906	6,907
Property	3,103	3,396
Total	**27,419**	**27,448**

13. Summary of income from investments

	Notes	2022-24 £000	2023-24 %	2022-23 £000	2022-23 %
Bonds		17,862	11.4	15,606	10.2
Equities		10,356	6.6	7,257	4.7
Pooled investments		97,933	62.3	97,769	63.9
Private equity / infrastructure		9,941	6.3	11,271	7.4
Property	**14**	11,556	7.4	11,456	7.4
Pooled property investments		5,518	3.5	7,028	4.6
Cash and cash equivalents		3,884	2.5	2,621	1.7
Stock lending		98	0.1	103	0.1
Total before taxes		**157,148**	**100.0**	**153,112**	**100.0**

14. Property income and expenditure

	2023-24 £000	2022-23 Restated £000
Rental income from investment properties	27,026	19,962
Provision for doubtful debts	-5,811	-4,735
Direct operating expenses	-9,659	-8,506
Net operating income from property	**11,556**	**11,456**

15. Investments

	Market Value as at 31 March 24 £000	Market Value as at 31 March 23 Restated £000
Investment assets		
Bonds	400,903	356,101
Equities	406,065	363,714
Pooled investments		
Fixed income	792,897	711,013
Equities	4,390,583	4,312,029
Absolute return	410,961	573,683
Private equity/infrastructure funds	763,399	614,963
Property	461,774	501,584
Pooled property investments	265,421	280,305
Derivatives-forward currency contracts	375	5,562
Investment cash and cash equivalents	240,140	127,035
Investment income due	9,585	9,669*
Amounts receivable for sales	1,247	0
Margin cash	1,307	0
Total investment assets	**8,144,656**	**7,855,657**
Investment liabilities		
Amounts payable for purchases	-2,444	-2,169
Margin cash liability	0	-5,010
Derivatives-forward currency contracts	-1,355	-409
Total investment liabilities	**-3,800**	**-7,588***
Net investment assets	**8,140,856**	**7,848,069**

Investment income due (debtors) includes a sum of £8.3m (2022-23 £7.5m) 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 £5.8m (2022-23 £4.7m) has therefore been made for doubtful rent debts.

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 23 Restated £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 24 £000
Bonds	356,101	99,347	-62,739	8,195	400,903
Equities	363,714	106,315	-107,103	43,139	406,065
Pooled investments	5,596,724	85,998	-179,148	90,867	5,594,441
Private equity/infrastructure	614,963	152,637	-43,045	38,844	763,399
Property	501,584	0	-19,766	-20,044	461,773
Pooled property investments	280,305	31,525	-35,052	-11,357	265,421
	7,713,391	475,821	-446,853	149,643	7,892,002
Derivative contracts					
- Forward currency contracts	5,153	2,807,373	-2,820,084	6,577	-981
	7,718,544	**3,283,194**	**-3,266,937**	**156,220**	**7,891,022**
Other investment balances					
- Investment cash and cash equivalents	127,035	167,933		1,495	240,140
- Amounts receivable for sales	0				1,247
- Amounts payable for purchases	-2,169				-2,444
- Margin cash liability	-5,010				1,307
- Investment income due	9,669*				9,585
Net investment assets	**7,848,069**	**3,451,127**	**-3,266,937**	**157,715**	**8,140,856**

	Market Value as at 31 March 22 Restated £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 23 Restated £000
Bonds	379,027	62,081	-73,921	-11,086	356,102
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
- Cash pending issue of units					
- Amounts receivable for sales	788				0
- Amounts payable for purchases	-800				-2,169
- Margin cash asset	8,548				-5,010
- Investment income due	9,256*				9,669*
Net investment assets	**7,697,039**	**3,694,424**	**-3,495,914**	**-3,702**	**7,848,069**

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	Currency sold	Local value £000	Asset value £000	Liability value £000
Up to one month	GBP	51	EUR	-59	0	0
Up to one month	GBP	201	USD	-254	0	0
Up to one month	GBP	223,325	USD	-283,787	0	-1,312
Up to one month	USD	385	GBP	-302	2	0
Up to one month	GBP	523	USD	-664	0	-3
Up to one month	USD	65	GBP	-52	0	0
Up to one month	GBP	403	USD	-509	0	0
Up to one month	USD	104	GBP	-82	0	0
Up to one month	USD	544	GBP	-430	1	0
Up to one month	USD	1,092	GBP	-870	0	-5
Up to one month	GBP	3	USD	-4	0	0
Up to one month	USD	1,138	GBP	-898	3	0
Up to one month	GBP	811	USD	-1,041	0	-12
Up to one month	USD	30,065	GBP	-23,481	317	0
Up to one month	USD	1,993	GBP	-1,565	13	0
Up to one month	USD	725	GBP	-571	3	0
Up to one month	USD	2,109	GBP	-1,672	0	-2
Up to one month	GBP	6,126	USD	-7,760	0	-16
Up to two months	GBP	1,685	EUR	-1,966	2	0
Up to two months	GBP	341	EUR	-399	0	-1
Up to two months	GBP	81,665	EUR	-95,377	21	0
Up to two months	EUR	4,263	GBP	-3,652	0	-3
Up to two months	GBP	776	EUR	-907	0	0
Up to two months	GBP	550	EUR	-643	0	0
Up to two months	GBP	999	EUR	-1,165	1	0
Up to two months	GBP	1,098	EUR	-1,284	0	-1
Up to two months	GBP	1,981	EUR	-2,301	12	0
					375	-1,355
Net forward currency contracts at 31 March 2024						**-980**
Prior year comparative						
Open forward currency contracts at 31 March 2023					5,562	-409
Net forward currency contracts at 31 March 2023						**5,153**

15c. Property holdings

	Year ending 31 March 24 £000	Year ending 31 March 23 £000
Opening balance	501,584	577,934
Additions	0	0
Disposals	-19,766	0
Net increase in market value	-20,044	-76,350
Closing balance	**461,774**	**501,584**

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, other than to the extent reported in note 26.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 24 £000	Year ending 31 March 23 £000
Within one year	16,658	16,935
Between one and five years	42,615	41,290
Later than five years	30,512	32,204
	89,785	**90,429**

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 2024 £000	Market Value as at 31 March 2024 %	Market Value as at 31 March 2023 £000	Market Value as at 31 March 2023 %
Investments managed in the ACCESS Pool				
Baillie Gifford	1,204,259	14.8	1,071,672	13.7
M&G	593,948	7.3	536,060	6.8
Ruffer	180,143	2.2	191,519	2.4
Schroders	1,721,968	21.2	1,589,355	20.3
	3,700,318	45.5	3,388,606	43.2
Investments managed outside the ACCESS Pool				
CQS	257,039	3.2	226,095	2.9
DTZ	527,294	6.5	545,702	7.0
Fidelity	135,589	1.7	141,308	1.8
Goldman Sachs	417,890	5.1	385,314	4.9
HarbourVest	308,604	3.8	259,578	3.3
Impax	74,660	0.9	72,807	0.9
Insight	962,656	11.8	1,039,867	13.2
Kames	27,943	0.3	32,132	0.4
Kent County Council investment team	37,430	0.5	86,957	1.1
M&G	318,162	3.9	314,552	4.0
Partners Group	376,066	4.6	273,163	3.5
Pyrford	230,817	2.8	382,164	4.9
Sarasin	425,462	5.2	375,518	4.8
Schroders	259,889	3.2	239,281	3.0
YFM	78,729	1.0	82,222	1.0
Link Fund Solutions	2,308	0.0	2,803	0.0
	4,440,538	54.5	4,459,463	56.8
Total	**8,140,856**	**100**	**7,848,069**	**100**

15e. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2024 £000	31 March 2024 % of net assets
WS ACCESS Global Equity Core Fund	1,204,259	14.8
WS ACCESS UK Equity Fund	1,246,127	15.3
LDI Solutions Plus ICAV Active (Insight)	793,963	9.8
WS ACCESS Global Dividend Fund	593,948	7.3
WS ACCESS Global Active Value Fund	475,841	5.9

Investments	31 March 2023 £000	31 March 2023 % of net assets
WS ACCESS Global Equity Core Fund	1,071,672	13.7
WS ACCESS UK Equity Fund	1,184,302	15.1
LDI Solutions Plus ICAV Active (Insight)	1,039,867	13.3
WS ACCESS Global Dividend Fund	536,060	6.8

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 2024

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	7,288	7,543	Treasury Notes and other Government debt
Bonds	33,754	34,934	Treasury Notes and other Government debt
	41,042	**42,478**	

31 March 2023

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	6,483	6,751	Treasury Notes and other Government debt
Bonds	33,470	34,854	Treasury Notes and other Government debt
	39,953	**41,606**	

