GOVERNANCE AND AUDIT COMMITTEE

Thursday, 20th March, 2025

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 20th March, 2025, at 10.00 am
Council Chamber, Sessions House, County Hall, Maidstone

Ask for: **Ruth Emberley**
Telephone: **03000 410690**

Membership (13)

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)
	Mr M A J Hood
Green and Independent (1)	
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 23 January 2025 (Pages 1 - 18)

5. Verbal Update on Committee Business (Pages 19 - 26)

6. External Audit - Audit Findings for Kent County Council 2023 - 2024 (Pages 27 - 78)

7. External Audit - Auditor's Annual Report 2023 - 2024 (Pages 79 - 114)

8. 2023 - 2024 Accounts Update, Accounting Policies Update including IFRS 16 Implementation and External Audit Timetable (Pages 115 - 318)

9. External Audit - Annual Plan for Kent County Council 2024 - 2025 (Pages 319 - 370)

10. External Audit - Auditor's Plan for Kent Pension Fund 2024 - 2025 (Pages 371 - 410)

11. Informing the Audit Risk Assessment for Kent Pension Fund 2024 - 2025 (Pages 411 - 420)

12. Counter Fraud Update (Pages 421 - 460)

13. Review of the Risk Management Strategy, Policy and Programme (Pages 461 - 484)

14. Internal Audit External Quality Assessment (Pages 485 - 490)

15. Review of Statutory Accounts of Companies which Kent County Council has an Interest (Pages 491 - 596)

16. Oracle Cloud Programme Implementation - Change to the Scheme of Delegation Limits (Pages 597 - 600)

17. Verbal Update on Management Actions

18. Other items which the Chairman decides are urgent

EXEMPT ITEMS

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

Benjamin Watts
General Counsel
03000 416814

Wednesday, 12 March 2025

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 Thursday, 23 January 2025.

PRESENT: Mrs R Binks, Mr C Passmore, Mr A Brady, Mr S Webb, Mr M Hood and Dr D Horne

ALSO PRESENT: Mr R Gough, Mr D Watkins and Mr P Oakford

IN ATTENDANCE: IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Betts (Interim Corporate Director Finance), Mr A Jeffery (Head of Resilience & Emergency Planning), Mr J Idle (Head of Internal Audit and Counter Fraud), Ms D Chisman (Audit Manager), Ms K Herbert (Deputy Audit Manager), Mr R Benjamin (Audit Manager), Mr R Smith (Audit Manager), Ms Louise Taylor (Deputy Audit Manager) Mr J McKay (Acting Chief Accountant), Mrs A Beer (Chief Executive), Mr M Scrivener (Head of Risk and Delivery Assurance), Mr T Godfrey (Senior Governance Manager) Miss K Reynolds (Governance Advisor) Ms C Maynard (Head of Commercial and Procurement Division), Mr P Dossett (Grant Thornton), Ms R Anderson (Head of Business Information, Strategy and Assurance), Ms Joanne Taylor (Head of Capital) and Miss R Emberley (Democratic Services).

UNRESTRICTED ITEMS

273. Introduction/Webcasting
(Item 1)

274. Apologies and Substitutes
(Item 2)

Apologies were received from Mr N Chard, Mr M Whiting, Mr T Bond, Mr O Richardson and Ms C Black.

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

There were no declarations of interest.

276. Minutes of both meetings held on 12 December 2024
(Item 4)

RESOLVED that the minutes of both meetings held on the 12 December 2024 were correctly recorded and that a paper copies be signed by the Chair.

277. Corporate Risk Register
(Item 5)

1. The item was introduced by the Leader of the Council, Mr Roger Gough.

2. Mr Gough drew Members' attention to summary contained within the report, which set out the issues brought before Cabinet on the 9 January 2025.

3. Mr Gough highlighted to Members the range of efforts undertaken to account for the various ways in which risk had changed, both in terms of scale and mitigation. The uncertainty of whether the Council had successfully joined the Devolution Priority Programme (DPP) was also raised as a factor. Mr Gough indicated to Members that Central Government were due to provide a letter setting out further information regarding reorganisation proposals and requirement.

4. It was confirmed that the underlying risks and challenges of 'business as usual' remained in place, whilst the two elements of the DPP and reorganisation continued to be debated.

5. The Head of Risk and Delivery Assurance, Mr Mark Scrivener, presented the report. Some of the key highlights were as follows:

    a) Mr Scrivener drew Members' attention to section 2 of the report which summarised the main changes to the Register.

    b) The delivery of the Oracle Cloud Programme would be added to the Corporate Risk Register.

    c) The Care Quality Commission (CQC) risk had been removed as the inspection had now taken place. Once the outcome of this was known, any further risks and/or actions to be taken would then be discussed.

6. In answer to key comments and questions from Members, the following was said:

    a) The Cabinet Member for Adult Social Care and Public Health, Mr Dan Watkins, explained that the contracts within Adult Social Care which totalled £600 million were for services such as Supported Living Accommodation and Residential Care, and had been reviewed by Committee several times before recommissioning. Mr Watkins indicated that he was open to a 'deep dive' examination to explore what else could be done to ensure the Authority was obtaining value for money and any lessons learned.

    b) Mr Scrivener clarified that GT019 was taken from the breakdown of Growth, Environment and Transport Directorate risks. The current level was high, but the target level included was low, as this was the intended goal.

c) Mr Watkins explained that Adult Social Care were trying to make £54 million worth of savings in the current financial year. The directorate was currently on track to save £30 million.

d) In relation to CRR015 Adults Sustainability, Mr Watkins confirmed this was a high level risk, however there were many elements causing frustration, such as the unusually high increase in the national living wage, the Employers' National Insurance increase and the recently announced delay in Adult Social Care reforms.

e) Mr Watkins explained that extensive work had been carried out with Adult Social Care providers through organisations KICA (Kent Integrated Care Alliance) and the National Care Association as there had been an indication that several providers may withdraw from the local market in 2025. Part of this work included writing to the Government Minster for Social Care to request exemptions from (or funding for) Employers' National Insurance increases that were due in April 2025.

f) Care Cube produced cost intelligence which showed the individual costs of different care operations which made it possible to see where the profit margins of the various providers lay or the make-up of costs, to better understand the economic circumstances faced by different types of providers.

g) The Cabinet Member for Finance, Corporate and Traded Services, Mr Oakford, confirmed in response to a Member's question, that the Ameila Centre in Tunbridge Wells was funded by the Borough Council and Kent County Council provided support. He explained to Members that there was a marked difference between Borough and County Council spending. The Council remained in a reactive maintenance position and no further borrowing would take place in the next financial year. The Asset Team were reviewing all buildings that KCC planned to retain, and any funds were being prioritised towards maintaining these. The buildings which KCC could not afford to maintain were being disposed of.

h) The Interim Corporate Director Finance, Mr John Betts, confirmed a Comprehensive Spending Review would take place later during the year and it was hoped that this would lead to some muti year settlements. The successor to the Fair Funding Review would require close examination as it could lead to redistribution of resources across the whole of local Government.

I) Mr Scrivener confirmed that he would ascertain the date in which the Kent Design Guide would be submitted to a Cabinet Committee and inform Members accordingly.

j) The Head of Business Information, Strategy and Assurance, Ms Rebecca Anderson, confirmed that the first phase (Kent Communities Programme) had been completed however the Review of KCC's Estate was an ongoing project.

k) Mr Betts confirmed contracts with social care providers would have built in agreements and an established way of reviewing prices which increased each year, instead of negotiating a price for each individual service package each year.

l) The Head of Commercial and Procurement Division, Mrs Clare Maynard, explained that having indexation clauses reduced the need for risk pricing, as it provided an annual mechanism to consider cost increase and negotiate accordingly.

m) Mr Watkins confirmed to Members that a strategic commission model was in place and had been working well.

n) Mr Gough confirmed that the mitigation to corporate risks was set out in specific detail. In addition to the prominence given at Cabinet Committee meetings throughout the year (via quarterly performance report) extensive engagement between Leader, Cabinet, senior officers took place in relation to transparency with risk.

o) In relation to border fluidity, the Head of Resilience & Emergency Planning, Mr Andrew Jeffrey, explained to Members that KCC were as prepared as they could be and were now waiting for further information on the implementation date for EES checks. Once this information was known, detailed planning could take place.

7. RESOLVED Members noted the Corporate Risk report for assurance.

278. External Auditor's Audit Progress Report and Sector Updates
(Item 6)

1. The report was presented by Mr Paul Dossett from Grant Thornton.

2. In answer to key comments and questions from Members, the following was said:

a) In terms of the Value for Money work, the December report submitted to Members focussed a lot on forward planning for financial sustainability and conversations with officers had taken place throughout the year. The majority of the Financial Statement Audit consisted of the final audit, although it was possible to conduct some planning and preparation. It was confirmed that the Council's financial position and planning for the 2024 / 2025 financial audit were as up to date as it could reasonably be expected to be.

b) In relation to the Oracle Cloud Programme, Grant Thornton's Team had been in discussion with KCC concerning the process and implementation. It was confirmed that this would feature in the Value for Money work.

c) In relation to IFRS9, there had been a statutory override of valuations in place since 2018 which allowed Councils to have certain types of money market investment without the need for annual loss or gain on revaluation being charged to the revenue account. Mr Dossett stated that it was unknown when central Government would end the statutory override, however if they did, KCC would need to determine whether they wanted to take the risk of downsizing these types of investment funds.

d) General Counsel, Mr Watts, commented that the Committee would discuss their role, once the outcomes of Government were known. Mr Watts referred to the Annual Governance Statement which highlighted the process of papers going to County Council following the Governance Working Party and would provide an opportunity for the Committee to reflect.

e) Mr Dossett confirmed that Medway and all districts in Kent were audited by Grant Thornton. The only public body they did not audit was Kent Police.

f) It was confirmed that the Local Authority Major Road Scheme certification was a requirement from the Department of Transport. It was a certification that funds had been spent as directed.

g) It was confirmed that the questions set out on page 9 of the report would be responded to in writing and then provided to Members.

h) Mr Betts confirmed that the Authority experienced issues recruiting new staff (at all levels), although staff retention had improved. In Finance, work force plans were in place to try and mitigate the issue as far as possible.

3. RESOLVED Members to note the Progress Report and Sector Update.

279. MHCLG Consultation on Local Audit Strategy
(Item 7)

1. The report was introduced by Mr Betts.

2. Some of the key points to note were as follows:

a) The Consultation was received at short notice and thanks was given to the finance staff who worked on the report.

b) It was pointed out to Members that the Consultation did not address how to avoid ministerial decisions being taken on items such as abolishing the Audit Commission without considering what will replace it.

c) The reliance on market mechanisms had not worked and it was questioned whether this was always the right approach in a regulated environment.

d) Some of the stakeholders referenced in the Consultation (who were involved in the redesign process) were also part of the initial issue. Although they were not referred to in the Council's response, Mr Betts indicated that until these points were highlighted, considered and responded to, there was nothing to prevent the same issues reoccurring in years to come.

3. In answer to Member comments and questions, the following was said:

a) There were sensible questions contained within the Consultation and the Backstop was the only credible way to move forward, however, a market mechanism was used previously and this drove companies to a low rate. Once Authorities had gone through the Backstop, along with the external audit work it was hoped that the new balanced position would continue.

b) Mr Dossett commented that he was pleased that the Council had responded to the Consultation and support the comments made by Mr Betts. Grant Thornton was supportive of the Government's plans to establish the Local Audit Office.

4. RESOLVED Members noted and approved the proposed response to the MHCLG Consultation on Local Audit Strategy.

280. Internal Audit Strategy and Charter
(Item 8)

1. The report was presented by Head of Internal Audit and Counter Fraud, Mr Jonathan Idle.

2. Some of the key points were as follows:

a) The new Global Internal Audit Standards were now in place. One of the mandatory requirements was for each Internal Audit Service to develop a formal strategy. The strategy was designed to be concise and an in-depth analysis of the actions would be conducted in order to

deliver the strategy over a three year period, as per the requirements set out in the standards.

b) The strategy sets out the vision of Internal Audit and the service's continual improvement within the 5 following areas:

- How the service aligns their coverage to the strategic objectives and risks of the Council
- Innovative approaches to auditing
- Workforce planning and talent management
- Creating financial value to the Council
- Cultural of continuing improvement

c) It was confirmed that a draft version of the strategy had been submitted to the Corporate Management Team.

d) A new template was provided with the new standards by the Institute of Internal Auditors and it was this which formed the basis of the new Charter.

e) The Internal Audit Charter contained a mandate which set out the following: the Authority for the Provision of Internal Audit Services, Independence and Reporting Relationships, What an Audit Committee Should See of an Internal Audit Function, The Roles and Responsibilities of the Head of Internal Audit and What Needs to be Reported to Both Senior Management and an Audit Committee. There was also a section on Quality Assurance.

f) In terms of the Council's next external Quality Assurance Assessment (EQA), Mr Idle indicated that a meeting would take place with the Chair, Vice Chair and the Corporate Director about the EQA Process and arrange for the assessment to take place later on in the year. Once this had taken a place, a paper would be brought before a subsequent Committee which set out the process.

g) The Global Audit Standards had updated how Internal Audit sectors are resourced; Internal Audit was now under a public sector application which would reflect how budget decisions were made in Local Authority. This has also been taken to the Corporate Management Team for review and feedback.