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 Mar 24 Fair value through profit and loss £000	31 Mar 24 Assets at amortised cost £000	31 Mar 24 Financial liabilities at amortised cost £000	31 Mar 23 Fair value through profit and loss £000	31 Mar 23 Assets at amortised cost Restated £000	31 Mar 23 Financial liabilities at amortised cost Restated £000
Financial assets						
Bonds	400,903			356,101		
Equities	406,065			363,714		
Pooled investments	5,594,441			5,596,724		
Property pooled investments	265,421			280,305		
Private equity/infrastructure	763,399			614,963		
Derivative contracts	375			5,562		
Cash & cash equivalents	230,973	15,587		116,870	11,894	
Other investment balances		12,139			9,669*	
Debtors/ receivables		5,272			6,474	
	7,661,577	**32,999**	**0**	**7,334,239**	**28,037***	**0**
Financial Liabilities						
Derivative contracts	-1,355			-409		
Other investment balances			-2,444			-7,179*
Creditors			-11,524			-11,874
	-1,355	**0**	**-13,968**	**-409**	**0**	**-19,053***
Total	**7,660,222**	**32,999**	**-13,968**	**7,333,830**	**28,037***	**-19,053***

16b. Net gains and losses on financial instruments

Financial assets	**31 March 2024 £000**	**31 March 2023 £000**
Fair value through profit and loss	177,025	72,442
Assets at amortised cost	734	206
Total	**177,760**	**72,648**

17. Valuation of assets and liabilities carried at fair value

The basis of the valuation of each class of investment asset is set out in the following table. 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 derivative	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 Fund Solutions. 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 2024.

	Assessed valuation range (+/-)	Value as at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Private equity	23.7%	387,333	479,131	295,535
Infrastructure	11.7%	376,066	420,065	332,066
Direct and pooled property	9.0%	727,195	792,642	661,747
Other level 3 investments	23.7%	2,308	2,855	1,761
Total		1,492,901	1,694,693	1,291,109

	Assessed valuation range (+/-)	Value as at 31 March 2023 Restated £000	Value on increase Restated £000	Value on decrease Restated £000
Private equity	23.7%	341,800	422,807	260,793
Infrastructure	11.7%	273,163	305,123	241,203
Direct and pooled property	9.0%	781,889*	852,259*	711,519*
Other level 3 investments	23.7%	2,803	3,467	2,139
Total		1,399,655*	1,583,656*	1,215,654*

Prior Period Adjustment

We would like to bring to your attention an adjustment made to the disclosure in the financial statements for the current period, stemming from the identification of an error that has impacted the reported amounts in note 17 for prior period as well.

The adjustment is linked to the restatement of direct property and pooled property in the above disclosure in the financial statements, reflecting the impact of the error correction on the previously reported figures in this disclosure for the affected prior periods.

This correction was necessary to ensure the faithful representation of the entity's financial statements and to rectify the misstatement that has been identified.

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 2024 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 2024	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	400,903			400,903
Equities	406,065			406,065
Pooled investments	565,365	5,026,768	2,308	5,594,441
Pooled property investments			265,421	265,421
Private equity and infrastructure			763,399	763,399
Derivatives		375		375
Cash deposits	240,140			240,140
Other investment balances	12,139			12,139
Non- Financial assets at fair value through profit and loss				
Property			461,774	461,774
Financial liabilities at fair value through profit and loss				
Derivatives		-1,355		-1,355
Other investment liabilities	-2,444			-2,444
Net investment assets	**1,622,167**	**5,025,788**	**1,492,901**	**8,140,856**

Values at 31 March 2023	Quoted market price Level 1 Restated £000	Using observable inputs Level 2 Restated £000	With significant unobservable inputs Level 3 Restated £000	Total Restated £000
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	9,669*			9,669*
Non- Financial assets at fair value through profit and loss				
Property			501,584*	501,584
Financial liabilities at fair value through profit and loss				
Derivatives		-409		-409
Other investment liabilities	-7,179*			-7,179*
Net investment assets	**1,545,320**	**4,904,824***	**1,399,655***	**7,849,798**

17b. Reconciliation of fair value measurements within level 3

	Private equity £000	**Infrastructure £000**	**Direct and pooled property**	**Other £000**	**Total £000**
Market value 1 April 2023	341,800	273,163	781,889	2,803	1,399,655
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	69,615	83,023	31,525	0	184,162
Sales during the year	-41,292	-1,753	-54,818	-12,148	-110,011
Unrealised gains/ losses	-8,783	20,809	-30,909	0	-18,883
Realised gains/losses	25,994	824	-492	11,653	37,979
Market value 31 March 2024	**387,333**	**376,066**	**727,195**	**2,308**	**1,492,901**

	Private equity £000	**Infrastructure £000**	**Direct and pooled property**	**Other £000**	**Total £000**
Market value 1 April 2022	290,018	174,936	902,220*	8,220	1,375,394
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	53,759	78,389	1,252*	0	133,400*
Sales during the year	-25,371	-11,153	-6,982	-1,308	-44,814*
Unrealised gains/ losses	8,254	29,813	-115,444*	-4,109	-81,486*
Realised gains/losses	15,140	1,178	843*	0	17,161*
Market value 31 March 2023	**341,800**	**273,163**	**781,889***	**2,803**	**1,399,655 ***

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 2023-24 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	15.3
Overseas equities	15.4
Global pooled equities inc UK	15.4
Bonds	7.4
Property	9.0
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 24 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	240,140	0.0	240,140	240,140
Investment portfolio assets:				
UK equities	38,058	15.3	43,881	32,235
Overseas equities	368,006	15.4	424,679	311,333
Global pooled equities inc UK	4,801,544	15.4	5,540,981	4,062,106
Bonds incl bond funds	1,193,801	7.4	1,282,142	1,105,460
Property pooled funds	265,421	9.0	289,309	241,533
Private equity	387,333	23.7	479,131	295,535
Infrastructure funds	376,066	11.7	420,065	332,066
Derivative assets	375	0.0	375	375
Total	**7,670,743**		**8,720,704**	**6,620,783**

The Fund has an equities downside protection programme to protect the Fund from falls and cap the returns within a given range and is designed to manage the risks associated with global equity investments and help achieve the Fund's required rate of return.

Asset Type	Value as at 31 March 23 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	128,764	0.0	128,764	128,764
Investment portfolio assets:				
UK equities	55,534	15.4	64,086	46,982
Overseas equities	308,180	15.6	356,256	260,104
Global pooled equities inc UK	4,885,711	15.7	5,652,768	4,188,655
Bonds inc bond funds	1,067,114	7.6	1,148,215	986,013
Property pooled funds	280,305	9.0	305,533	255,078
Private equity	341,800	11.7	381,791	301,809
Infrastructure funds	273,163	23.7	337,903	208,423
Derivative assets	5,562	0.00	5,562	5,562
Total	**7,346,133**		**8,380,878**	**6,311,390**

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 2024 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 24 £000s	31 March 23 £000s
Cash and cash equivalents	240,140	127,035
Cash balances	6,421	1,729
Bonds		
- Directly held securities	400,903	356,101
- Pooled funds	792,897	711,013
Total	**1,440,361**	**1,195,878**

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 24 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	240,140	0	0
Cash balances	6,421	0	0
Bonds			
- Directly held securities	400,903	-15,555	15,555
- Pooled funds	792,897	-12,344	12,344
Total change in assets available	**1,440,361**	**-27,899**	**27,899**

Asset type	Carrying amount as at 31 March 23 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	127,035	0	0
Cash balances	1,729	0	0
Bonds			
- Directly held securities	356,101	-13,817	13,247
- Pooled funds	711,013	-2,406	2,406
Total change in assets available	**1,195,878**	**-15,653**	**15,653**

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 2024 and 2023:

Currency exposure - asset type	Asset value as at 31 March 24 £000	Asset value as at 31 March 23 £000
Overseas equities	368,006	308,180
Overseas pooled funds	3,829,079	3,944,244
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	684,669	532,741
Non GBP cash	6,758	3,116
Total overseas assets	**4,888,513**	**4,788,281**

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 2023-24 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 24 £000	Change to net assets available to pay benefits +5.4% £000	Change to net assets available to pay benefits -5.4% £000
Overseas equities	368,006	387,879	348,134
Overseas pooled funds	3,829,079	4,035,849	3,622,309
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	684,669	721,642	647,697
Non GBP cash	6,758	7,123	6,393
Total change in assets available	**4,888,513**	**5,152,493**	**4,624,533**

Currency exposure - asset type	Asset value as at 31 March 23 £000	Change to net assets available to pay benefits +5.4% £000	Change to net assets available to pay benefits -5.4% £000
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**

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 24 £000	Balance as at 31 March 23 £000
Money market funds			
Northern Trust Sterling Fund	AAAm	18,372	12,295
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	41	43,648
Blackrock USD Government Liquidity Fund	AAAm	8	3,047
Aberdeen Sterling Liquidity Fund	AAAm	5	88
Goldman Sachs Liquid Reserve Government Fund	AAAm	6,478	17,481
Aviva Investors Sterling Liquidity Fund	AAAm	7,889	6,409
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	2,330	3,923
HSBC Global Liquidity Fund	AAAm	0	0
LGIM Liquidity Fund	AAAm	25,315	28,043
Insight Sterling Liquidity Fund	AAAm	168,694	0
		229,132	**114,933**

Bank deposit accounts			
NatWest SIBA	A+	1,841	1,799
		1,841	**1,799**
Bank current accounts			
NatWest current account	A-	50	50
NatWest current account - Euro	A+	134	891
NatWest current account - USD	A+	9	651
Northern Trust - current accounts	AA-	12,802	8,214
Barclays - DTZ client monies account	A+	2,592	2,225
		15,587	**12,032**
Total cash and cash equivalents		**246,560**	**128,764**

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 2024 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund 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 primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund 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 24 £m	31 March 23 £m
Present value of promised retirement benefits	-7,923.6	-7,735.4
Fair value of scheme assets at bid value	8,134.2	7,831.8
Net asset	210.6	96.4

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 103% 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	3.90%
Inflation/Pensions increase rate	2.90%
Discount rate	4.90%

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 24 £000	31 March 23 £000
Debtors		
- Contributions due - employees	5,391	4,759
- Contributions due - employers	17,694	16,541
	23,085	21,300
Sundry debtors	5,272	6,474
Total debtors	**28,357**	**27,774**
Cash	6,421	1,729
Total current assets	34,778	29,503

22. Current liabilities

	31 March 24 £000	31 March 23 £000
Creditors		
- Benefits payable	21,559	17,746
- Sundry creditors	11,524	11,874
Total current liabilities	**33,083**	**29,620**

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 2023-24 £000	Prudential 2022-23 £000	Standard Life 2023-24 £000	Standard Life 2022-23 £000	Utmost Life 2023-24 £000	Utmost Life 2022-23 £000
Value at 1 April	10,054	10,286	1,914	2,043	277	330
Value at 31 March	12,895	10,054	1,918	1,914	282	277
Contributions paid	3,303	2,309	318	186	0	3

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 material transactions with the Fund.

	2023-24 £000	**2022-23 £000**
KCC is the largest single employer of members of the Fund and during the year contributed:	88,527	83,624
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 KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	6,497	4,118
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	-6,252	-6,934

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The employees of KCC who held key positions in the financial management of the Fund during 2023-24 was the Corporate Director Finance (and the Interim Corporate Director Finance) and the Head of Pensions and Treasury.

Total remuneration payable to key management personnel is set our below:

	31 March 24 £000	31 March 23 £000
Salary	306	303
Allowances	18	16
Other	0	0
Employer's pension contributions	56	58
Total	381	377

25. Contingent liabilities

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

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

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2024 totalled £309m (31 March 2023: £387m).

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.

The fund also had outstanding commitments for the purchase of property of £4m and for sales of £1.4m.

27. Contingent assets

38 admitted body employers in the Fund hold insurance bonds and 12 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Independent Auditor’s Report to the Members of Kent County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Kent County Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report.

We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Corporate Director Finance’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority’s and group’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 20], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government Act 1972).

We enquired of management and the Governance and Audit Committee concerning the group and Authority’s policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations

We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to

- unusual journal entries made during the year and at the accounts preparation stage; and
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of land and buildings and the valuation of the defined benefit pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on testing unusual journal entries made during the year and accounts preparation for appropriateness and corroboration
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and the significant estimates related to the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except:

- On 12 December 2024, we identified that the Authority had made good progress overall with spending control and savings plans during 2023/24. However, its spend on adult social care and health remains stubbornly high. Special educational needs and disability is another area where the Authority struggles to contain spend. We recommended that the Authority should:
  - explore options for increased efficiency in the adult social care and health directorate in 2024/25 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored.

  - work holistically to reduce spend on the high needs block. The Authority has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million.
- On 12 December 2024, we identified that only 38% of Internal Audit recommendations were implemented during 2023/24. We recommend that the authority should:
  - ensure that remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of

Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIGNATURE HERE

Paul Dossett, Key Audit Partner

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

London

Date: 12 December 2024

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 council’s 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.

Further information on the accounts can be obtained from the Chief Accountant (please call 03000 41 41 41).

This publication can be made available in alternative formats and can be explained in a range of languages. Please call 03000 41 41 41 or Text Relay 18001 03000 41 41 41.

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From: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 12 December 2024

Subject: Audit Findings Report for Kent Pension Fund

Status: Unrestricted

Summary: The Audit Findings Report for the Kent Pension Fund sets out the opinion of the External Auditor on the Fund's financial statements. The Governance and Audit Committee has the responsibility of receiving and reviewing this report.

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1) Introduction

a) Under the International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Appointed Auditor, Grant Thornton UK LLP, are required to issue as opinion as to whether:

- The Kent Pension Fund's financial statements give a true and fair view of both the financial position of the Fund and the Kent Pension Fund's income and expenditure for the year; and
- Have been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

b) The External Auditor is also required to report whether other information published together with the audited financial statements is materially inconsistent with the financial statements and/or whether information obtained in the audit or otherwise appears to be materially misstated.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;

ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and
iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Findings Report for the Kent Pension Fund for assurance.

4) Appendices

Appendix: Grant Thornton's Audit Findings Report for Kent Pension Fund 2023/24

5) Background Documents

CIPFA's Position Statement 2022
International Standard on Auditing (UK) 260
National Audit Office (NAO) Code of Audit Practice

6) Contact Details

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03000 422252

Grant Thornton

Audit Findings (ISA260) Report for Kent Pension Fund

Year ended 31 March 2024

December 2024

Grant Thornton

Private and Confidential

Grant Thornton UK LLP
30 Finsbury Square, London EC2A 1AG
www.grantthornton.co.uk

Kent Pension Fund
Sessions House
County Hall
Maidstone
Kent
ME14 1XX

Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Governance and Audit Committee.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Parris Williams

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings Report (AFR) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Governance and Audit Committee.

Parris Williams

Parris Williams
For Grant Thornton UK LLP
Date: 12 December 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-November. Our findings are summarised on pages 5 to 16.

We acknowledge that the accounts were provided timely for our review and would like to extend our gratitude to the management for their efforts and cooperation during the audit.

Summary of findings

We have identified an adjustment to the financial statements that resulted in a £10.482m adjustment to the Pension Fund's reported financial position. We have also identified an unadjusted presentational misstatement for £4.735m that impacted on the prior year disclosure. Audit adjustments are detailed in Appendix C.

We identified a significant reclassification disclosure of pooled £265.4m and direct property investments £461.7m from Level 2 to Level 3, totalling £727.1m for the current year and £781m for the prior year. This adjustment has resulted in a Prior Period Adjustment (PPA), which management has reflected in the updated accounts. The adjustment was made due to these investments containing significant unobservable inputs into their valuations so they should be categorised as Level 3. For detail please refer to appendix C.

Audit disclosure amendments arising from our work and agreed with management are also detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix F] or material changes to the financial statements, subject to the following outstanding matters;

- Receipt of responses to queries in relation to note 15e. Single investments exceeding 5% of net assets available for benefits.
- Receipt of responses to ITGC queries in relation to Altair system.
- Receipt of responses to queries in relation to the key management personnel note.
- Responding to IAS 19 request letters.
- Final review of completed work by senior audit team members.
- Receipt and review of management representation letter.
- Final review of the Pension Fund Annual Report.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Kent County Council is complete.

We have also concluded that the other information to be published with the financial statements is consistent with our knowledge of your organization and the financial statements we have audited.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with the audit opinion on the financial statements.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Governance and Audit Committee.

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

For Kent Pension Fund, the Governance and Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pension Committee which considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 12th December 2024 and the finalisation of the administering authority audit.