3. In answer to Member questions and comments, the following was said:

a) It was agreed that wording contained in the Strategy section of the report under the heading Creating Financial Value to the Council (page 82) would be amended from 'maximise' to 'optimise'.

b) Members indicated that The Quality Assurance Improvement Programme should be conducted every 4 years, rather than 5. It was

agreed that a further discussion would take place with Mr Idle and Mr Watts to see whether this change could be accommodated.

4. RESOLVED that Members:

- Approved the Internal Audit Strategy.
- Approved the Internal Audit Chater.

281. Internal Audit Progress Report
(Item 9)

The Corporate Director of Growth, Environment and Transport, Mr Simon Jones, was in attendance for this item via Microsoft Teams.

1. The report was presented by the Audit Manager, Ms Debbie Chisman, who addressed Members on the key points.

2. In answer to comments and questions from Members, the following was said:

a) Mr Betts explained that the likely forecast for the Oracle Cloud Programme was approximately £9 million over the initial quote. The funds to meet this were being utilised from the IT reserve. The cost increase occurred due to the age of the current IT system. The spend level was due to be reported to Cabinet as part of the quarterly monitoring.

b) It was confirmed that Internal Audit were embedded in the Oracle Cloud Project and highlighted many points within the Internal Audit report to the members of the Corporate Management Board.

c) It was suggested that the Senior Responsible Officer (Corporate Director for Growth, Environment and Transport), the Director of Technology and the Programme Manager should attend a future Committee meeting to address Members' questions regarding the implementation of the Oracle Cloud Project.

d) Mr Betts confirmed that use of capital receipt for funding concerned the overall balance of the Authority's budget and not the funding of the overspend. Transformational work was permitted to be capitalised.

e) It was confirmed that an external Programme Manager was in place to facilitate the Oracle Cloud implementation.

f) Mr Idle explained that the Oracle Cloud Programme was yet to be confirmed on prospects for improvement as he needed to finalise some details with the senior officer responsible.

g) Mr Idle explained to Members that the purpose of a follow up report was to provide implementation details and therefore the format differed to that of a standard audit report.

h) Audit Manager Mr Richard Benjamin explained to Members that Internal Audit were on the programme board for the Highway Term Maintenance contract renewal and confirmed that the Counter Fraud Team would be conducting a fraud risk assessment.

3. Mr Jones confirmed a full and detailed commentary had been provided in response to the original audit report and actions plan, all of which had been progressed. Discussions concerning additional strengthening of the programme administration and programme management that the directorate wanted in place, remained ongoing.

4. Mr Jones confirmed that if Members created a list of questions concerning the Oracle Cloud Programme he would be content to respond to them.

5. In answer to a Member's question, Mr Jeffery explained that directorate were in the process of implementing a new business continuity management system. The new system would allow the service to closely monitor all business continuity plans in the future as well as imputing early action to ensure the plans remain updated. Internal Audit should audit the system in 2025/2026.

6. In response to a Member's question regarding attendance at the Corporate Business Continuity exercise, (Exercise Jura), Mr Jeffery acknowledged that low attendance rates were an issue, however the Resilience & Emergency Planning Service did not have the power to compel services to attend. Attendance levels would be raised at the Cross Directorate Resilience Forum and escalated to the Corporate Management Team. Mr Jeffery confirmed that Kent County Council was classified as a Category 1 Responder and under the Civil Contingencies Act (2004) they had a duty to be prepared. The duty extends to the training of staff and running of exercises.

7. RESOLVED that Members noted the Internal Audit Progress Report for the period of July and December 2024.

282. Verbal Update on Committee Business
(Item 10)

1. The item was presented by Governance Advisor, Ms Katy Reynolds.

2. Some of the key points were as follows:

a) Actions GA004, GA019 and GA20 had all been completed since the last Committee meeting, either through the agenda setting process or via the Microsoft Internal Governance and Audit Team site.

b) A date correction applied to actions GA004, GA007 and GA019; these were recorded as being completed in January 2024 but should be January 2025.

c) In relation to action GA005 (which related to a planned visit to the Kent wholly owned companies) it was highlighted to Members that there was the option to express interest in this via the internal Microsoft Teams site. Members were encouraged to respond via the site or directly to Miss Reynolds.

d) Ongoing work was taking place in relation to action GA018 to ensure that the Committee was able to monitor the progress of the Annual Governance Statement actions.

e) Mr Watts confirmed that the Microsoft Governance and Audit Teams site would be used to track the progress of the Annual Governance Statement throughout the rest of the year. Some actions from the 2025 Annual Governance Statement had already been completed. The outputs from the Governance Working Party would be discussed at the March County Council meeting.

3. RESOLVED Members noted the update on Committee business.

283. Review of Committee Effectiveness and Proposed Updated Terms of Reference
(Item 11)

1. The report was presented by Mr Watts.

2. The following key points were highlighted to Members:

a) It was clarified that powers were not being removed from the Committee; the proposed changes were designed to removed duplication and to make the terms clearer.

b) There was a relatively low response to the survey and Members were encouraged to engage in the future.

c) In answer to a Member's question, Mr Watts explained that feedback had been taken into consideration when delivering mandatory training for new Members joining the Committee, as well as providing specialist guidance and advice on a more personal basis.

d) Mr Watts confirmed that work on Member induction and Member development was currently underway. Part of this encompassed looking at mentoring and support of new Members.

e) Ms Reynolds drew Members' attention to page 141 of the agenda pack; point 17.8 should have been highlighted as a tracked change as a new point had been added to the revised updated terms of reference.

3. RESOLVED that Members:

- Considered and commented on the review of effectiveness.
- Noted the suggested revisions to the Terms of Reference.
- Would ask Selection and Member Services Committee to consider recommending the proposed changes to County Council for adoption.

284. Management Actions Update
(Item 12)

1. The Management Actions Update was introduced by the Chief Executive Ms Amanda Beer.

2. Some of the key points highlighted to Members were as follows:

a) The update was the first of two reports being brought to the Committee before the end of the current financial year. The update provided further information on Management Actions following the previous internal audit report.

b) The two key objectives Management Actions focused on clearing the backlog and the development of a new systematic approach to dealing with the actions.

c) There were 5 actions where Internal Audit felt insufficient progress had been made and these would be the focus of a deep dive at a Corporate Management Team meeting.

d) Improvements to the compliance rate had been made and new Management Actions had been carefully considered in terms of realistic timeline, clarity and relevance.

e) A further report would be brought to the Committee in March and further information on functionality would be added to the Governance and Audit Team site.

3. In answer to questions and comments, the following was said:

a) If the current rate of progress was sustained, it would take approximately 18 months to conclude. The systematic improvements

which were currently in place allowed for an increase in implementation of the actions. Directorate managers were providing the information Internal Audit required in order to close actions.

b) Internal Audit were working with Management in relation to the practicality of timescales behind the Management Actions and realistic targets were being set.

c) In terms of reassurance to Members, Ms Beer pointed out that some audits produced follow up actions, which resulted in a follow up audit. Some areas were subjected to consistent audits and therefore if issues reoccurred, this would be an indication to Members. In addition, Key Performance Indicators (KPIs) also demonstrated to Members that improvements were being made in terms of outcome.

d) Mr Idle confirmed that Internal Audit worked collaboratively with the Corporate Management Team and met regularly with nominated specific points of contact for each directorate, before each action was due. A new audit software had been introduced which enabled automated information to be send to the owner of action and this allowed for a more streamline and efficient review process. It was hoped that significant progress would be made by the time the Annual Opinion took place at the end of the current financial year.

4. RESOLVED Members noted the progress update.

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

There were no other matters arising.

286. Internal Audit Progress Report - Exempt Item
(Item 14)

1. The report was presented by the Head of Internal Audit and Counter Fraud, Mr Jonathan Idle.

2. Mr Idle took Members through the key highlights of the report and responded to questions and comments, with additional input from Mr R Smith, Mr D Watkins, Ms C Maynard and Mr B Watts.

3. RESOLVED that Members noted the Internal Audit Progress Report.

287. Update on Committee Request for Further Information
(Item 15)

1. The report was presented by the Interim Corporate Director of Finance, Mr John Betts.

2. Mr Betts referred to the previous Governance and Audit Committee where 4 specific issues were raised and had now been addressed in the report.

3. RESOLVED that Members noted the additional information in the report.

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

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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	Completed: 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. This was subsequently resolved through the Section 25 statement

						that was considered by all Members as part of budget setting, as that set out the key financial risks, how they were being mitigated and the resultant cover from general and earmarked reserves.
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 recommendations outlined in the previous year's VFM findings.	Ben Watts John Betts	Completed. This report was considered by Members at the 9 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	Completed: This was reviewed as part of the Review of Effectiveness and Proposed Updated Terms of Reference, due for consideration at Governance and Audit Committee on 23 January 2025.
GA005	23 July 2024	222.6.b	Internal Audit	Following a request for	Ben Watts	Completed: This was

			Annual Report 2023-24	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.		added to the Governance and Audit Committee agenda for 12 December 2024. A visit to the companies would be arranged for Members in early 2025.
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 Actions Update	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts Amanda Beer	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda. A further report would be brought to the March 2025 meeting.
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	Ben Watts Amanda Beer	Completed: Compliance figures uploaded to Teams site on 8 November

				Committee meeting on 12 November 2024.		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 Katy Reynolds	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	An update will be provided via the Teams site in mid-April 2025. A further update will be presented to the Committee in June 2025 as part of draft

						AGS for 2024/25.
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	Ongoing: training on the accounts is provided as part of the 'just-in-time' training offer. In 2024 this was provided in July.
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 was discussed as part of the agenda setting process. One of the two items was Oracle Cloud Programme, for which a specific Member briefing has taken place.
GA015	12 November 2024	251.2.e	Internal Audit Progress Report – Exempt Report	School Loans Information: A comprehensive suite of documents referred to by Internal Audit in the key strengths section, and further information on	David Adams	Completed: This information was provided to Members via Teams on 19 November 2024.

				current loans would be provided to Members outside of the meeting.		
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.	The Corporate Director for Children, Young People and Education	Schools Financial Services will be reviewing the other loans and then Internal Audit will review a sample of these as part of our Follow Up and report back to Committee accordingly.
GA017	12 December 2024	258.2.d	Annual Governance Statement	The Selection and Member Services and Sub Committees had been working on Member induction and information would be provided via the Governance and Audit Internal Teams site. How the induction takes place will be included.	Ben Watts	This will be provided via the Teams site.
GA018	12 December 2024	258.2.c	Annual Governance Statement	The Annual Governance Statement had 3 key areas for improvement and	Katy Reynolds	This is in progress.

				actions for the year ahead. All actions would be moved into the individual task tracker on the internal Teams site, so the Committee could monitor the progress.		
GA019	12 December 2024	264.1.b	Verbal Update on Committee Business	A report on the effectiveness of the Governance and Audit Committee would be provided in the new year.	Katy Reynolds	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda.
GA020	12 December 2024	266.4	Kent County Council Statement of Accounts	In relation to the Draft Statement of Accounts 2023/24, the Acting Chief Accountant confirmed that further information could be provided to the Committee regarding the payment of £1.5m to Tunbridge Wells Borough Council.	Joe McKay	Completed: This information was provided to Members via the Teams site on 24 December 2024.
GA021	23 January 2025	277.6.I	Corporate Risk Register	Mr Scrivener confirmed that he would ascertain the date in which the Kent Design Guide would be submitted to a Cabinet Committee and inform	Mark Scrivener	Completed: this information was provided to the Committee via the Teams site on 10 March 2025.

				Members accordingly.		
GA022	23 January 2025	278.2.g	External Auditor's Audit Progress Report and Sector Updates	It was confirmed that the questions set out on page 9 of the report would be responded to in writing and then provided to Members.	John Betts	Completed: A comprehensive update on the impact of leases (and other issues relating to the 2023/24 Statement of Accounts and planning for 2024/25) is contained in a report on March 2025's agenda.
GA023	23 January 2025	281.4	Internal Audit Progress Report	Mr Jones confirmed that if Members created a list of questions concerning the Oracle Cloud Programme he would be content to respond to them.	Simon Jones	This was resolved via an in-person briefing for Members on 6 March 2025.

The Audit Findings for Kent County Council

Year ended 31 March 2024

March 2025



Grant Thornton

Private and Confidential

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20 March 2025

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

Chartered Accountants
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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 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.

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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.

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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

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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.

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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.

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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.

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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.

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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

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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

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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

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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

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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

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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

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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.

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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.

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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

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

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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	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

- [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

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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

- [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

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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

- [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

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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

- [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

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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

- [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

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Assessment
Provision for adult social care debts (£18.5m)	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.	Amber

Age profile of debt	Weighted average provision
Current	1%
Up to 6 months	5%
6 months to 1 year	41%
1 year to 3 years	47%
Over 3 years	62%

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.**

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

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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

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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.

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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.
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.

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2. Financial Statements: other communication requirements



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.

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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.

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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

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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.

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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.

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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.

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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

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.

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

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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		•

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.