Outstanding items are set out on the page 4.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality at year end based on the updated Gross Assets Figures as at 31 March 2024.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (final)	Pension Fund Amount (planning)	Qualitative factors considered
Materiality for the financial statements	£122,600,000	£118,300,000	This benchmark is determined as a percentage of the Gross assets which has been set at approximately 1.5%. Our materiality has increased from planning (which was based on audited asset values at 31 March 2023) as a result of our risk assessment not changing and the increase of asset valuations at 31 March 2024
Performance materiality	£91,950,000	£88,750,000	Performance Materiality is based on a percentage (75%) of the overall materiality.
Trivial matters	£6,100,000	£5,900,000	Triviality is based on a percentage (5%) of the overall materiality.
Specific materiality for fund account	£35,350,000	£31,850,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%. Our materiality has increased from planning (based upon audited expenditure at 31 March 2023) as a result of our risk assessment not changing and the increase in the reported fund account expenditure (mainly as a result of the 10.1% pensions increase) at 31 March 2024.
Specific performance materiality for fund account	£26,500,000	£23,900,000	Performance Materiality is based on a percentage (75%) of the overall materiality of the fund account.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition **- Rebutted** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; and ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. We have additionally assessed the risk as per Practice Note 10 around the risk of material misstatement due to fraud related to expenditure. Based on our assessment, we did not consider this to be a significant risk for the Pension fund when producing our audit plan. We have reconsidered our original assessment as a part of our audit work on the Pension Fund's financial statements and are satisfied that this judgement continues to remain appropriate. We have performed testing on expenditure and no matters have arisen that requires us to reassess our initial judgement in relation to fraud within expenditure.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	In response to this risk, we have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified changes to the accounting policies or the estimation process for 2023/24 Our audit work performed identified a control deficiency in relation to authorisation of journals which has been detailed in appendix B of this document. Other than the above finding, our audit work has not identified any material issues in relation to management override of control.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments (£1,492.9m as at 31 March 2024) The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.	In response to this risk, we have: • evaluated management's processes and design & implementation of relevant controls for valuing Level 3 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian for all investments held; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period; • in the absence of available audited accounts, evaluated the competence, capabilities, and objectivity of the valuation expert; • reviewed investment manager service auditor report on the design and operating effectiveness of internal controls; and • where appropriate, written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. **Findings:** From the audit work completed to date, there is one adjustment of £10.482m, refer to Appendix C for details. Moreover, our audit work performed on level 2 investments, identified a classification error in relation to Fair value hierarchy where directly held properties and pooled property investments were classified as level 2 when these should have been classified as level 3. This error also led to a prior period adjustment in the disclosure to the accounts. For detail of error please refer to pages 10-11 and appendix C of this document. **Conclusion:** Other than the error mentioned above, our audit work has not identified any other material issues in relation to the Closing Valuation of Level 3 investments.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Directly Held Property (£461.7m as at 31 March 2024) The pension fund has directly held property within its Level 2 investment portfolio. A full valuation is carried out by management's expert on an annual basis as at 31 December, and monthly indexation is applied to ensure that the fair value of these properties are materially accurate between the valuation date and the financial reporting date. The valuation represents a significant estimate by management in the financial statements, due to the size of the asset values involved and sensitivity to changes in assumptions applied.	In response to this risk, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • independently requested year-end confirmations from investment managers and the custodian; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out; • engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • tested, on a sample basis, revaluations made during the year to ensure they have been recorded accurately within Kent Pension Fund's financial records. Findings: From the audit work completed to date, there is an adjustment identified related to the reclassification of directly held property from Level 2 to Level 3. We note the adjustment of £461.7m in the current year and £501.5m in the prior year, refer to Appendix C for details. Conclusion: Other than the Fair value hierarchy related classification error mentioned above, our audit work has not identified any other material issues in relation to the Closing Valuation of Directly Held Property.

Page 289

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,492.9m	The Pension Fund has investments in the following: • Private Equity/Infrastructure funds that in total are valued on the Net Assets Statement as at 31 March 2024 at £763.4m; • Pooled Investments in total are valued on the Net Assets statement as at 31 March 2024 at £2.3m • Pooled property investments that are valued on the Net Assets statement as at 31 March 2024 at £265.4m The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation provided by the Fund Manager, which is usually based on an audited value of the fund as at 31 December 2023, with the valuation rolled forward to 31 March 2024.	The valuation of the Level 3 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates.	● (Green)
Level 3 Investments - (Directly Held Property) £461.7m	The Pension Fund has investments in Property Holdings that in total are valued on the Net Asset Statement as at 31 March 2024. The Fund obtained independent Valuation by Colliers on an annual basis. A full valuation is carried out by management's expert on an annual basis as at 31 December, and monthly indexation is applied to ensure that the fair value of these properties is accurately determined . The valuation for property is based on unobservable inputs that are not corroborated by market data and, therefore, require a higher degree of judgment and estimation. These unobservable inputs include projected rental cash flows, yields etc. It is considered to be significant estimate due to the size of the asset values involved and sensitivity to changes in assumptions applied.	The valuation of the Level 3 Investments (Directly held Property) is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate. However, we have identified a reclassification adjustment from Level 2 to Level 3, We note the adjustment of £461.7m in the current year and £501.5m in the prior year, refer to Appendix C for details.	● (Green)

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments- (excluding directly held property) **£5,025m** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	The Pension Fund has investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2024. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments are based on the value of these underlying investments at 31 March 2024, or the closest trade date to year-end.	The valuation of the Level 2 Investments(excluding directly held property) is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate. However , we have identified a reclassification adjustment from Level 2 to Level 3, We note the adjustment of £265.4m in the current year and £280.3 m in the prior year, refer to Appendix C for details.	● (Green)

Page 291

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle E-Business Suite	[Detailed ITGC assessment (design effectiveness only)]	●	●	●	●	N/A	N/A. No significant deficiencies were identified.
Altair	Detailed ITGC assessment (design effectiveness only)	TBC	TBC	TBC	TBC	Contributions and benefits payable utilise the Altair software within their process	TBC

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund .This will be signed alongside the final draft of the financial statements in conclusion of the audit.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

Page 294

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to your custodian, fund managers, and banks. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates, and financial statement disclosures. We identified small number of disclosure issues none of which are considered significant, and these are reported to you in appendix B. We plan to issue an unmodified opinion in this respect.

2. Financial Statements: other communication requirements

Page 295

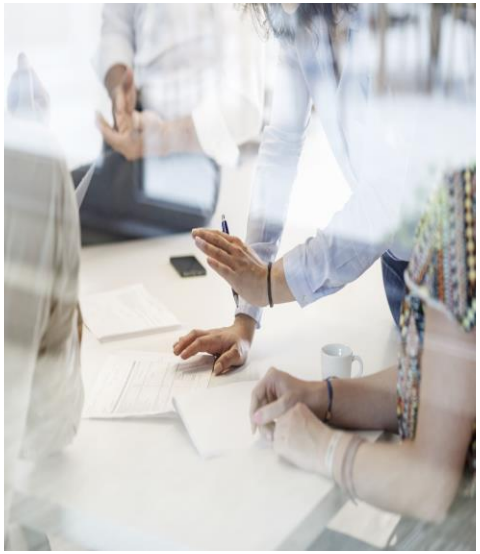
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Kent County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We plan on completing our work on the Pension Fund Annual Report once the 2023/24 financial statements have been finalised. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Page 300

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low	**Lack of review of Journals** In our review of management override of control we note that journals can be posted and approved by the same person **Risks** Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increases the risk of errors, omissions, or irregularities going undetected, as there is no independent review of the transactions.	Management should prioritize implementing effective segregation of duties in the journal posting process. This may involve assigning distinct responsibilities for initiating, authorizing, recording, and reviewing journal entries to different individuals or teams. Additionally, regular monitoring, internal audits, and management oversight are essential to ensure compliance **Management response** Journals are included in the master reconciliation performed half yearly and annually which is signed off by Investments, Accounting and Pooling Manager.
● Low	**Outside of General ledger adjustments** We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and Market values of the investment assets are reconciled and recorded through an outside ledger reconciliation excel sheet. We would expect all the transactions to be routed through general ledger. **Risks** There is an increased risk for human errors and misstatement where investments change in MV are recorded on manual spreadsheet.	When some journals are recorded in a spreadsheet and not in the general ledger system, it can present a risk to the accuracy and completeness of financial reporting. We therefore recommend formalizing the process for recording journals by ensuring that all financial transactions are captured directly in the general ledger system. This helps to maintain a complete and accurate record of all financial activities. **Management response** TBC

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

Page 301

C. Audit Adjustments

We are required to report all nontrivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net assets for the year ending 31 March 2024.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
Change in market value of Level 3 at year-end After production of the draft financial statements, management were provided with updated valuation information from investment managers. The net difference was £10,482,000 in relation to Level 3 investments. Management then updated their financial statements for this timing difference. Level 3 Investments were understated by £10,482,000 in the original version of the accounts provided which means that the net assets value in the financial statement was lower. This has now been adjusted in the accounts. We note that this has also resulted in the disclosure amendments to Note 16, 17a & 17b and 18 which relate to your financial instruments notes.	Cr Profit and loss on disposal of investments and changes in the market value of investments (10,482)	Dr Investment assets 10,482	10,482
Overall Impact	Cr(10,482)	Dr 10,482	10,482

C. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Net Assets Statement - Reclassification of Provision for Doubtful Debt Other investments balances on the financial instrument is exclusive of Provision for doubtful debts amounting to £5,811k. Please note that the provision for doubtful debt need not to be shown separately as financial liabilities but rather should be netted off against the Investments income due (debtor) and therefore reporting the net balance as a financial asset. This has been updated in the accounts.	Management response Agreed to be amended	Yes
Basis of preparation - Note 2 We suggested the Fund should consider making a disclosure in respect of IFRS 16 in Note 2 (Basis of Preparation) - even if it is just to confirm that it does not apply as the PF does not hold any assets as lessee. Client has agreed and included the following disclosure in note 2 : "Adoption of IFRS 16 which is set to come to effect from April 2024, is not expected to have a material impact on the pension fund accounts"	Management response Agreed to be amended	Yes
Summary of significant accounting policies - Note 3 Due to the Prior period adjustment being made as discussed on earlier pages of this document, accounting policy in this regard has also been added to the financial statements.	Management response Agreed to be amended	Yes
Note 3c – Investment Income and Note 14 -Property income and expenditure Note 3c indicated that rental income is adjusted for provision of rent invoiced but collection of which is assessed as doubtful. As per the CIFPA code, the rental income can't be shown as net of doubtful debt. This has been updated to show it as a separate line in Note 14 and update the wording in Note 3c as well.	Management response Agreed to be amended	Yes
Critical judgements in applying accounting policy- Note 4 Note 4 of the accounts did not explain the critical judgement applied. The paragraph states the accounting policy for the directly owned properties which are leased out but did not explain why these are determined to be operating leased assets or why that assessment is regarded as a critical judgement. Management has agreed to amend the Note 4 by including the details on why these are considered to be operating leases and why this is regarded as critical judgement.	Management response Agreed to be amended	Yes
Assumptions made about future and other major sources of estimation uncertainty – Note 5 As per IAS 8, in case of a prior period error (discussed on next tab), the nature of it must be conspicuously disclosed which is also required by IAS 1, especially considering it is for £782m in total. Considering this, the note has been updated by adding more reference to this issue of investments being now classified as level 3 with a brief explanation for this change, for better understandability of the readers of the financial statements.	Management response Agreed to be amended	Yes

C. Audit Adjustments (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Valuation of assets and liabilities carried at fair value – Note 17 Sensitivity of assets valued at level 3 has been updated to include Direct and pooled property analysis for both current year and prior year owing to the adjustment in FV Hierarchy which has been discussed in next point in relation to update in note 17a. Moreover, as this change led to a prior period adjustment, the reason for this change has been detailed under heading "Prior Period Adjustment" in this note as well.	**Management response** Agreed to be amended	Yes
Fair Value Hierarchy – Note 17a Reclassification of Level 2 Investments While performing our work on Investments, we noted that the Pooled property investments of £265.4m (CY), £280.3m (PY), and Property Investments of £461.7m (CY), £501.5m (PY) have been classified as Level 2. Due to significant unobservable inputs being used to measure the fair value of assets, we noted that this should be classified as Level 3. This has resulted in additional disclosure related to Prior Period Adjustment (PPA) which has been added to note 17 of the accounts.	**Management response** Agreed to be amended	Yes
Reconciliation of fair value measurements within level 3 - Note 17b The comparative of the "Reconciliation of fair value measurements within level 3" was missing. Client has updated it now.	**Management response** Agreed to be amended	Yes
Financial Instruments – Note 16, 17 and 18 Changes were made to Financial Instrument Notes 16, 17 and 18 due to classification change of Directly held properties and Pooled Property Investment from Investments Level 2 to Level 3 in FV Hierarchy.. Moreover, this change was also owing to adjustment no.1 of £10.482m explained earlier in audit adjustments tab.	**Management response** Agreed to be amended	Yes
Additional voluntary contributions – Note 23 The additional voluntary contribution for Prudential's had the figures not being disclosed in the accounts. The figures were updated later on the receipt of relevant records from Prudential after which the accounts were updated for it.	**Management response** Agreed to be amended	Yes
Contingent Liability – Note 25 Contingent liability note 25, has been updated to reflect new information which we are now aware of in relation to the update to the Virgin Media case.	**Management response** Agreed to be amended	Yes
Various minor casting/disclosure amendments The accounts were also updated for minor presentation issues. None were material.	**Management response** Agreed to be amended	Yes

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Kent Pension Fund, Governance and Audit Committee Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Reclassification of Provision for Doubtful Debt When the Pension Fund updated the accounts for adjustment number 2 mentioned on page 23, they made the change with respect to the provision for doubtful debt balance in the comparative year as well for £4,735k by reclassifying it from Investment liabilities to Investment assets. Under IAS 8, prior period adjustments are only required where the error in the prior period was material. At £4,735k, the error in the prior period was both not-material but also trivial. We are therefore reporting this adjustment to you as an unadjusted misstatement as it ought not be processed under IAS 8. We understand however that management has made the change to ensure the accounts are comparable under IAS 1.	Dr Investment assets 4,735 Cr Investment Liabilities 4,735	Nil	Nil	Not material
Overall impact	**Nil**	**Nil**	**Nil**	

D. Fees and non-audit services

We confirm below our final proposed fees charged for the audit and provision of non-audit services.

	Fee proposed in Audit Plan	Proposed final fees 2023/204
Kent Pension Fund Audit (Scale fee)	£105,099	£105,099
IAS 19 letters*	£0	£0
ISA 315**	£7,530	£7,530
Total audit fees (excluding VAT)	**£112,629**	**£112,629**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. Overleaf it sets out our proposed non-audit fee of £3,500 in respect of our planned assurances to the NAO for Ebbsfleet Development Corporation.

**ISA 315 is not included within the published 2023/24 scale fees. The £7,530 is therefore a fee variation that is subject to PSAA approval

Please note that IAS 19 letter fee for 2022/23 is also pending PSAA approval, which will be billed to the pension fund once approved.

D. Fees and non-audit services

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified

Non-audit fees for other services	Proposed fee per the audit plan	Proposed final fee	Threats	Safeguards
Audit Related Services				
IAS 19 Assurances to the NAO in respect of the admitted body Ebbsfleet Development Corporation.	£1,100	£3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £112,629 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The reason for the fee increase from proposed is because IAS 19 assurances to non LG and NHS bodies are outside of the Code of Practice. As non-audit fees, there is additional ethical procedures we must perform ahead of completing this work.
			Self-review (because GT provides audit services)	We have not prepared the financial information on which our assurances will be used by the requesting auditor to form an opinion on as part of their opinion on the financial statements of the admitted body. Any decisions relating to changing controls over financial information or edits required to financial information arising from our findings will be a decision made by informed management.
			Management	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. The Pension Fund has officers in place who understand the operation of systems and can challenge our recommendations as appropriate. They have sufficient authority or report to the s151 Officer who can make informed decisions in respect of our findings.
Total non-audit fees (excluding VAT)	£1,100	£3,500		

Page 307

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard)

D. Fees and non-audit services

<u>The fees reconcile to the financial statements as follows:</u>

	Amount	Amount
Audit fees per Note 11		£96,000
Reconciling item i - Redmond review grant received by KCC	*£12,646**	
Reconciling item ii – update the IAS 19 assurance letter fee per table above	*(£3,500)***	
Reconciling item iii – ISA315 fee variation subject to PSAA approval	*£7,530*	
Reconciling item iv – rounding difference	*(£47)*	
Reconciled Total fee per the accounts (excluding VAT)		**£112,629**
Audit fee per the Audit Findings Report		£112,629

* The audit fee in the accounts is a net figure, after having been adjusted for the Redmond review grant received by the pension fund for support with local audit financial reporting.

** Please note the non-audit fee of £3.5k as per page 24 of this document, has been shown in the accounts as part of audit fees therefore, to reconcile audit fee in the accounts to the audit fee per page 23 of this document, the non-audit fee is appearing as a negative in the table above as ideally the audit and non-audit fee should have been shown separately in the accounts, however considering the amount involved being not material, no audit adjustment has been recommended.

E. National context

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:
Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- Consultations on measures to address local audit delays (frc.org.uk)
- Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham LLP, and showed that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019).The results of the latest triennial valuation are reflected in note 17 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

F. Draft Audit Opinion

Our Draft audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

Opinion on financial statements

We have audited the financial statements of Kent Pension (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Acting Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Acting Corporate Director Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Acting Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Acting Corporate Director Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

F. Draft Audit opinion continued

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2024) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Acting Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Corporate Director Finance. The Acting Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Acting Corporate Director Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

F. Draft Audit opinion continued

We enquired of management and the Governance and Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- accounting estimates made in respect of the valuation of level 3 investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including Private Equity, Infrastructure and direct and pooled property investments;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

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

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

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

F. Draft Audit opinion continued

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Parris Williams, Key Audit Partner

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

London

X December 2024

Grant Thornton

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From:	Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services Interim Corporate Director – Finance
To:	Governance and Audit Committee – 12 December 2024
Subject:	Treasury Management Mid-Year Update
Classification:	Unrestricted
Future Pathway of report	County Council

Summary: This report provides an overview of Treasury Management activity to the end of September 2024.

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

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1. Introduction

1.1 This report covers Treasury Management activity up to the end of September 2024 and developments in 2024-25 up to the date of this report.