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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
●	**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
●	**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

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**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

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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

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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

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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

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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

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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	✓

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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

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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)	

The Movement in Reserves Statement for the year ended 31 March 2024, a transfer of £14.4m between usable and unusable reserves was shown. The audit team considered that this movement should have been reflected in Note 1a – Expenditure and Funding Analysis as an adjustment between the funding and accounting basis. As the amount is immaterial and affects 2023/24 only and would have no impact on the overall financial position, no adjustment has been made to the financial statements.

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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
Inventory understatement Audit work in 2023-24 identified that items totalling £3.7m previously classified as assets under construction should have been classified as inventory. This is a balance sheet transaction and therefore has no impact on the 2023/24 accounts.	Nil	Nil	Nil
Overall impact	**Nil**	**Nil**	**Nil**

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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
Additional technical review		9,494
Total audit fees (excluding VAT)	**£433,444**	**£456,458**

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 audit fees reconcile to the financial statements as follows:

- Audit fees per financial statements - £447k
- Reconciling item – additional technical review - £9k
- Total audit fees as above - £456k

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.

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E. Fees and non-audit services (2)

We confirm below our final fees charged for the long and complex investigations required as part of our consideration of objections brough to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014.

Objection periods	Additional fee
Council audit year ending 31 March 2022	£10,600

These fees are subject to approval by PSAA.

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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.

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

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H. Audit opinion
- included as a separate agenda item

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Grant Thornton

Auditor's Annual Report on Kent County Council

Auditor's Annual Report for the year ended 31 March 2024

March 2025



Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, based on the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Kent County Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council on 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

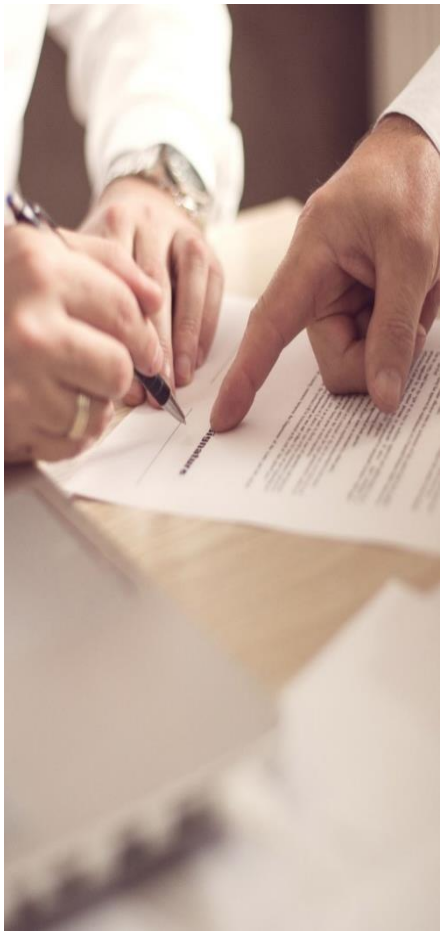
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 10 with a commentary on whether any of these powers have been used during this audit period.



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Executive summary

Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 24.

Financial sustainability

In 2023/24 Kent County Council overspent against its revenue budget by £12.373 million. Significant areas of gross overspend surrounded adult social care and health (£32.6 million); and children and young people (£24.6 million). Budget monitoring data for 2024/25 shared with Cabinet in September 2024 indicates that the Council is forecasting to overspend against budget again, by £16.3 million, with the gross overspend on adult social care and health forecast to make up £16.5 million of that amount. The Council is developing a good track record for delivering savings and has been proactive in introducing spending controls from January 2024 onwards (including the use of adult social care placement panels). The Council has a safety valve agreement in place with the Department for Education for the elimination of the dedicated schools grant deficit and the Council has so far been able to comply with the terms of that agreement. However, although the rate of increase in the Council's dedicated schools grant deficit is slowing down, the overall value of the deficit has continued to increase. We have identified significant weaknesses within the Council's financial sustainability arrangements. We have raised two key recommendations and identified three areas of improvement. These are detailed further within the report.

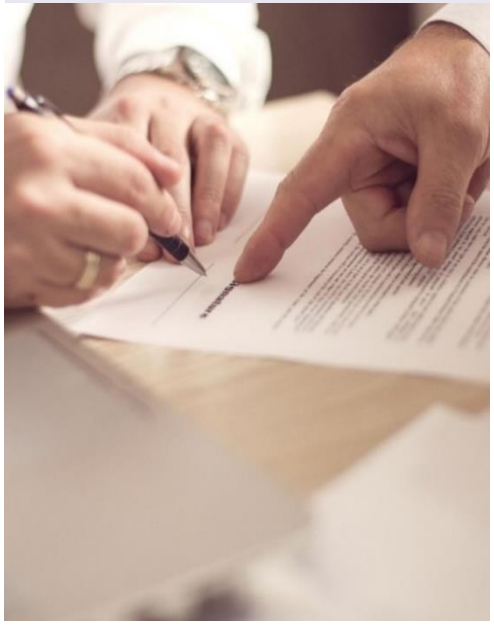
Governance

The Council's progress in implementing issues raised by Internal Audit and agreed by management in 2023/24 was poor. The full implementation rate was only 38%. Looking at recommendations more generally, the Council introduced a new Power BI tracker for monitoring progress with all recommendations from External Audit, Internal Audit and from its own Annual Governance Statement process. The Council has stated that it aims to complete work on all these recommendations by early 2025. We have identified a significant weakness within the Council's governance arrangements for the timeliness of management's implementation of agreed Internal Audit issues during 2023/24. We have raised one key recommendation around management response rates to Internal Audit and identified one area of improvement around the timing of other recommendations being dealt with on the Power BI tracker.

Improving economy, efficiency and effectiveness

The Council produces a quarterly corporate performance report for Cabinet. The report includes thirty-eight Key Performance Indicators (KPIs), Ten indicators did not achieve their floor standard during 2023/24 and were RAG rated red. All were in areas where the Council is aware that it faces acute financial and demand pressure. We have not identified a significant weakness within the Council's arrangements, although we note that two indicators around Education, Health and Care Plans have been RAG rated Red before.

We have completed our audit of your financial statements and intend to issue an unqualified audit opinion shortly after the Governance and Audit Committee meeting on 12 December 2024. Our findings are set out in further detail on pages 8 to 9.



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Executive summary (continued)

Overall summary of our Value for Money assessment of the Council's arrangements

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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements is set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Significant weakness in arrangements for financial sustainability identified. Two Key Recommendations and three Improvement Recommendations made. In addition, a Key Recommendation around corporate grip made.	Significant weaknesses identified in 2022/23 present risks of significant weaknesses in 2023/24.	R	The Council has shown a determination to improve. However, it will take time for new measures to have an impact. There were still significant weaknesses in arrangements for financial sustainability in 2023/24. Two key recommendations made relating to the adult social care and health directorate, and the high needs block. Refer to page 16. We also raised three improvement recommendations. Refer to page 17.	⟷
Governance	R	Significant weakness in arrangements for governance identified. Two Key Recommendations and one Improvement Recommendation made.	Significant weaknesses identified in 2022/23 present risks of significant weaknesses in 2023/24.	R	The Council has begun to improve although there was still a significant weakness in arrangements for management implementation of issues raised by Internal Audit and agreed with management during 2023/24. One Key Recommendation and one improvement recommendation raised.	↑
Improving economy, efficiency and effectiveness	R	Significant weakness in arrangements for improving economy, efficiency and effectiveness identified. Two Key Recommendations and one Improvement Recommendation made.	Significant weaknesses identified in 2022/23 present risks of significant weaknesses in 2023/24.	G	No significant weaknesses in arrangements identified. No improvement recommendations made.	↑

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Council's financial statements shortly after the Governance and Audit Committee on 12 December 2024.

The full opinion will be included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website. Our final opinion will be issued on 21 March 2025.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline. However, we have noted in our Audit Findings Report that these accounts did not include group accounts nor were they accompanied by an Annual Governance Statement.

As in previous years, the quality of the financial statements and supporting working papers continues to be high, as evidenced by the small number of presentation and disclosure issues identified during the audit. The Council's corporate finance team engaged well with the audit process. Draft financial statements were of a good standard and supported by detailed working papers. While completion of the audit is beyond the national timetable of 30 September, it will be earlier than the 2022/23 opinion and will be before the backstop date of 28 February 2025.

Our audit resulted in one adjustment to the financial statements that impacted the net reporting position of the Council and group. This was an isolated error relating to incorrect classification of REFCUS (Revenue Expenditure From Capital Under Statute), which should have been classified as capital expenditure. We identified several presentation and disclosure misstatements which management have adjusted for. Our audit raised recommendations around the publication of the group accounts and Annual Governance Statement and followed up on the implementation of recommendations made in 2022/23.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Governance and Audit Committee on 12 December 2024. Requests for this Audit Findings Report should be directed to the Council.

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Opinion on the pension fund statements

Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Pension Fund's financial statements shortly after the Governance and Audit Committee on 12 December 2024. The final audit opinion will be issued on 21 March 2025.

Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2024. We issue an auditor's consistency report which includes our opinion that the 2023-24 Kent Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We intend to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report shortly after the Governance and Audit Committee on 12 December 2024. We are unable to issue the consistency report until the administering authority and pension fund financial statement audits are completed. These reports will be issued on 21 March 2025.

Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline

Draft financial statements were of a reasonable standard and supported by detailed working papers.

No significant findings or audit adjustments were identified during our audit of the Kent Pension Fund.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Kent County Council Governance and Audit Committee on 12 December 2024. Requests for this Audit Findings Report should be directed to the Pension Fund.

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Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

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Value for Money
Commentary on arrangements

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

Local context

Kent is in the south-east of England. It is the closest English county to continental Europe. Kent shares borders with Essex across the estuary of the River Thames to the north; the French department of Pas-de-Calais across the English Channel to the south-east; East Sussex to the south-west; Surrey to the west; and Greater London to the north-west.

Kent County Council provides the upper tier of local government for the county and works with 12 District Councils and Medway Unitary Council. Excluding the Medway Unitary boundaries, Kent has a land area of 1,368 square miles as well as approximately 350 miles of coastline. Kent is known as 'the garden of England' and Council data records that around 70% of the land covered by the County Council is undeveloped. The 2021 census showed that Kent had 648,393 households, the majority of which were one family households.

Kent County Council's geographic area is ranked within the least deprived 50% of upper-tier local authorities in England for four out of five summary measures on the Index of Deprivation. However, there are some areas within Kent that do fall within the 20% most deprived in England. Many of these are coastal. Kent County Council is made up of 81 members (councillors) who are elected every 4 years. The next full election will take place in 2025. The ruling administration is currently Conservative. The Council is divided into 72 electoral divisions, which the Councillors have been elected to represent.

Kent County Council has a history of working well with its geographic partners, including not only the District Councils and Medway Unitary Council, but also the Police, Fire and Rescue and Health services; Job Centre +: and a range of voluntary and community organisations. The Council is a "Category 1 Responder Member" of the Kent Resilience Forum and in recent years, has had to work with partners within the local geography to manage flooding; coastal erosion; Brexit transition impacts on roads to and from Channel crossings; emergency plans for radiation events at Dungeness; asylum seekers arriving on small boats across the English channel; and the EU entry/ exit system.

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	In 2023/24, Kent County Council overspent against its revenue budget by £12.373 million. Significant areas of gross overspend surrounded adult social care and health (£32.6 million); and children and young people (£24.6 million). These gross overspends were offset in some measure by using contingency funds (£12 million); reduced debt charges due to £198.2 million of the capital programme being re-phased (£8 million); higher than expected interest received (£5 million); and miscellaneous other areas of underspend. However, the Council still ended the year with general fund and earmarked reserves having fallen from £390.25 million on 31 March 2023 to £355.88 million on 31 March 2024 The latest section 25 Assurance Statement (written in February 2024) described the balance on reserves expected on 31 March 2024 as a "more significant risk" (than it was in previous years). Budget monitoring data for 2024/25 shared with Cabinet in September 2024 indicated that the Council is forecast to overspend against budget again in 2024/25, by £16.3 million, with the gross overspend on adult social care and health forecast to make up £16.5 million of that amount. This is after the Council had already budgeted to use £4.4 million of reserves to balance the original budget for 2024/25. The CIPFA resilience tool indicates that the Council's reserves balances are dark amber compared to other Councils in England. The Council is working to protect the balances on its general fund and smoothing reserve over the period 2024/25 to 2026/27 - putting forward ambitious schemes for savings and additional income. We do recognise that progress with planned savings in the first quarter of 2024/25 was good. The Council is simultaneously working to eliminate a dedicated schools' grant deficit. This is expected to require a contribution of some £80 million from its reserves by the end of 2027/28. Again, we do recognise that progress is on track. Despite the good progress made in 2024/25 with savings and the dedicated schools grant deficit, with a general fund revenue account overspend incurred not only in 2023/24 but also forecast for 2024/25, the Council does need to focus on the drivers of the current annual overspends, particularly in the adult social care and health area and the high needs block deficit , if it is to protect its reserves position in future years. We have identified two significant weaknesses within arrangements and raised two key recommendations on page 16.	R

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

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Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	Recent budget monitoring data indicates that Kent County Council are forecasting to deliver £96.3 million of savings in 2024/25, against a total target (including rolled over amounts from 2023/24) of £111.2 million. The Council maintains good quality data for monitoring progress with its savings plans. However, although the overall savings programme is performing well, we have seen that planned adult social care and health savings for 2024/25 are proving difficult to deliver. To some extent, this is because some of the initiatives (for example around accessing new bed prices, community rehabilitation places, and better splits of funding with partners) are taking longer to secure than the Council expected. It will be important that realistic timescales for these savings are calculated or that new savings and additional income initiatives are explored. As previously noted, this is an area of significant weakness covered in the key recommendations on page 16.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has a good understanding of the need to manage resources in line with its strategic priorities. The Council's financial plan "Securing Kent's Future" aligns with its strategic plan "Framing Kent's Future". No significant weaknesses in arrangements and no areas for improvement have been identified.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's budget planning aligns with other areas of business planning, such as workforce, estates and treasury. We do note however that the Council's Asset Management Strategy is due to be updated. The Council has had a history of slippage in the capital programme. A ten-year capital programme was introduced several years ago to encourage better time phasing of capital plans. By 2024/25, this seems to be beginning to have an impact as re-phasing has fallen from £198 million in 2023/24 to a forecast £63 million for 2024/25. However, we note that this remains a very high level of slippage, and we note that some parts of the re-phasing have included repairs and maintenance work due on existing estates. An example was £8.5 million of re-phasing in 2023/24 of highways urgent safety critical works, in part because of delays to grants and access needed from Network Rail, but also in part because of issues with the Council's own capacity. There is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties. No significant weaknesses in arrangements have been identified, however, we have identified two areas of improvement on page 17.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council has been proactive in introducing spending controls from January 2024 onwards. These have included the use of adult social care placement panels. The Council has a safety valve agreement in place with the Department for Education for the elimination of the dedicated schools grant (DSG) deficit and the Council has so far been able to comply with the terms of that agreement. The Council has managed to slow down the rate of increase in spending on high needs - from 13% in 2021/22 to 5% in 2023/24, which is positive. Other spending controls include stronger challenge before goods and services are ordered. This is positive but should not be applied indiscriminately. There are areas around staff training and revenue account repairs and maintenance where the Council will need to distinguish carefully between what can be cut to make a short-term saving and what needs to be continued to protect the strength of future resources. No significant weaknesses in arrangements identified, however, we have identified a third area for improvement on page 17.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Financial sustainability (continued)

Significant weaknesses identified

Kent County Council 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. 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 spending remains an area of high risk for the Council. The Council's dedicated schools grant deficit stood at £103 million at the end of 2023/24. The Council is participating in, and meeting the terms of, a safety valve agreement agreed with the Department for Education. This is expected to require a contribution of some £80 million from the Council's reserves by the end of 2027/28 to help eliminate the deficit. Our Auditor's Annual Report for 2022/23 noted that the Council should take a holistic approach towards managing Special Educational Needs and Disability (SEND) demand and SEND financial management and focus on of Education, Health and Care Plan (EHCP) demand and approval processes if it is to have a lasting impact on returning SEND services to a sustainable footing. This still applies for 2023/24. On page 22 of this report we note, for example, that the percentage of EHCPs issued within 20 weeks and the % of children with EHCPs in independent schools was RAG rated RED in 2022/23 and 2023/24.

Key Recommendation 1 :

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. Although the forecast adult social care and health overspend for 2024/25 is lower (£16.5 million) than it was for 2023/24 (£32 million), options for further cost reduction need to be identified.

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.

Key Recommendation 2 :

The Council should work holistically to reduce spend on the high needs block. Our Auditor's Annual Report for 2022/23 also made this recommendation.

The Council is complying with the terms of its safety valve agreement with the Department for Education, but the high value of the deficit that needs to be covered (£103 million gross and £67 million net on 31 March 2024) and the scale of reserves contribution required from the Council (£80 million by the end of 2027/28) means that this remains a high-risk area for the Council.

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Financial sustainability (continued)

Areas for improvement

Areas for improvement surround updating the Council's Asset Management Strategy; managing the capital repairs and maintenance programme; and taking care with spending controls not to overly limit areas such as training and revenue account repairs, which affect the future well-being of the Council.

Improvement recommendation 1:

The Council's Asset Management Strategy should be updated.

Improvement recommendation 2:

The Council should analyse the reasons for re-phasing of capital repairs and maintenance work. Left unchecked, there is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties.

Improvement recommendation 3:

The Council should agree a sustainable approach towards applying revenue account spending controls. Spending controls look likely to last for some time, but the approach for some areas, such as staff training and revenue account repairs and maintenance needs to be considered carefully.

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The corporate risk register is shared with Cabinet on a quarterly basis. The Governance and Audit Committee met seven times during 2023/24, and information was received from Internal Audit at six of the meetings held. Internal Audit findings and progress reports are shared with the Governance and Audit Committee regularly. Although there was regular reporting by Internal Audit to the Governance and Audit Committee in 2023/24, the Council's progress in implementing the issues raised by Internal Audit and agreed by management was poor. The full implementation rate was only 38%. We understand that revised Operating Standards for staff were published after the year end (August 2024) and that implementation rates have since started to improve. However, by September 2024 there were still 14 high priority actions due and 12 high priority actions in progress. It means that prospects for improvement do not always translate to improvements actually made. Delayed implementations mean that the benefits of improvement are delayed or lost. The CEO has taken steps since the year end to support better performance in response rates. In October 2024, it was reported to the Governance and Audit Committee that a quarter of the high priority actions had been closed in one month. It is important this the post year end improvement in implementation rates continues. A significant weakness in arrangements during 2023/24 for implementing internal audit issues (as agreed by management) was identified, and we have raised a key recommendation on page 21.	R
approaches and carries out its annual budget setting process	The underlying budget processes for 2023/24 and 2024/25 were sound, although overspends incurred in the year indicate that ongoing attention is needed - particularly around adult social care and health and the high needs block. Although £12 million of contingency was used in the 2023/24 budget (released from the non attributable costs "pot"), the Council is moving away from using contingency pots and towards more granular annual budgeting. During 2024/25, a full cost recovery arrangement has been agreed with the Home Office for the costs of accommodating unaccompanied asylum-seeking children awaiting transfer under the national transfer scheme. It has been agreed that there will be nil net impact on the medium-term financial plan and budget for 2025/26. No significant weaknesses in arrangements or areas for improvement have been identified.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council shares budget monitoring and outturn reports with members and is on track to meet latest government deadlines for backstop accounts. No significant weaknesses in arrangements or areas for improvement have been identified.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Kent County Council has a strong, open and honest Annual Governance Statement process in place. Through the Annual Governance Statement process, the Council has independently signposted areas of significant weakness in governance arrangements for several years. As part of that signposting, the Council invited Grant Thornton to carry out a specific review of governance in 2023. Efforts to address significant weaknesses are ongoing and our findings reflect the position in 2023/24. We recognise that substantial work has been undertaken towards improvement and that this is still ongoing. The Council does still need to be mindful of keeping up the pace of progress. We identified significant weaknesses in decision-making in May 2023. In July 2022, a CIPFA review of the Governance and Audit Committee (GAC) made a series of recommendations around de-politicising the committee; narrowing its remit; and the importance of independent members. In January 2024, Grant Thornton highlighted that the Council needed to strengthen its corporate grip and take a holistic and joined-up approach towards improving governance and financial sustainability and arrangements for improving economy, efficiency and effectiveness. Since the end of 2023/24, the Council has started work to review committee arrangements; strengthen member and officer governance training; and test a new decision-making app. A second independent member has been recruited to the GAC. A Member Development Sub Committee was set up in October 2024 and various streams of member training have been rolled out. However, the nature of the issues mean that they are taking time to address. "Plans to consider" Cabinet and Scrutiny Committee arrangements for decision-making were shared with GAC in May 2024 - one year after our governance review of committee arrangements in May 2023. A standards session for the GAC in September 2024 came more than one year after the CIPFA report on the Committee in July 2023. A governance working party was set up and aimed to report to Council in May 2024, but this has been delayed to December 2024 and May 2025. Detailed operational level governance standards have been delayed until the Council has outcomes from the governance working party. The Council introduced a new Power BI tracker for monitoring progress with all recommendations from external auditors (Auditor's Annual Report 2022/23 and governance review May 2023); and from Internal Audit; and from its own 2022/23 Annual Governance Statement process. The Council has stated that it aims to complete work on all these recommendations by early 2025. Individual update reports on the Auditor's Annual Report and Internal Audit findings have been shared with GAC over the course of 2023/24. The draft Annual Governance Statement for 2023/24 includes updates on recommendations in the Annual Governance Statement one year before. Members of the GAC have live access to the Power BI tracker. Because the nature of the issues means that they take time to address, the Council does now need to maintain momentum. We have identified the importance of completing remaining work as an area for improvement. See page 21.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council is taking steps to comply as far as it can with its legal duty to accommodate unaccompanied asylum-seeking children while they await transfer under the national transfer scheme. A Council decision to litigate against the government highlighted the potential and actual risks around capacity in the system and resulted in the Council securing additional funding. The Council secured a Court Order recognising the role of the Home Office within the system and ensuring that they must support the Council. Nevertheless, there have still been occasions on and since 29th March 2024 where the Council has had to warn the Home Office that it was 72 hours away from running out of capacity. These are public and transparent warnings about capacity. The Commercial and Procurement Division provides the procurement service and commercial advice and guidance to the Council. This includes running tendering exercises, finding the most appropriate suppliers, negotiating and awarding contracts and providing a Purchase to Pay service. "Spending the Council's Money" is the Council's Rules for Procurement and Spending Activity. This document incorporates and embeds procedures across the Council to ensure compliance with external obligations placed upon the Council, including those found in procurement legislation and both statutory and non-statutory guidance. No significant weaknesses in arrangements identified, but as previously noted, the pace of addressing issues is an area for improvement. See page 21.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Governance (continued)

Significant weakness identified

Only 38% of Internal Audit issues raised and agreed with management were implemented during 2023/24. Although there have been changes to operating standards since the year end, which are understood to have helped, it was 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. We are informed that one quarter of those were closed during October 2024. It is important that those remaining are now closed as well.

Key Recommendation 3:

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.

Area for improvement

The Council is taking prior year recommendations seriously and has introduced a Power BI tracker to monitor progress. However, the overall pace of change during 2023/24 was slow.

Improvement recommendation 4:

There are aims to implement all recommendations on the Council's new BI tracker by early January 2025. As the issues were complex and took time to address in 2023/24, it will be important that progress towards this target is now monitored.

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Improving economy, efficiency and effectiveness

We considered how the audited body:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	The Council produces a Performance Report which is presented to Cabinet quarterly. The report includes 38 Key Performance Indicators (KPIs), progress is assessed against the targets set at the start of the financial year. Progress against target is assessed using RAG (Red/Amber/Green) ratings. Alongside the Key Performance Indicators, the report includes several Activity Indicators which presents demand levels for services. We have reviewed the end of year, Q4 performance report for 2023-24. 17 of the 38 indicators are rated as Green, these indicators have either achieved or exceeded their target. 11 indicators reached or exceeded the floor standard and are rated Amber as they have not achieved the target set by the Council. Ten indicators have not achieved the floor standard and have been RAG rated Red. The arrangement for sharing these KPIs with Cabinet is effective. Narrative within the report highlights that many of the RED RAG rated areas correspond to these where the Council has the most financial challenge. In some of these areas, progress has proved slow. Comparing the September 2024 report to Cabinet with the September 2023 report to Cabinet, for example, we see that the percentage of Education Health and Care Plans issued within 20 weeks and the % of children with EHCPs in independent schools was RAG rated RED both years. We have already commented on the need for a holistic approach to DSG earlier in this report. The underlying process for capturing, monitoring and reporting on DSG key performance indicators and the Council's other key performance indicators is strong.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Council reviews and challenges existing strategic activities, including models for care and support and the use of the estate. The Council carried out a service needs assessment for all 271 wards in Kent before preparing a communities' programme for implementing Framing Kent's Future. For assessing individual activities, the Council is currently exploring options around benchmarking. A recent focused visit by Ofsted reported positive findings. No significant weaknesses in arrangements or areas for improvement have been identified.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Improving economy, efficiency and effectiveness (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	There are effective arrangements for working with partners. A recent high-profile example includes working with other members of the Kent Resilience Forum to draw up operational plans for mitigating the impact of changes to the EU entry and exit system. No significant weaknesses in arrangements or areas for improvement have been identified.	G
commissions or procures services, assessing whether it is realising the expected benefits	Commissioning for adult social care and health now sits within the adult social care and health directorate. A commercial procurement team was established in 2023/24 and the Council's policy ("Spending the Council's money") was updated. There were eight separate studies by Internal Audit in 2023/24, including advisory work on arrangements for individual contracts and re-letting contracts. There were no audit findings that were lower than Adequate. No significant weaknesses in arrangements or areas for improvement have been identified. Grant Thornton, Internal Audit and council officers have identified a number of weaknesses in the procurement process in the last few years and the Council has responded in a positive manner to address those points. This will be an area that requires constant focus and attention.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Value for Money Recommendations raised in 2023/24

Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR1	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. Although the forecast adult social care and health overspend for 2024/25 is lower (£16.5 million) than it was for 2023/24 (£32 million), options for further cost reduction need to be identified. 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.	Key	Financial sustainability	Budget monitoring and outturn reports. Interview with the interim s151 officer.	Realistic savings plans needed to inform a realistic approach to the medium-term financial strategy.	**Actions:** Agreed. Will also be influenced by the 2025/26 local government finance settlement. **Responsible Officer:** s151 officer **Due Date:** February 2025
KR2	The Council should work holistically to reduce spend on the high needs block. Our Auditor's Annual Report for 2022/23 also made this recommendation. The Council is complying with the terms of its safety valve agreement with the Department for Education, but the high value of the deficit that needs to be covered (£103 million gross and £67 million net on 31 March 2024) and the scale of reserves contribution required from the Council (£80 million by the end of 2027/28) means that this remains a high-risk area for the Council.	Key	Financial sustainability	Budget monitoring and outturn reports. Correspondence with DFE. Draft statutory accounts. Interview with the interim s151 officer.	Limit to the reserves needed to contribute to clearing the dedicated schools' grant deficit.	**Actions:** Agreed. **Responsible Officer:** s151 officer **Due Date:** Ongoing

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR3	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.	Key	Governance	Internal Audit progress reports. Interview with the Head of Internal Audit.	Enhanced opportunities for learning from recommendations.	**Actions:** Agreed. **Responsible Officer:** Corporate directors. **Due Date:** Ongoing.
IR1	The Council's Asset Management Strategy should be updated.	Improvement	Financial sustainability	Asset Management Strategy.	Good practice with policies documentation.	**Actions:** This is already going through the political approval process. **Responsible Officer:** Director of Property. **Due Date:** January 2025.
IR2	The Council should analyse the reasons for re-phasing of capital repairs and maintenance work. Left unchecked, there is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties.	Improvement	Financial sustainability	Capital outturn report.	Stronger capital forecasting and tighter control over maintaining the repairs programme.	**Actions:** Agreed. **Responsible Officer:** Head of Financial Operations. **Due Date:** Ongoing.
IR3	The Council should agree a sustainable approach towards applying revenue account spending controls. Spending controls look likely to last for some time, but the approach for some areas, such as staff training and revenue account repairs and maintenance needs to be considered carefully.	Improvement	Financial sustainability	Outturn report. Interview with the interim s151 officer.	Stronger decision-making around where savings should be made.	**Actions:** We would not see spending controls as long term. They are a short-term response. We will need to review after Q1 in 2025/26. **Responsible Officer:** s151 officer. **Due Date:** July 2025.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4	There are aims to implement all recommendations on the Council's new BI tracker by early January 2025. As the issues were complex and took time to address in 2023/24, it will be important that progress towards this target is now monitored.	Improvement	Governance	Interview with the Monitoring Officer. Updates to the Governance and Audit Committee on prior year External Audit and Internal Audit and Annual Governance Statement recommendations. Walk-through of new Power BI tracker and the Governance and Audit Committee teams page linked to it.	Enhanced opportunities for learning.	**Actions:** Ongoing **Responsible Officer:** Heads of Service **Due Date:** January 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendices

Appendix A:
Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

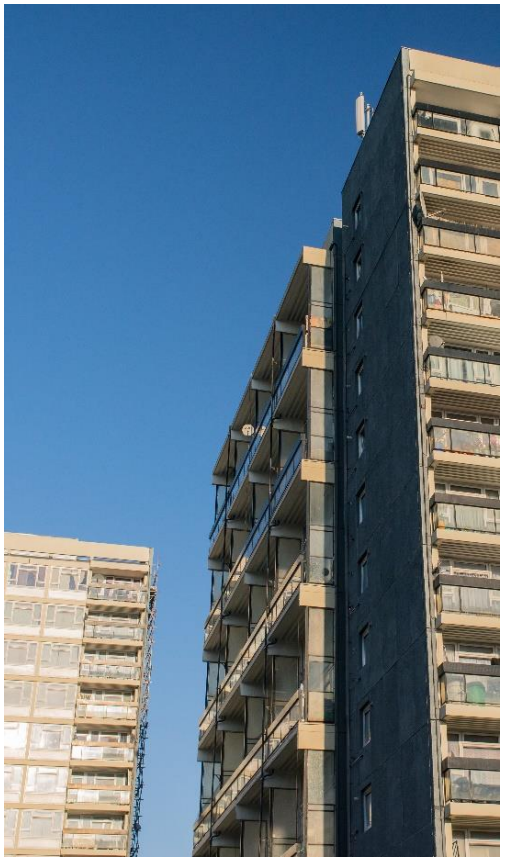
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



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Appendix B:
Value for Money Auditor responsibilities

Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board	Key	February 2024	Since the end of 2023/24, the Council has introduced a new Power BI tracker for monitoring progress with all External Audit recommendations; Internal Audit recommendations; and recommendations from its own Annual Governance Statement process. The Council aims to complete work on all recommendations by early 2025. The Governance and Audit Committee has live access to the tracker.	In progress	There are aims to implement all recommendations by early January 2025. As the pace of improvement was slow in 2023/24, it will be important that this target is achieved.
2	Steps need to be taken by the Council to control expenditure. We will consider the robustness of the Council's proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.	Key	February 2024	Spending controls which were already in place in 2022/23 have been extended to include the closer scrutiny of requisitions and the introduction of placement panels for adult social care. The Council has ambitious savings plans for savings for 2024/25 and 2025/26 and 2026/27. Quarter 1 data for 2024/25 shows that the Council was substantially on track in Quarter 1 to deliver most of the savings planned for that year. Reserves balances remain dark amber though and there has been significant slippage in savings planned for adult social care and health.	In progress	In progress but continued effort is required.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3	The Council should take a holistic approach towards managing Special Educational Needs and Disability (SEND) demand and SEND financial management, and focus on EHCP demand and approval processes if it is to have a lasting impact on returning SEND services to a sustainable footing	Key	February 2024	Total spend on the high needs block in Kent continued to grow in 2023/24, although at a lower rate than in previous years (5% growth in 2023/24, compared to 13% in 2021/22). The SEND service itself had been subject to an improvement notice in March 2023, but this was lifted in August 2024, after the Council and its partners successfully followed an improvement plan. The Council is meeting the terms of a safety valve agreement with the Department for Education but is still likely to have a deficit of some £75 million on its dedicated schools' adjustment account when statutory override comes to an end on 31 March 2026. The Council currently expects to have to contribute £11 million in 2026/27 and £10 million in 2027/28 from the general fund to the dedicated schools' grant budget.	In progress	The Council should work holistically to reduce spend on the high needs block.
4	Compliance with the Council's decision-making arrangements needs to be strengthened. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted.	Key	February 2024	Since the end of 2023/24, the Council has started work to review committee arrangements; strengthen member and officer governance training; and test a new decision-making app. A second independent member has been recruited to the GAC. A Member Development Sub Committee was set up in October 2024 and various streams of member training have been rolled out. Progress has been slow though and work is ongoing.	In progress	The prior year recommendation is in progress. However, the overall pace of change needs to improve.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
5	The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace	Key	February 2024	Rates of implementing Internal Audit recommendations were lower in 2023/24 even than they had been in 2022/23 (38% actioned in 2023/24 compared to 50% in 2022-23). However - for the SEND transport re-procurement lessons learnt, a report to the Governance and Audit Committee in February 2024 showed that there has been progress across the recommendations made.	No	Remaining high priority actions from Internal Audit recommendations should be completed and closed.
6	The Council should liaise with its partners to determine and agree the improvements that will be made in SEND services. Careful, proactive consultation and engagement with schools, parents and other stakeholders will be necessary	Key	February 2024	The Council adopted a SEND improvement plan in 2023/24. On 6 August 2024, the Council received a letter from the Children's and Family Minister advising of her decision to lift the improvement notice which had been in place since March 2023. The Minister advised that this was "a reflection of the hard work undertaken by the local area to improve services".	Yes	Prior year recommendation now addressed. No new recommendation raised.
7	Training around procurement strategy, policies and practice should be strengthened across the Council. Opportunities for value for money through procurements and contract management should be maximised. VEAT notices should be used when required	Key	February 2024	Training has been rolled out by the Commercial and Procurement Team to directorate and divisional management teams with information and support also provided to managers across the Council. The Operating Standards, relaunched in August have provided clarity and a reminder of expectations of staff in this space.	Yes	No specific new actions needed.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
8	Sensitivity analysis should be adopted for the budget for 2024/25, and the Council should also explore this for in-year financial monitoring	Improvement	February 2024	The Council committed to a more mature approach in its demand forecasting for the budget, but specific scenario testing or sensitivity analysis has not so far been included within budget setting or budget monitoring reports.	No	Yes - sensitivity analysis should be adopted for the budget for 2025/26.
10	Kent County Council should reflect its share of the costs agreed with the Home Office for caring for unaccompanied asylum-seeker children (UASC) in the budget for 2024/25	Improvement	February 2024	During 2024/25, a full cost recovery arrangement was agreed with the Home Office for the costs of accommodating UASC awaiting transfer under the national transfer scheme. It is agreed that there will be nil net impact on the medium-term financial plan and budget for 2025/26.	Yes	No
10	Delays on capital projects should be reviewed for common factors. Project management (including through schools and contract partners) and specialist skills should be reviewed	Improvement	February 2024	The Council recorded re-phasing on capital projects of £198 million in 2023/24. Although the value is expected to fall to £63 million in 2024/25, this remains very high. We note that re-phasing of repairs and maintenance work could be detrimental in the long term.	No	The Council should analyse the reasons for re-phasing of repairs and maintenance work. Left unchecked, there is a risk that delays to repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base.
11	Staff should be reminded that the Officer's Code of Conduct requires compliance with financial regulations and the anti-fraud and corruption strategy; and shows that officers should be able to raise issues without fear of recrimination. The role of finance business partners in explaining regulations and promoting good practice should also be considered	Improvement	February 2024	Governance training for the senior management group has been introduced. An intranet titled "Our Financial Regulations apply to all of us" was published on 4 June 2024. Further resources on whistleblowing have been developed. Internal Audit offer training across the organisation around financial regulations; fraud and corruption and whistleblowing; and the role of finance business partners.	Yes	Prior year recommendation now addressed. No new recommendation raised.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
12	The Council should consider whether there is scope for making more use of benchmarking and other data for services where demand is increasing, and/or performance is deteriorating, to assess performance	Improvement	February 2024	There were activity indicators in 2023/24 which made use of national benchmarking and there were directorate reports which made use of regional benchmarking. The Council has committed to consider whether there are other benchmarks that might be useful.	Yes	No specific new action needed.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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By: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford
Interim Corporate Director Finance, John Betts
Acting Chief Accountant, Joe McKay

To: Governance & Audit Committee – 20 March 2025

Subject: Update on the 2023-24 Statement of Accounts and preparation for 2024-25 including revised accounting policies, IFRS 16 Leases update and provisional audit timetable

Classification: Unrestricted

Summary:

The report asks Members to:

1 - note the update on the 2023-24 Statement of Accounts

2 – approve the 2023-24 Statement of Accounts and Annual Governance Statement

3 – note the change to accounting policies for the adoption of IFRS 16 Leases

4 – note the provisional external audit timetable for the 2024-25 Statement of Accounts.

2023-24 Statement of Accounts Update

1.1 The Accounts and Audit (Amendment) Regulations 2024 require that the Local Authority publishes a note when the publication of the final financial statements have been delayed, providing an appropriate explanation. The Local Authority published its unaudited accounts on 31 May 2024, and they were approved by Governance and Audit Committee, alongside the Annual Governance Statement, on 13 December 2024.

1.2 The external auditors have indicated a delay in finalising their audit opinion, due to additional work being undertaken following an objection received, primarily regarding the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources.

1.3 This work has now been resolved, and we envisage that the audit opinion will be finalised and the accounts signed off by the Chair of Governance & Audit Committee, the Corporate Director Finance and Grant Thornton on 20 March 2025, and there will be no need to enact any "backstop" provision.

1.4 There are no material changes to the Statement of Accounts since they were approved at Governance & Audit on 13 December 2024.

2024-25 Statement of Accounts Preparation

Section A

2 Accounting policies

2.1 The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - Accounting Policies, Changes in Accounting Estimates and Errors. Accounting policies are defined as "… the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements."

2.2 For 2024-25, there is one change to report. IFRS 16 Leases has been adopted by the public sector in 2024-25. The draft accounting policy, to be included in the 2024-25 Statement of Accounts in Note 21, is at the end of Section B.

2.3 More detail on the standard and the work undertaken to date is also provided in Section B. This includes responses to the questions that Members may wish to ask which were highlighted by Grant Thornton in their report, presented at the previous Governance & Audit meeting on 23 January 2025.

Section B

3 Background to IFRS 16

3.1 IFRS 16 is a financial reporting standard issued by the International Accounting Standards Board (IASB) that primarily deals with lease accounting. The standard is not specifically tailored for the public sector; it applies to both public and private sector entities. The standard replaces IAS 17 Leases.

3.2 IFRS 16 introduces a significant change in how leases are accounted for by lessees (defined as the entities that obtain the right to use an asset for a specific period in exchange for lease payments).

3.3 Under the previous standard (IAS 17), lessees classified leases as either operating leases or finance leases, with only finance leases being recognised on the Balance Sheet. Under the new standard (IFRS 16), most leases are now recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. This means lessees are required to recognise a lease liability representing their obligation to make lease payments and a corresponding 'right-of-use' asset, reflecting their right to use the leased asset. PFI liabilities are already on the Balance Sheet but are required to be remeasured under the standard.