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

1.3 The Council's Treasury Management Strategy for 2024-25 was approved by the County Council on 19 February 2024.

1.4 The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. This report covers treasury activity and the associated monitoring and control of risk.

1.5 Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.6 The Council has nominated the Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. External context

2.1 **Economic Update:** The following economic commentary has been provided by the Council's retained treasury advisor, Link Group.

2.2 *"The third quarter of 2024 (July to September) saw:*

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September

2.3 *The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.*

2.4 *The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.*

2.5 *The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.*

2.6 *The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.*

2.7 *Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.*

2.8 *CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.*

2.9 *The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.*

2.10 *Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.*

2.11 *Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.*

2.12 *Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate* *cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.*

2.13 The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI."

3. Local context

3.1 The treasury management position on 31 March 2024 and the change over the 6 months to 30 September 2024 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-24	**2024-25**	**30-Sep-24**	**30-Sep-24**
	Balance £m	**Movement £m**	**Balance £m**	**Average Rate %**
Long-term borrowing	771.9	-25.1	746.8	4.35
Total borrowing	**771.9**	**-25.1**	**746.8**	**4.35**
Long-term investments	280.1	32.9	312.9	4.71
Short-term investments	44.4	12.4	56.7	4.96
Cash and cash equivalents	128.9	4.1	133.0	4.99
Total investments	**453.4**	**49.3**	**502.6**	**4.82**
Net borrowing	**318.5**	**-74.4**	**244.1**	

4. Borrowing Update

4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5. Borrowing Strategy during the period

5.1 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.

5.2 At 30 September 2024 the Council held £746.8m of loans as part of its strategy for funding previous capital programmes. No net new borrowing was undertaken in the half-year and £25.1m of existing loans were allowed to mature without replacement.

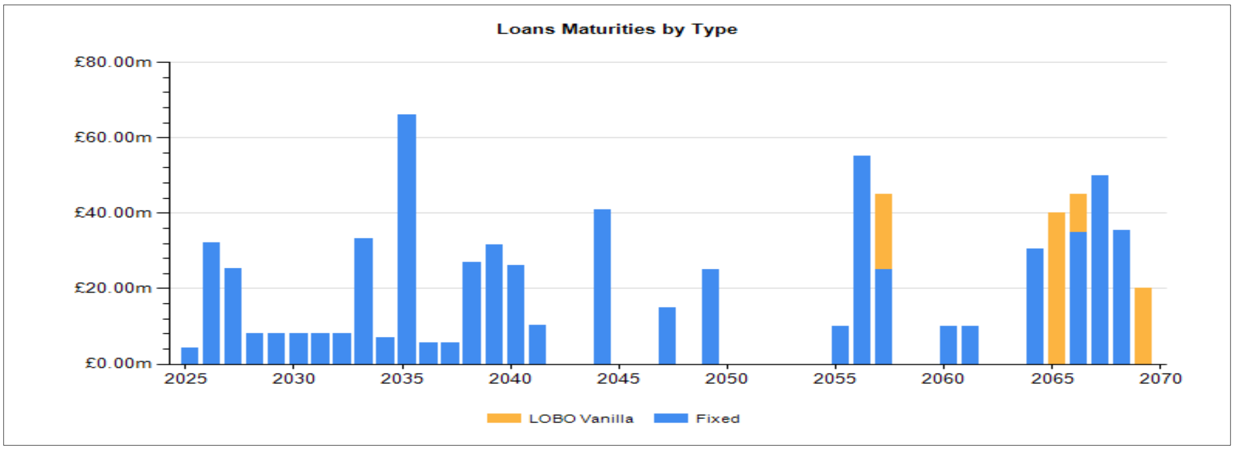
5.3 Interest rates very slightly increased over the first half of the financial year in both the long and short term, with rates at the end of September around 0.07% - 0.09% higher than those at the beginning of April. The PWLB 10-year maturity certainty rate stood at 4.83% at 30 September 2024, 20 years at 5.29% and 30 years at 5.36%.

5.4 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 although no banks exercised their option during the period.

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

	31/03/2024	**2024-25**	**30/09/2024**	**30/09/2024**	**30/09/2024**
	Balance	**Movement**	**Balance**	**Average Rate**	**Value Weighted Average Life**
	£m	**£m**	**£m**	**%**	**yrs**
PWLB Loan	456.3	-23.9	432.4	4.33	15.11
Banks (LOBO)	90.0	0.0	90.0	4.15	39.38
Banks (Fixed Term)	216.1	0.0	216.1	4.54	37.73
Streetlighting project	9.5	-1.3	8.2	2.85	15.84
Total borrowing	**771.9**	**-25.1**	**746.8**	**4.35**	**24.59**

5.6 The maturity profile of the Council's outstanding debt at 30 September 2024 was as follows:



6. Treasury investment activity

6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that represents balances that need to be invested until the cash is required for use in the course of business.

6.2 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 £443.1m and £622.9m due to timing differences between income and expenditure.

6.3 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.

6.4 Bank Rate decreased from 5.25% at the beginning of the year to 5.00% at the end of September 2024. Short-dated cash rates, which had ranged between 5.08% - 5.25% at the beginning of April, dropped by around 0.25% for overnight/7-day maturities and 0.37% for 6-12 month maturities.

6.5 The Council continues to hold significant cash balances in money market funds as well as in bank call accounts which have same day availability. This liquid cash is diversified over several counterparties and money market funds to manage both credit and liquidity risks.

6.6 During the 6 months to 30 September, the Council loaned £2.9m to the no use empty loans programme. At 30 September 2024, the Council had outstanding loans totalling £16.8m to the programme now achieving a return of 3.48% which is available to fund general services. A £29.6m net increase in covered bonds in the 6 months brings the total bond portfolio up to £117.9m. These instruments are negotiable and have the benefit of collateral cover.

6.7 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 2024 is in Appendix 1.

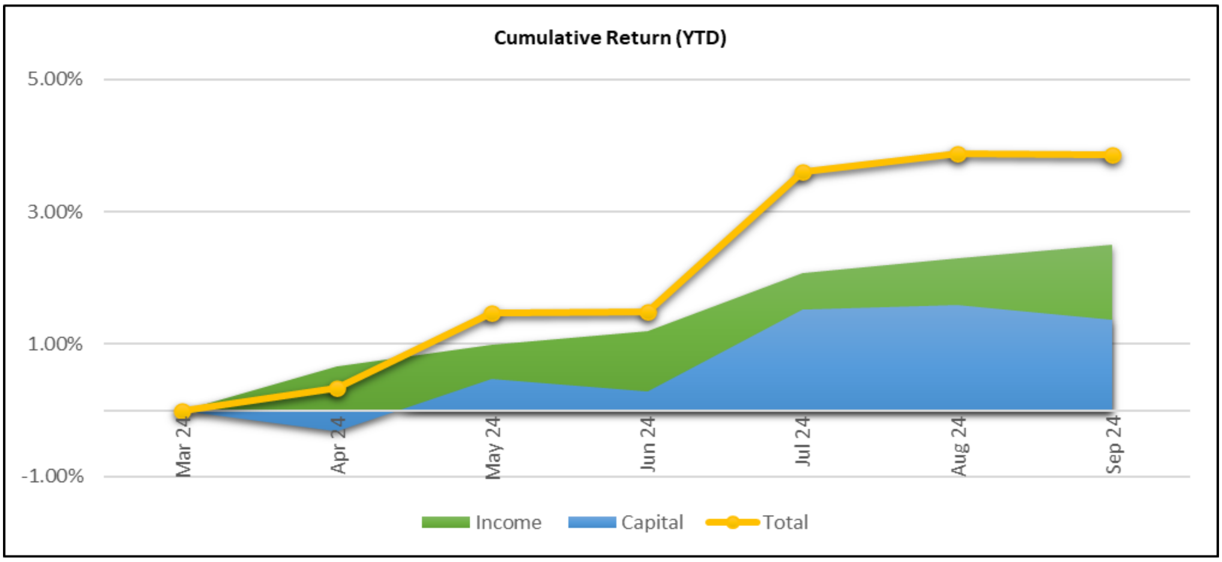
	31-Mar-24	2024-25	30-Sep-24	30-Sep-24	30-Sep-24
	Balance	**Movement**	**Balance**	**Rate of Return**	**Average Credit Rating**
	£m	**£m**	**£m**	**%**	
Call Deposits (Banks)	13.6	-7.6	6.0	4.41	A+
Money Market Funds	128.9	4.1	133.0	4.99	AAA
Covered Bonds	88.2	29.6	117.9	4.54	AAA
DMADF Deposits (DMO)	0.0	32.7	32.7	4.94	AA-
Treasury Bills (UK Government)	30.8	-12.8	18.0	5.17	AA-
No Use Empty Loans	16.0	0.8	16.8	3.48	
Equity	1.3	0.0	1.3		
Internally Managed Cash	**278.8**	**46.8**	**325.6**	**4.74**	AA+
Strategic Pooled Funds	**174.6**	**2.4**	**177.0**	**4.97**	
Total	**453.4**	**49.3**	**502.6**	**4.82**	

7. Externally managed investments

7.1 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.