3.4 The introduction of IFRS 16 aims to enhance transparency and comparability in financial reporting by bringing leases onto the Balance Sheet.

3.5 The standard was issued in January 2016 and was originally planned to be adopted by local authorities in 2020-21 but was initially deferred to 2021-22. Due to the pressures on finance teams during and after Covid-19, the adoption has been deferred further to 2024-25.

3.6 The CIPFA Code of Practice contains specific guidance for local authorities which Finance have considered and incorporated into our draft Accounting Policy.

3.7 As per Note 3 our 2023-24 accounts, the accounting change will require new accounting for approximately 178 assets, of which 120 are property or land, 57 are vehicles and 1 is equipment. We estimate a right-of-use asset value and corresponding lease liability of £23.7m. This value excludes the impact of peppercorn leases (which require valuations 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 is being undertaken and will form part of our disclosure in the 2024-25 accounts.

4 Lease Identification

4.1 The Finance team have considered all the types of assets which are potentially relevant and have made a judgement as to which assets are within scope of IFRS 16.

4.2 Property lease agreements, residential tenancies, vehicles, and large contracts are assessed as leases for the purposes of IFRS 16. Tenancies at will (TAW) are reviewed on a case-by-case basis.

4.3 Easements, licences, licences to carry out works, agreements for a lease and office equipment (unless the individual asset value exceeds £10,000) are excluded.

4.4 The Council uses a database system (K2) to record information and store relevant documents such as title plans and lease agreements. This is the primary source of information on property leases. In addition to meetings between Finance and Infrastructure, regular lease reports are run from the K2 database to ensure up to date information is reflected in the Council's IFRS 16 accounting system, Innervision, which has been procured and implemented to complete the majority of the accounting for leases. The system creates the accounting journals which are posted into Oracle.

4.5 It is possible for lease agreements to exist as part of a wider service delivery contract. To identify these, an annual review of KCC contracts on the Kent Business Portal Contracts Register is completed to identify any assets which are used in the delivery of a contract and meet the criteria for recognition as a lease under IFRS 16. This has identified one embedded lease.

5 Exemptions

5.1 The standard excludes leases which are considered 'short term'. Short term leases are defined as leases that have a lease term of 12 months or less at the commencement date of 1 April 2024. Therefore, leases which have a lease end date of 31 March 2025 or earlier are excluded. The only exception to this is for holding over leases (see Section 6).

5.2 The standard allows authorities to elect not to apply IFRS 16 lease accounting to leases where the underlying asset is of low value. The low value exemption applies to the asset value when it is new, irrespective of its age. The assessment is made on a lease-by-lease basis, and the assessment is on an absolute basis (therefore it applies to individual assets).

5.3 To ensure consistency between capital expenditure accounting for Property, Plant & Equipment, Finance have implemented a low value exemption limit of £10,000. This ensures that the treatment of both owned and leased assets is presented in the same manner on the Balance Sheet.

5.4 Exempt leases are recognised as an expense over the lease term and are part of the Comprehensive Income & Expenditure Statement.

6 Holding Over Leases

6.1 A remaining lease term is required to calculate the lease liability under IFRS 16. For leases which are still within their lease term, the original lease dates as per the agreement can be used to determine the lease end of the lease period, subject to any additional clauses which are expected to be taken, such as an extension or break clause.

6.2 In the case of expired leases where there is a 'holding over' position usually amounting to a [legally defined] 'periodic tenancy', the remaining lease term is commonly accepted to be a rolling period equivalent to the rent payment dates (e.g. monthly, quarterly etc.) along with a statutory notice period (3 months for the tenant, minimum 6 months for the landlord). This is automatically the position with a lease that has not been contracted out of the Landlord and Tenant Act 1954 but will also be the case where a tenant has remained in occupation and continued to pay rent even if the original lease was contracted out.

6.3 For the context of IFRS 16, holding over leases occur when a tenant stays, with consent from the landlord, in occupation of a lease beyond its expiry date, without renewing or entering a new agreement. Using the notice period for these leases (which is usually around three months) would mean these leases are treated as short term (per section 5.1). However, as these agreements generally hold over for a longer period, it is more appropriate to recognise an asset and liability on the Balance Sheet.

6.4 In the absence of a lease end date, these leases will be treated as having a three-year lease term, irrespective of whether they are held by KCC or schools, to ensure a consistent and practical approach. Finance and Infrastructure colleagues considered the three years as an appropriate management planning timeframe after which it cannot be reasonably certain of business decisions in relation to these leases.

6.5 Whilst consideration is given to the broader economics of contracts, it is important to recognise that the assumed lease end date is used solely for the purposes of accounting for IFRS 16 and does not reflect the Council's commercial position nor does it represent the commercial reality of any agreement with a third party. Decisions made by the Council, or the lessor, as per the Landlord and Tenant Act 1985, could adjust this notional lease end date. In such an event, the right-of-use asset and lease liability would be adjusted for as an in-year change.

7 Incremental Borrowing Rates

7.1 On transition, the CIPFA Code of Practice requires lease liabilities to be discounted using the Council's Incremental Borrowing Rate (IBR) at 1 April 2024.

7.2 The IBR is defined in the Code of Practice as the rate of interest a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

7.3 Both central government and NHS bodies have been prescribed a rate to use. In the absence of this for local authorities, the Public Works Loan Board (PWLB) rates as at the beginning of April 2024 have been used. These rates are appropriate, current, and auditable as historic rates are published and are consistent with the approach in many other local authorities.

7.4 PWLB rates are not available for periods over 50 years. For any leases with a remaining term of over 50 years, the 50 year rate will be used. Similarly, the rate for 1.5 – 2 years will be used for any lease with a remaining lease term below 1.5 years.

7.5 Incremental borrowing rates are updated to reflect lease modifications as outlined in the IFRS 16 CIPFA Guidance.

8 Non-Commercial Leases

8.1 Leases which are non-commercial in nature (for example a building which KCC rents at a nominal or peppercorn rate) are treated as per the Code of Practice as a donated asset. It is considered that, in substance, the agreements mean the lessor donates the asset to the lessee.

8.2 This means that lease liabilities and right-of-use assets are still calculated in the same way, but the right-of-use asset is uplifted to its fair value. Valuations have been requested for these assets from the Council's valuers, Wilks Head & Eve (WHE). The excess of the fair value over the cost of the right-of-use asset is credited as a gain in the surplus or deficit on the provision of services in the Comprehensive Income & Expenditure Statement but neutralised by statutory reversals through the Capital Adjustment Account.

9 Assessing the lease term

9.1 It is a requirement of IFRS 16 to assess the lease term where there are options to terminate or extend. Adjustments to lease terms are made based on judgements of the likelihood of the Council taking up any available options.

9.2 With the nature of services and requirements of the Council for property changing as a result of policy decisions in the Council, Finance and Infrastructure are working collaboratively to review lease options on an annual basis to ensure the most appropriate lease term is chosen, based on the likelihood we will exercise them. As this is a judgement at a fixed point in time, it is possible these options will need to be amended in the following financial year to best reflect the latest position.

10 Valuations

10.1 Valuations are not required for all right of use assets in the same way they are for freehold land & buildings. This is because the IFRS 16 guidance allows them to be measured at the value of the lease liability, adjusted for certain eligible costs & reductions, where lease terms are short enough or contain provisions for rent reviews that will regularly update amounts payable under the lease to reflect current market conditions.

10.2 However, where there are no provisions in the lease for market-based rent reviews, or these have not been undertaken, or where the reviews are at periods of more than five years then a valuation is required.

10.3 In addition, a valuation must be obtained for any right of use assets under non-commercial leases (e.g. where we are paying peppercorn rent).

10.4 This has meant that we have obtained valuations for c.100 right of use assets for land & buildings. These have been provided by our appointed external valuer.

10.5 Vehicles leases do not require valuations as there are not any significant changes to the lease terms and conditions during the lifetime of the lease agreement.

11 Lessor Accounting

11.1 The impact of lessor accounting is relatively limited compared to lessees. Whilst IFRS 16 introduces some changes for lessors, the fundamental principles of lessor accounting remain largely consistent with the previous IAS 17 standard.

11.2 Lessors must classify each lease as either a finance lease or operating lease. This classification determines how the lease is accounted for.

11.3 The main change under lessor accounting is in relation to sub-leases. When a lessor sub-leases an asset, its classification will depend to an extent on the nature of the head lease.

12 Statement of Accounts Presentation

12.1 Note 21 Leases in the Statement of Accounts will be changed to include the disclosures on lessee and lessor accounting as required in the CIPFA Code of Practice.

12.2 To clearly present the impact of IFRS 16 in the Balance Sheet, the table below shows where the assets and liabilities will be presented:

Line Description	Explanation
Right-of-use assets	This is in the long-term assets section of the balance sheet
Long-term debtors	This is in the long-term assets section of the balance sheet and represents the long-term finance lease receivable value
Short-term debtors	This is in the current assets section of the balance sheet and represents the short-term (within 12 months) finance lease receivable value
Short-term lease liability	This line already exists within the balance sheet in the current liabilities section of the balance sheet and will be updated to include the short-term (within 12 months) lease liability for all leases
Long-term lease liability	This is a new line in the long-term liabilities section of the balance sheet.

13 Grant Thornton Report

13.1 Grant Thornton presented an Audit progress report and sector update at the Governance & Audit Committee on 23 January 2025. Part of the report outlined the transition for public sector authorities to IFRS 16 Leases from 1 April 2024. The report posed seven questions for Audit Committees to consider. Each of these questions are considered in turn below.

13.2 The Finance team are engaging early with the external audit team and have provided a number of working documents to support our decision making in respect of IFRS 16, and we are grateful for this collaborative approach ahead of publishing our draft statement of accounts for 2024-25 and the main audit that follows.

13.3 ***How have we gained assurance on completeness? Have we identified all our leases, including those for a peppercorn rent?***

Extensive work has been carried out to ensure that we have captured all leases that fall under the scope of IFRS 16. A Steering Group comprising key stakeholders from Finance, Infrastructure, our wholly owned companies and Legal was established when draft guidance was first published by CIPFA.

Land and building leases, including those at a peppercorn rent, have been identified through regular reporting from the K2 property database and communication with nominated colleagues within Infrastructure.

The Chief Accountant's Team receive lease information from Directorate and Schools returns each year as part of our established year-end processes. Separately, Commercial Services, who manage the majority of our vehicle fleet, provide data at the end of the financial year.

Leases embedded within contracts have always been considered as part of the IFRIC 4 standard. KCC contracts on the Kent Business Portal Contracts Register are reviewed annually to identify any assets that are used in the delivery of a contract (see 4.5). IFRS 16 supersedes this standard, and this process has continued.

13.4 ***Have we set out threshold for low value leases?***

Yes, £10,000. Please refer to 5.2 and 5.3.

13.5 ***Have we identified all options to terminate or extend existing leases and assessed the lease term based on the likelihood we will exercise them?***

Yes, please refer to Section 9.

13.6. ***Have we reconciled our operating lease commitments as disclosed in our 31 March 2023 accounts under IAS 17 to our lease liability under IFRS 16 on 1 April 2024?***

The operating lease commitments figures in Note 21 of the 2023-24 accounts will be reconciled to the lease liability under IFRS 16 on 1 April 2024 and will form part of the disclosure note for IFRS 16 in the 2024-25 accounts.

13.7 ***How have we gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?***

The CIPFA Guidance outlines those leases which require a valuation. Valuations have been commissioned as at 1 April 2024 to meet the transition requirements of the CIPFA Guidance. We have sought confirmation from the external valuer (WHE) that there has been no significant movement that would affect these valuations as at 31 March 2025.

Where the standard states that the cost model is a reliable proxy for current value, valuations have not been obtained, and the right-of-use asset value is linked to the lease liability calculation.

13.8 ***For an intermediate lessor, have we reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?***

Yes. 1 is a finance lease, the remaining 8 are operating leases.

13.9 ***Have we updated our systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner?***

The necessary changes have been made to ensure the Balance Sheet reflects the new right-of-use asset and lease liability created as a result of implementing IFRS 16. Working papers have been created to ensure the correct accounting treatment is applied including the new disclosure notes required in the accounts.

The budgetary impact has been considered during the 2025-26 budget process, including amending the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) calculations.

Draft Accounting Policy

In 2024/25, the authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice.

The Council as Lessee

For arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought onto the balance sheet at 1 April 2024. Leases for items of low value (under £10,000) and leases that expire within 12 months are exempt from the arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. Lease liabilities are measured at the present value of the remaining payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date. The weighted average of the incremental borrowing rates used to discount liabilities was 5.14%*. Right-of-use assets are measured at the amount of the lease liability, excluding any initial direct costs. As a practical expedient, the cost model has been used as a proxy for current value where appropriate as permitted by the Code.

Valuations are not required for all right of use assets in the same way they are for freehold land & buildings. This is because the IFRS 16 guidance allows them to be measured at the value of the lease liability, adjusted for certain eligible costs & reductions, where lease terms are short enough or contain provisions for rent reviews that will regularly update amounts payable under the lease to reflect current market conditions.

However, where there are no provisions in the lease for market-based rent reviews, or these have not been undertaken, or where the reviews are at periods of more than five years then a valuation is required.

In addition, a valuation must be obtained for any right of use assets under non-commercial leases (e.g. where we are paying peppercorn rent).

The Council as Lessor

The fundamental principles of lessor accounting remain largely consistent with the previous IAS 17 standard. Lessors must classify each lease out as either a finance lease or operating lease. This classification determines how the lease is accounted for. There is no requirement to reassess existing leases under lessor accounting for the implementation of IFRS 16.

Sub-leases

When a lessor sub-leases an asset, it must classify the sub-lease as a either a finance lease or an operating lease based on the same criteria used for the original lease. IFRS 16 requires the classification of subleases to be assessed by reference to the right-of-use asset acquired by the authority under the head lease, and not the underlying asset.

For finance leases, the lessor derecognises the leased asset and recognises a lease receivable equal to the net investment in the lease. Interest income is recognised over the lease term.

**% to be confirmed during completion of the 2024-25 accounts*

Section C

14 Draft accounts and provisional external audit timetable for 2024-25

14.1 The publication deadline for the draft (unaudited) Statement of Accounts has been changed from 31 May to 30 June for the financial years 2024-25 to 2027-28.

14.2 The audit backstop dates implemented by MHCLG require the external audit to be completed by 27 February 2026.

14.3 To achieve the deadlines above, we intend to publish the draft Statement of Accounts by 30 June 2025, with the external audit anticipated to commence in July and complete by the end of November 2025.

15 Recommendation(s)

The report asks Members to:

1 - note the update on the 2023-24 Statement of Accounts

2 – approve the 2023-24 Statement of Accounts and Annual Governance Statement

3 – note the change to accounting policies for the adoption of IFRS 16 Leases

4 – note the provisional external audit timetable for the 2024-25 Statement of Accounts.

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Draft Statement of Accounts

2023/2024
Draft Statement of Accounts

Kent County Council
kent.gov.uk

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If you need an alternative format for this document, please contact:
CATenquiriesKCC@kent.gov.uk

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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.

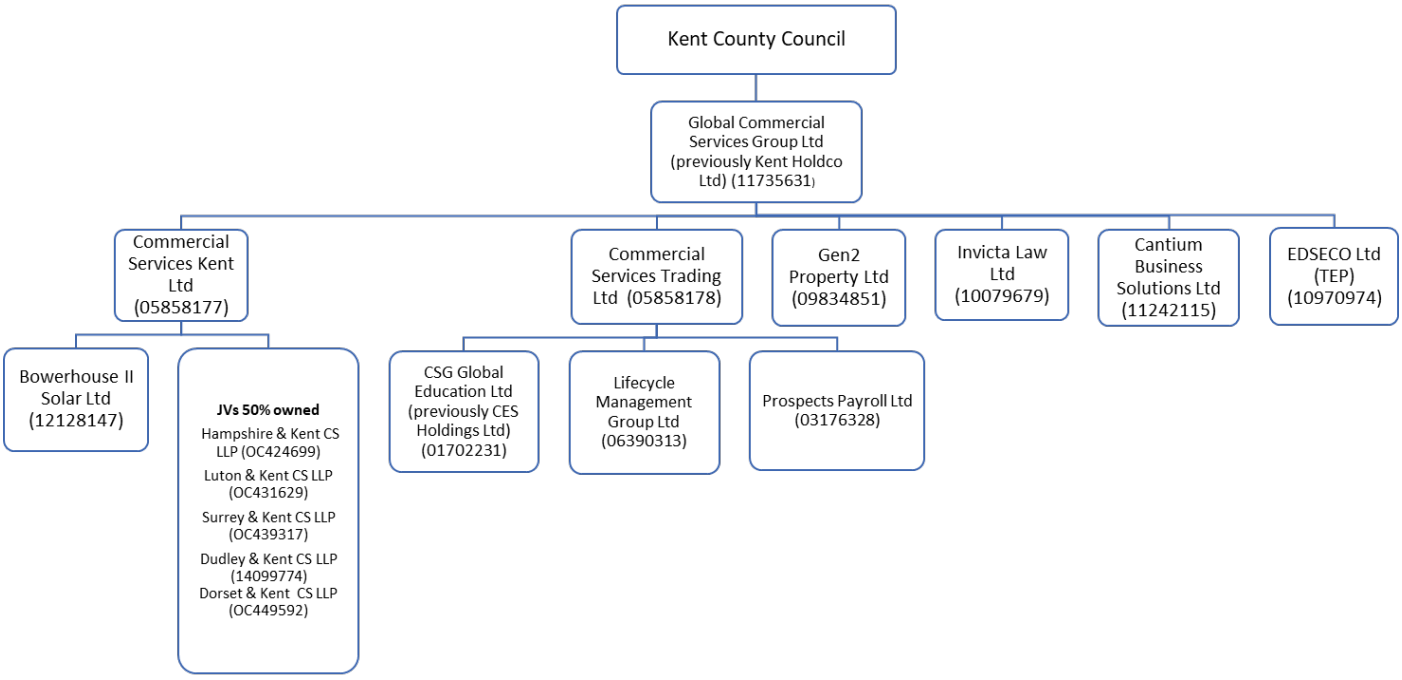
In order to support delivery of Framing Kent's Future and the shifting pressures affecting the council, for 2023-24, a council-wide single business plan was developed, and brought together all significant activity to be undertaken across the organisation, over and above the council's core service delivery.

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

Spending, Changes in Reserves and Savings & Income

Forecasts for spending demands are based upon a combination of in-year monitoring of budgets and estimates for the impact of anticipated changes over the forthcoming year. The forecasts are regularly refreshed as part of developing the budget proposals over the summer and autumn and include estimates for staff pay, prices, demographic demand 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 on [date] on behalf of Kent County Council.

SIGNATURE HERE

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

SIGNATURE HERE

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 Comprehen-sive 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 Comprehen-sive 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
Acting Corporate Director Finance – John Betts	4	50,400					50,400	0	50,400
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 Remuneration excl pension Contribution £	Employer Pension Contribution £	Total Remuneration 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 –	6	159,788					159,788	34,035	193,823

Amanda Beer									
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**	**-9,548**
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

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Please note that Note numbers with no 'G' refer to Kent County Council single entity accounts where notes are not materially different.

Group Accounts Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with 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	-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	89,340			-89,340
Net increase or decrease before transfers	**-44,497**	**0**	**0**	**-839**
Adjustments between accounting basis & funding basis under regulations	70,366	-5,008	-61,448	-4,039
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	**-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**

Of the total Group reserves at 31 March 2023, total Council reserves equal £2,974,563,000.

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	-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**

Of the total Group reserves at 31 March 2024, total Council reserves equal £2,999,246,000.

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	-48,536	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	**-45,336**	**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**

Notes to the Pension Fund Accounts

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.

q) Prior period adjustments, changes in accounting polices and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or 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.

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 rather than financed leased assets under the requirements set by IFRS 16. The Fund has assessed that the properties remain under the Fund's control and do not convey a right to ownership and that the Fund retains the significant risks and rewards associated with ownership of the properties. As a result, 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 £128m. 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. £315m.
Private equity and infrastructure 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity and infrastructure, which are 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. During the current year, it was determined that both directly held and pooled property, previously classified as Level 2, should be classified as Level 3. This reclassification reflects the extent of significant unobservable inputs involved in valuing these investments. As a result, prior period adjustments (PPAs) have been made to correct the classification of these investments, impacting the comparative figures disclosed in the accounts. The adjustments relates to the total amount of directly held and pooled property as at 31 March 2023 of £782m, as detailed in Note 17. The reclassification reflects a reassessment of the assumptions used in the valuation

		process and highlights the uncertainty in estimating the fair value of Level 3 investments.

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	2023-24	2022-23	2022-23

		£000	%	£000	%
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	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 (2022)	Valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Pooled property	3	Net asset value/bid prices on last day of accounting period	Net asset values	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Direct property	3	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
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	2	Net asset value of Fund based on valuation of	Wide range of deals executed in the bond	Valuation of derivatives is

protection programme assets		underlying assets with quoted prices for bond holdings and market prices for derivatives	holdings but limited comparable transactions for specialist equity derivatives	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 key management personnel of the Fund are the Corporate Director Finance (and the Interim Corporate Director Finance), as well as the Head of Pensions and Treasury. The Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund, as above (March 23 figures include full salary). Full details of the salary of the Corporate Director Finance and Interim Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Corporate Director Finance, in respect of key management are shown below.

	31 March 24 £000	31 March 23 £000
Salary	118	303
Allowances	12	16

Other	16	0
Employer's pension contributions	27	58
Total	173	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: [date]

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.

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).

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.

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

Parris Williams, Key Audit Partner

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

London

Date: [date]

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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Grant Thornton

Indicative Audit Plan for Kent County Council

Year ending 31 March 2025

20 March 2025

This audit plan is indicative and subject to change as the prior year audit opinion has not yet been signed



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01 Key developments impacting our audit approach

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Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

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Challenges of Local Government Reorganisation (LGR)

On 16 December 2024, the Minister for State for Local Government and English Devolution Jim McMahon, wrote to all Councils in remaining two-tier areas and neighbouring small unitaries to set out the plans for a joint programme of devolution and local government reorganisation.

On 5 February 2025, a list of places was announced who had opted in to join the government's Devolution Priority Programme, which would aim to have mayoral elections in May 2026. On the same date, the Minister asked all Councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. For those selected in the 'first wave', they have until 21 March 2025 to develop interim plans, with final plans required by 9 May 2025. Kent County Council and Medway Council had applied to be part of the Devolution Priority Programme, which would see the May 2025 elections postponed and replaced with elections to a Mayoral Strategic Authority in 2026. The application was not taken forward by the Government.

Whilst clearly the proposals are at a strategic level, there are potential impacts on decision making at a local level in the period up to the formal reorganisation taking effect. Of particular concern for some existing bodies is the fact that where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, they may well end up being repurposed to cover an overspend incurred by a successor body. Thus, there is potentially an incentive for bodies to run down reserves prior to the formal merger, to ensure these balances are utilised for the purposes intended when originally set aside. The same may apply for balances such as the Community Infrastructure Levy, which again is at risk of being utilised for different purposes than was planned in any successor body.

Auditors will be keeping a close eye, as part of their Value for Money work, for any schemes or projects which look to be evidence of reserves being run down in advance of LGR. Whilst Authorities ultimately will still have powers to make some spending decisions in advance of LGR, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond May 2026, which is when the first batch of elected mayors are expected to be in place. The fiduciary duty of Members to ensure that the Council to which they are elected manages public funds in a responsible way, maximising their value and use for public benefit is paramount in the lead up to LGR.

In order to help ensure appropriate decisions are made during this period, some questions for Committees to consider include:

- Where earmarked reserves are being utilised, are Committees clear these reserves are being used for the intended plans?
- Where projects are going to run beyond the timeframe of LGR, are Committees comfortable the decision making would stand an appropriate level of challenge and scrutiny?
- Have local residents been consulted in any development plans to ensure they are in line with local needs?
- Do reserve balances remain at a prudent and appropriate level – LGR does not absolve key staff from their statutory responsibilities, particularly around setting a balanced budget and holding a prudent level of reserves.

Where auditors see evidence of funds being utilised in an unintended manner or to the detriment of relevant stakeholders, they will focus on this as part of their Value for Money work and may potentially consider using their statutory powers where they feel they have sufficient evidence to do so.

Other areas of note during this period should include:

- In the short term LGR is likely to require more capacity from a personnel and Senior Officer perspective than less and thus genuine cost savings are unlikely for a few years
- As mentioned earlier, effective governance and stewardship will remain key throughout – thus it is important the likes of Internal Audit, Counter Fraud and the risk management processes remain strong and alert during this period
- Financial statements remain important and should be produced on time during this period and the relevant backstop dates should continue to be met.

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

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Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding: Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care and SEND.

Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

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Key developments impacting our audit approach

Local Context	Our Response
• In recent years, the Council has been impacted by significant spend in adult and children's social care beyond the level budgeted, leading to the use of reserves to balance the financial position. We note the significant level of work undertaken by the Council to manage and control this spend in the light of increasing levels of demand across the county. • Our Auditor's Annual Report for 2023/24 noted good progress overall with spending control and savings plans during 2023/24. However, spend on adult social care and health remains stubbornly high. Special educational needs and disability (SEND) is the other area were the Council struggles to contain spend due to ever increasing demand for the services. 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.	• Our Value for Money work will continue to review and assess the significant risks to the Council's ongoing financial sustainability.
New accounting standards and reporting developments	
• Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide. • The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.	• Our 2024/25 audit work will include a detailed review of the authority's implementation of IFRS 16. More information can be found on the next slide. • Our 2024/25 audit work will include enhanced procedures in respect of audits of group financial statements

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Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Acting Corporate Director Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We will continue to have regular, formal meetings with the Chief Executive at least twice a year, and with the Acting Corporate Director Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.

  At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



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IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures we have begun to look at the Council’s implementation process for IFRS16 and plan to perform detailed review and testing in advance of the final audit fieldwork.