7.2 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.

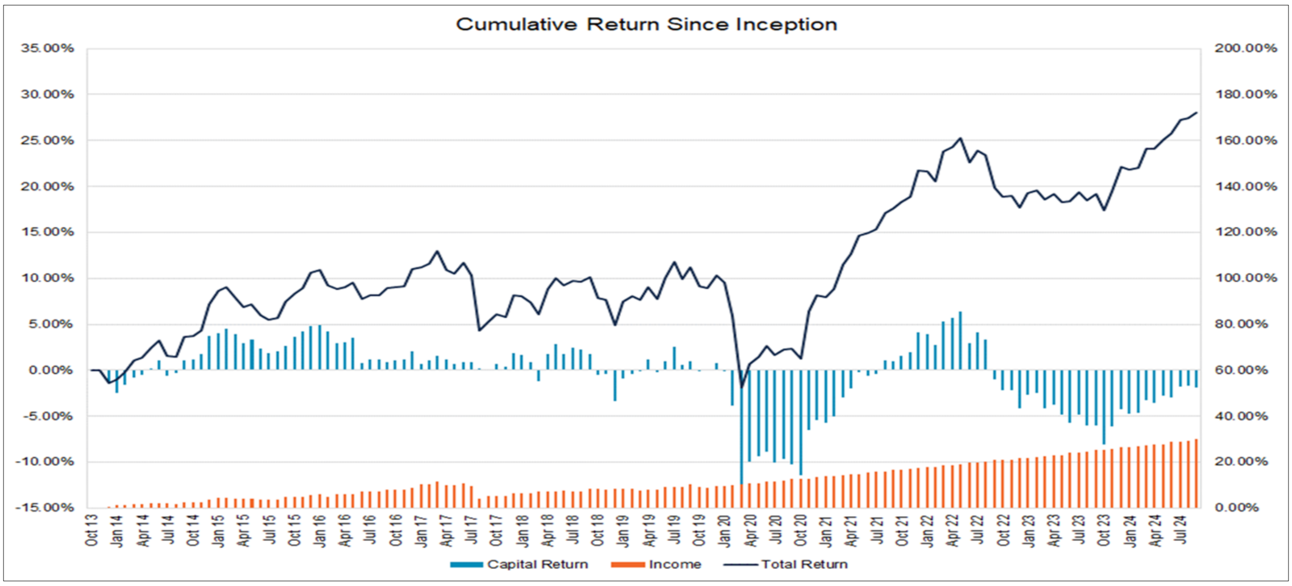
7.3 **Performance YTD** The value of our holdings increased to £177.0m at the end of September 2024, showing an unrealised gain of £2.4m (1.36%) over the period since the end of March 2024. The total return (comprised of both income and capital returns) on the pooled fund investments over the 6 months since 31 March 2024 is £6.9m (3.85%), as shown in the table below.



7.4 The market value of the pooled fund investments as at 30 September 2024 compared to the position as at 31 March 2024 is shown in the table below.

		31-Mar-24	2024-25	30-Sep-24	30-Sep-24	
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value**	**6 months return**	
					Income	**Total**
	£m	**£m**	**£m**	**£m**	**%**	**%**
CCLA LAMIT Property Fund	60.0	54.2	-0.2	54.0	2.44	2.12
CCLA Diversified Income Fund	5.0	5.0	0.0	4.9	0.43	0.29
Pyrford Global Total Return Sterling Fund	5.0	5.4	0.1	5.5	1.66	4.07
Fidelity Global Multi Asset Income Fund	25.0	23.0	-0.9	22.1	2.36	-1.25
Ninety-One (Investec) Diversified Income Fund	10.0	9.1	0.1	9.2	2.33	3.69
Aegon (KAMES) Diversified Monthly Income Fund	20.0	18.7	0.5	19.2	2.95	5.60
M&G Global Dividend Fund	10.0	15.1	0.9	16.0	3.12	12.55
Schroders Income Maximiser Fund	25.0	20.5	1.1	21.5	3.07	7.35
Threadneedle Global Equity Fund	10.0	13.0	0.0	13.0	2.06	2.30
Threadneedle UK Equity Income Fund L	10.0	10.7	0.7	11.4	2.23	9.50
Total Externally Managed Investments	**180.0**	**174.6**	**2.4**	**177.0**	**2.49**	**3.85**

7.5 **Performance since inception:** KCC initially invested in pooled funds in 2013. By the end of September 2024 they had achieved a total income return of £54.1m, 29.98%, with a fall in the capital value of the portfolio of £3.0m, -1.69%. 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.



7.6 **IFRS 9 Statutory Override:** Under the current accounting requirements governing local authorities, movements in the fair value of pooled fund investments are removed from the general fund and recognised on the Council's balance sheet. This effectively ensures the impact of volatility in the capital value of such investments does not affect the annual revenue outturn. However, the relevant accounting provision (known as the "IFRS 9 statutory override") is temporary in nature and is due to expire on 31 March 2025 and therefore (in the absence of any future regulatory changes), the Council will begin to recognise movements in the fair value of pooled fund investments from 2025/26, including the cumulative position to date. Given the uncertainty surrounding the impact of the expiry of the override, the Council recogises this risk on the Budget Risk Register.

8. Actual and forecast outturn

8.1 Forecast net debt costs are lower than budget as yields from short-term and variable long-term cash investments have increased.

9. Treasury Management Group

9.1 The Treasury Management group (TMG) is an informal, non-decision-making body whose role is to support the County Council in oversight and assurance of the treasury management strategy and implementation of it. The TMG last met on 13 November 2024, where it reviewed a quarterly activity report, alongside other matters. A summary of the meeting discussion is included at Appendix 3.

10. Compliance

10.1 The Interim 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 30/09/2024**	**Minimum**
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 30/09/2024**	**Minimum**
Total cash available within 3 months	£215.8m	£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 30/09/2024**	**Upper Limit**
One-year revenue impact of a 1% rise in interest rates	£3.1m	£10m
One-year revenue impact of a 1% fall in interest rates	-£3.1m	-£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:

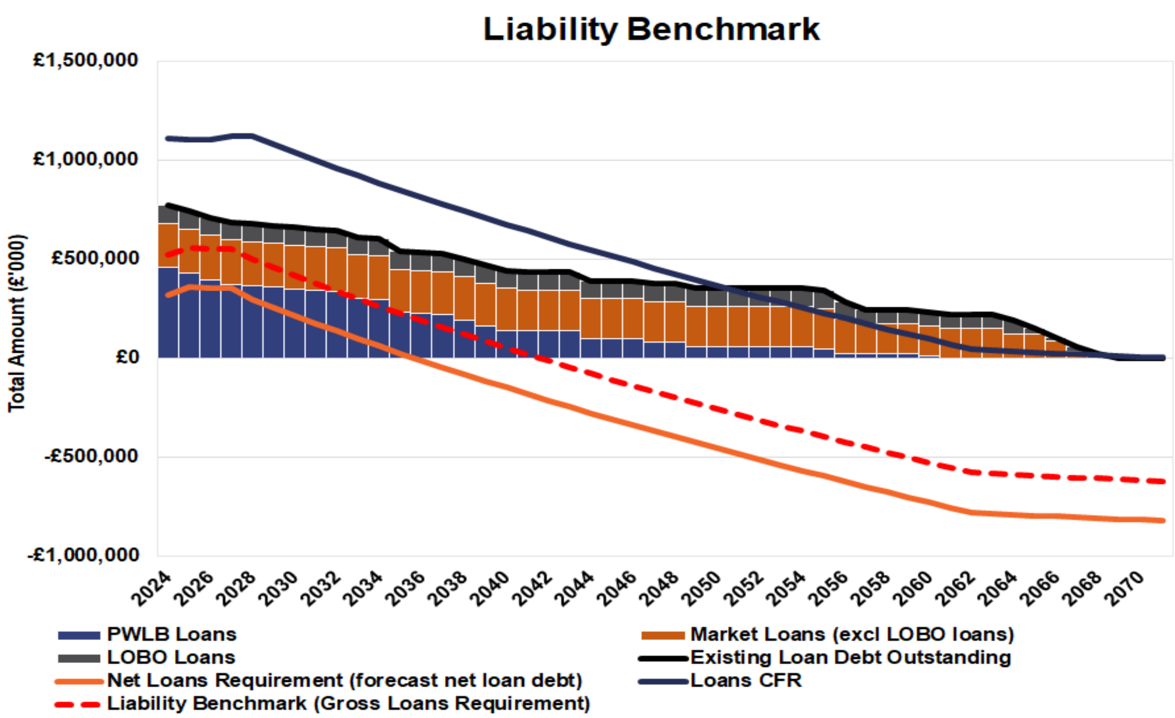
	Actual 30/09/2024	Upper limit	Lower limit
Under 12 months	0.01%	100%	0%
12 months and within 5 years	5.49%	50%	0%
5 years and within 10 years	6.56%	50%	0%
10 years and within 20 years	35.59%	50%	0%
20 years and within 40 years	26.84%	50%	0%
40 years and longer	25.51%	50%	0%

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	2024/25	2025/26	2026/27	No Fixed Date
Limit on principal invested beyond year end	£150m	£100m	£50m	£250m
Actual as at 30 September 2024	£70.7m	£49.8m	£9.5m	£195.1m

11.6 Liability Benchmark



The liability benchmark chart shows the Council should be able to accommodate the movement in Loans CFR through additional internal borrowing given the resources on the balance sheet if it wants to maintain treasury investments at the £200m liquidity allowance. However, this is based on the current assumption with regards to movement in reserves and that the working capital position remains at the 31/03/2024 level of £300m. It also assumes that the liquidity allowance of £200m remains appropriate given the £177.00m of external investments currently invested with fund managers over a long-term investment time horizon.

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 2024
Appendix 2 – Glossary of Terms
Appendix 3 – TMG Meeting Notes, 13 November 2024

James Graham, CFA – Pension Fund and Treasury Investments Manager

T: 03000 416290

E: James.Graham@kent.gov.uk

26 November 2024

Investments as at 30 September 2024

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	UK Government	4,936,737	5.1400%	14/10/24
Treasury Bills	UK Government	4,874,936	5.1400%	21/10/24
Treasury Bills	UK Government	4,874,310	5.2000%	25/11/24
Treasury Bills	UK Government	3,316,591	5.2250%	02/12/24
Total Treasury Bills		**18,002,574**		
DMADF Deposit	Debt Management Office	10,285,000	4.9400%	01/10/24
DMADF Deposit	Debt Management Office	13,400,000	4.9400%	07/10/24
DMADF Deposit	Debt Management Office	9,035,000	4.9400%	08/10/24
Total DMADF		**32,720,000**		
Call Account	National Westminster Bank plc	1,000,000	3.25%	
Call Account	Lloyds Bank plc	5,000,000	4.64%	
Total Bank Call Accounts		**6,000,000**		
No Use Empty Loans		**16,754,903**	4.25%	
Money Market Funds	LGIM GBP Liquidity Class 4	19,998,420	5.0002%	
Money Market Funds	Aviva Investors GBP Liquidity Class 3	19,994,995	5.0132%	
Money Market Funds	Aberdeen GBP Liquidity Class L3	19,998,397	5.0052%	
Money Market Funds	Federated Hermes Short-Term Prime Class 3	14,997,400	5.0204%	
Money Market Funds	HSBC GBP Liquidity Class F	19,996,293	4.9254%	
Money Market Funds	Northern Trust GBP Cash Class F	19,985,416	4.9839%	
Money Market Funds	Deutsche Managed GBP LVNAV Platinum	17,993,694	4.9981%	
Total Money Market Funds		**132,964,615**		
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	6,265,814	0.4259%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,124,283	1.7146%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,990,350	5.2746%	20/12/24
Fixed Rate Covered Bond	Lloyds - Bonds	7,022,483	4.8423%	07/03/25
Fixed Rate Covered Bond	Bayerische Landesbank - bonds	14,986,497	5.1759%	01/06/26
Fixed Rate Covered Bond	Bayerische Landesbank - bonds	299,534	5.2128%	01/06/26
Fixed Rate Covered Bond	Santander UK - Bonds	1,542,195	4.5883%	16/02/29
Fixed Rate Covered Bond	Santander UK - Bonds	968,185	4.7154%	16/02/29
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	8,945,148	5.2479%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	1,786,768	5.4868%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	5,007,358	4.6054%	30/01/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	5,019,603	4.4279%	14/03/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	4,009,717	4.6969%	14/03/25
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,048,167	4.4406%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	5,048,683	4.4320%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	10,070,240	4.1073%	15/12/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	707,868	5.1432%	26/01/26
Floating Rate Covered Bond	Nationwide Building Society - Bonds	500,756	5.4824%	20/04/26
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,403,642	5.5350%	20/04/26
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	10,076,845	4.7275%	22/06/26
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	4,035,368	5.0733%	13/07/26
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	3,004,326	5.2020%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	2,001,980	5.2224%	18/01/27
Floating Rate Covered Bond	Leeds Building Society Bonds	3,998,884	5.3018%	15/05/27
Floating Rate Covered Bond	Leeds Building Society Bonds	3,002,783	5.2392%	15/05/27
Total Bonds		**117,867,477**		

Total Internally managed investments	**325,608,188**

2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	6 months return to	
	£	30-September-24	30-September-24	
		£	Income	Total
CCLA LAMIT Property Fund	60,000,000	54,025,592	2.44%	2.12%
CCLA Better World Cautious Fund (formerly DIF)	5,000,000	4,948,141	0.43%	0.29%
Pyrford Global Total Return Fund	5,000,000	5,472,888	1.66%	4.07%
Fidelity Multi Asset Income Fund	25,038,637	22,050,771	2.36%	-1.25%
Ninety One (Investec) Diversified Income Fund	10,000,000	9,240,387	2.33%	3.69%
Aegon (KAMES) Diversified Monthly Income Fund	20,000,000	19,240,096	2.95%	5.60%
M&G Global Dividend Fund	10,000,000	16,004,834	3.12%	12.55%
Schroder Income Maximiser Fund	25,000,000	21,541,285	3.07%	7.35%
Threadneedle Global Equity Institutional Fund	10,000,000	13,048,657	2.06%	2.30%
Threadneedle UK Equity Income Fund	10,000,000	11,430,706	2.23%	9.50%
Total External Investments	**180,038,637**	**177,003,356**	**2.49%**	**3.85%**

3. Total Investments

Total Investments	**£502,611,544**

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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.
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
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.
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	The weighted average time for principal repayment, that is, the average time it takes for every

average life (WAL)	dollar of principal to be repaid. The time weights are based on the principal payments,

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TMG 14 November 2024

Agenda

1. Market and Regulatory Update (Link)
2. Balance Sheet Analysis Update (Link)
3. Quarterly Report (September)
4. Strategy Check
5. Mid-Year Strategy Review
6. AOB

Attendance:

Harry Rayner – MEM (Chair)
Rosalind Binks – MEM
Paul Stepto – MEM
Alister Brady – MEM
Nick Buckland – KCC
James Graham – KCC
Geoff Hall – KCC
Chris Ellis - KCC
Chris Jones – Link Group
David Whelan – Link Group

Discussion Summary:

- Link Group presented the latest market expectations following the UK Budget and US election including the Bank of England's forecasts for GDP, inflation, wage Growth, interest rates. Link also shared a regulatory update. Information included an update to the latest interest rate forecast following an internal meeting at Link which took place after slides had been prepared and distributed.
- CJ presented Link's projections for KCC's Balance Sheet and Liability Benchmark. The current liquidity allowance (the level of investments the Council has conventionally looked to hold in highly liquidity cash instruments) is £200m and excluding the strategic pooled funds balance (c. £175m). Current projection shows in 2025/26, KCC will dip under this figure as existing external borrowing matures. However, by 2027/28 projection shows liquidity levels would rise above £200m once more, without further action. Link advised that KCC does not have an immediate borrowing need.
- Officers explained that that the analysis provided represented a snapshot at a point in time and real figures may vary. Moreover, the Capital Financing Requirement (CFR) has historically been subject to change based on the actual pace of the capital programme. The Group also noted that changes in the Government's local government funding policy will likely have impacts.
- Officers added that the current treasury management strategy is designed to be robust and can be adapted as situations change.
- Link provided a comparison of other councils' CFRs and borrowing. When compared to neighbouring counties who will need to borrow externally, KCC's does not appear as an outlier.
- Officers provided a quarterly update on treasury activity updated as of end of September. External borrowing balances are lower compared to the previous reported position as loans have matured. External borrowing balances are expected to decline further over the medium term as more loans mature. Cash balances are projected to decline over the remainder of this year, which is a normal trend.

The Group asked for a clarification around the aims of having a diversified maturity profile within the debt portfolio and officers confirmed that borrowing maturities are spread across time to avoid the risk posed by having to re-finance large amounts of borrowing in a short period of time.

- Officers updated the group on treasury investment activity including the use of covered bonds and the externally managed strategic pooled funds portfolio.
- The Group noted the change in name for the CCLA ‘Better World Caution’ Fund (previously the Diversified Income Fund) and officers confirmed that the investment objective remained the same.
- The Group reviewed the appropriateness of the current treasury management strategy for 2024/25 and no changes were proposed. The treasury management consultant agreed that no changes were necessary.

Actions Points:

Ref	Action	Status
1	JG will communicate Link’s most recent slides and the Mid Year Review to all members.	Complete