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The Backstop

Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 29 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Government National Context – Local Audit Recovery

Kent County Council has not been impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

There has been a delay in finalising the 2023/24 audit opinion, due to additional work being undertaken following further information received, primarily regarding the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. An exemption from the 28 February 2025 backstop date for 2023/24 accounts has been obtained. The matter has now been resolved, and the final opinion will be issued shortly after the Governance and Audit Committee on 20 March 2025.



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02 Introduction and Headlines

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Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Kent County Council ('the Council') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kent County Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

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Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk)
- Closing valuation of land and buildings and investment property
- Valuation of defined benefit asset/liability
- Implementation of IFRS 16.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £45.5m (PY £42m) for the Council, which equates to 1.5% of the Council's prior year gross operating costs. For the Group we have determined planning materiality to be £48m (PY £43m) on the same benchmark.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors. As all of these errors were judgemental and projected, we have made not change to our benchmark of performance materiality which remains at 65% of materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.275m (PY £2.1m) for the Council and Group.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Global Commercial Services Group Ltd

Which in turn consolidates the following subsidiaries:

- Commercial Services Kent Ltd
- Bowerhouse II Solar Ltd
- Commercial Services Trading Ltd
- CSG Global Education
- Lifecycle Management Group Ltd
- Prospects Payroll Ltd
- Gen2 Property Ltd
- Invicta Law Ltd
- Cantium Business Solutions Ltd
- EDSECO Ltd

The Council is also party to a number of joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP

Value for Money arrangements

Our 2023/24 judgement on your arrangements to secure value for money identified there were three significant weaknesses across the following categories:

- Financial sustainability
- Governance

Further details of the weaknesses identified are on page 34 of this report.

Our planning work for 2024/25 is not yet complete, but given timing of reporting, we expect the significant weaknesses identified in 2023/24 to still be present.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning work has been started and will be followed up with an interim audit that will take place in late March 2025. Our final audit fieldwork will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report on the Council's VFM arrangements.

Our proposed fee for the audit is £462,551 (PY: £446,964) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

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03 Identified risks

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Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	Our work will include, but not limited to: • Evaluating the design effectiveness of management controls over journal entries • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries, selected on a risk basis • Review of unusual significant transactions • Review of contract waivers and any incidences of non-compliance with procurement regulations

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	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. We have identified and completed a risk assessment of all revenue streams for the Council and Group. 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	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council/Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively. Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings (including investment property)	The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions	The Authority revalues its land and buildings on a rolling four-yearly basis so that management can 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 valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement. Our work will focus in the areas where we consider the risk to be most pertinent: • assets which are material by value; • assets where the valuation movement differs significantly to what we would expect based on indices; • assets where we are aware of a significant change in any of the key assumptions from the prior period; and • any other factors which in our auditor judgement increases the risk of material misstatement in a particular asset	Our work will include but will not be limited to: • Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engaging our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Testing revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessing the value of a sample of assets in relation to market rates for comparable properties. This will include operational land and buildings as well as investment properties.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset/liability	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 (£38m in the Council's balance sheet at 31 March 2024, having reduced from £62m at 31 March 2023) 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 on Local Authority 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 liability as a significant risk.	Our work will include, but not be limited to: • Updating 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. • Evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assessing the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards. • Assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Testing 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. • If a pension asset is recorded, ensuring that the asset recorded in the financial statements meets the requirements of IFRIC 14. • Undertaking 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. • Obtaining assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of leased assets and rebasing of PFI liabilities	The implementation of IFRS 16 which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated.	The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. An initial review performed by the Council indicated the impact would be £23.7m, however, this did not include the recalculation of the PFI liabilities or peppercorn lease agreement.	Our work will include, but not be limited to: • Documenting our understanding of the processes and controls put in place by management to ensure that the Council's lease agreements are not materially misstated. • Reviewing steps implemented by management to identify leases which are impacted by IFRS16 and confirming they meet the requirements of the CIPFA Code of Audit Practice (Code). • Reviewing and reperforming calculations to determine the future lease liabilities using present value calculations • Reviewing and reperforming calculations on PFI liabilities to ensure they meet the requirements of IFRS 16 and the Code.

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Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Going Concern	In common with other local authorities, our value for money work in recent years has identified significant risks regarding the financial sustainability of the Council. The S25 report from February 2025 recognises the risks that the Council faces in the future, planned use of reserves but also the replenishment of reserves in future years. The High Needs Block and its funding remains a risk to the Council but is partially outwith its control.	We have considered the ongoing and future financial pressures faced by the Council in planning the audit. We are satisfied that the going concern basis of accounting remains the correct basis behind the preparation of the accounts. We will keep this under review during the year and throughout our appointment as external auditors of the Council. Our Value for Money work will continue to consider the financial sustainability of the Council.

"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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04 Group Audit

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Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, 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.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Kent County Council	Yes	Audit of the entire financial information of the component	Group auditor	Details are set out on pages 15 to 23	Grant Thornton UK
Global Commercial Services Group Ltd	Procedures to be performed on Global Commercial Services Group Ltd and its subsidiaries are still being determined				UHY Hacker Young

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of UHY Hacker Young will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of their audit documentation and meeting with appropriate members of management.

We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Key changes within the group

- We are not aware of any changes within the Kent County Council Group other than some in year acquisitions which we will give due consideration to.

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05 Our approach to materiality

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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.

	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Governance and Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.275m (PY £2.275m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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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.

	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.
Specific materiality for Senior Officer 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 will be applied to each senior officer.



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07 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journal entries	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Fixed Asset Register (Excel)	Property, plant and equipment, investment properties and leases	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs

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09 Value for Money Arrangements

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Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



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Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

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.

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Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	Significant weaknesses in arrangements for financial sustainability identified. Two key recommendations made relating to adult social care and health directorate and the high needs block.	Risk of significant weakness in arrangements. While improvements were noted in the Council's arrangements for achieving financial sustainability during our 2023/24 audit, we consider that a risk of significant weakness remains.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: • Delivery of efficiencies and controlling overspends in Adult Social Care • Control of expenditure on SEND services and the high needs block • Effective budgetary control and delivery of savings in with Council Plans • Delivery and affordability of the capital programme
Governance	R	Significant weakness in governance arrangements identified. Key recommendation made relating to high priority Internal Audit recommendations.	Risk of significant weakness in arrangements	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: • Effective and timely implementation of high priority internal audit recommendations • Demonstrating improvement in the Council's key decision-making arrangements in line with prior governance findings • Preparation for local government reorganisation
Improving economy, efficiency and effectiveness	A	No risks of significant weakness reported; one improvement recommendation made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

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10 Logistics

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Logistics

The audit timeline



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Governance and Audit Committee to discuss the Audit Plan

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Review of IFRS 16 workings
- Issue Audit progress report and sector update to management and Audit Committee
- Any planned additional testing – PPE additions, PPE disposals, pay expenditure

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- 'Hot review' of the financial statements
- Draft Audit Findings issued to Governance and Audit Committee
- Audit Findings presentation to Governance and Audit Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

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Our team and communications

Grant Thornton core team

Paul Dossett

Engagement Lead/
Key Audit Partner

- Paul is the key contact for senior management and the Governance and Audit Committee
- Responsible for overall quality assurance and audit opinion

Lucy Nutley

Senior Audit Manager

- Lucy is responsible for overall audit management and quality assurance of audit work
- Key contact for the finance team
- Will oversee the Value for Money work and its conclusions

Zargham Malik

Audit Manager

- Zargham will support Lucy with overall audit management
- Responsible for resource management
- Key contact for the finance team and the audit team

Thomas Foster

VFM Lead Manager

- Thomas will lead on our Value for Money work
- Responsible for meeting with Officers and Members and concluding on the efficacy of arrangements for obtaining value for money

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates • Chief accountant's workshop
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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11 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Kent County Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £462,551.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Entity	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent County Council financial statement audit	446,964	462,551
Fee variation – Additional technical review	9,494	
Fee variation – ISA 315		15,690
External expert – building valuations		10,000
Total (Exc. VAT)	**456,458**	**488,241**

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- Actuarial valuation of the defined benefit pension liability
- RICS compliant valuation of land and buildings and investment property

Previous year

In 2023/24 the scale fee set by PSAA was £446,964. The actual fee charged for the audit was £456,458.

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12 Independence considerations

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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 and managers. In this context, we disclose the following to you:

Matter	Threats	Safeguards	Conclusion
Paul Dossett, the Key Audit Partner, is currently serving their eighth year on the engagement. This extension has been discussed and agreed with you and approved by PSAA and Grant Thornton ethics team. Paul will be rotated from the audit at the end of the 2024/25 audit.	Familiarity	An Engagement Quality Control Reviewer has been appointed to review key judgements made on the audit file.	We have concluded that our independence is not compromised due to safeguards in place

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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Independence considerations (continued)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council and Group 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 Council and 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 Council and 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 Council and 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 Council and Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence at planning 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.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

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Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to 20 March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return 2023-24	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 £462,551 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.
Total	**15,000**		

This covers all services provided by us and our network to the Council, 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.

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13 Communication of audit matters with those charged with governance

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Communication of audit matters with 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
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	●	●
Views about the qualitative aspects of the Council and Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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.		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

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14 Delivering audit quality

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Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

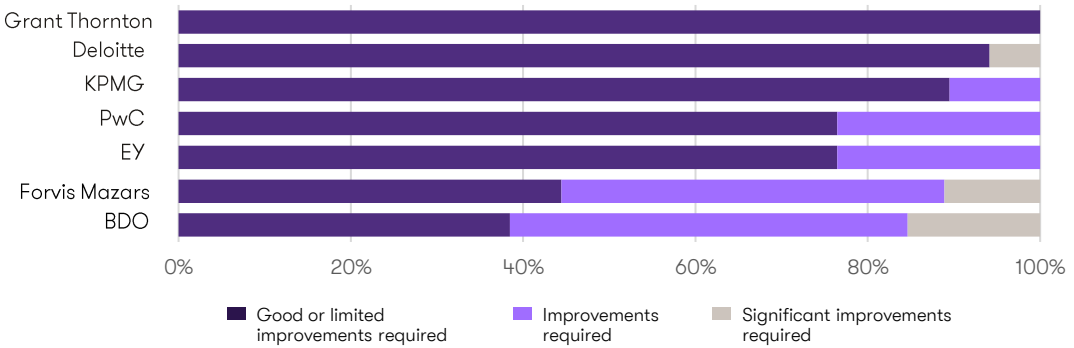
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



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15 Appendices

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New or revised accounting standards that are in effect

First time adoption of IFRS 16 Lease liability in a sale and leaseback	• IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. • This year will be the first year IFRS 16 is adopted fully within Local Government.
IAS 1 amendments Non-current liabilities with covenants	• These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 Supplier finance arrangements	• These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

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Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

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The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

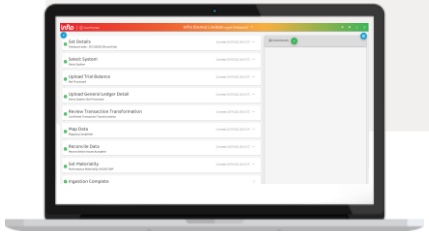


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

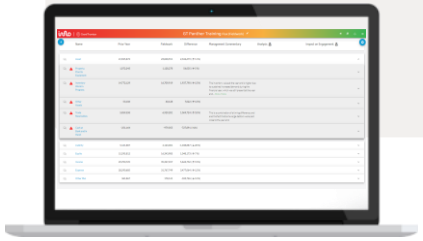


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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Indicative* External Audit Plan for Kent Pension Fund

Year ending 31 March 2025

March 2025

This audit plan is indicative and subject to change for two reasons:

(a) the prior year audit opinion has not yet been signed, and;

(b) the completion of senior engagement quality review of some risk assessment procedures are ongoing. These procedures are planned to be completed by the 20th and so we will update the Governance & Audit committee verbally if there are any changes to this plan as a result of the review.



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01 Key developments impacting our audit approach

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

  Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;

  Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

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Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

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Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

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Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. The work and fee proposal are detailed in this audit plan. On the Page 29, the plan, outlines the four contractual stage payments linked to specific audit milestones.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We continue to engage well with your finance team and will agree the appropriate approach for 2024/25.
- We would like to offer a formal meeting with the Head of Pensions and with the Director of Finance at least twice yearly as part of our commitment to keep you fully informed on the progress of the audit.

  At an appropriate point within the audit, we would also like to:
  - meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date, and
  - In line with best practice, offer to meet in private with the full Governance and Audit Committee.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Governance and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



02 Introduction and Headlines

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Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Kent Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Kent Pension Fund. We draw your attention to these documents in the links below.
- Terms of Appointment from 2023/24 - PSAA
- Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

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Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Level 3 investments
- Valuation of Directly held properties

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £122.1m (PY £118.3m) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £35.3m (PY £31.85m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are "clearly trivial" to those charged with governance. Triviality has been set at £6.11m (PY £5.9M). We have set our performance materiality at 75% of headline materiality £91.58m (PY £88.75M).

We will revisit our determination of materiality after receipt of your draft financial statements. If we make a revision to materiality, we will communicate this to you in our audit finding report.

Audit logistics

Our interim visit will take place in March 2025 and our final visit will take place in July 2025 to September 2025. Our key deliverables are this Audit Plan our Audit Findings Report and the Audit Report (opinion).

Our proposed fee for the audit is £121,429 (PY: £117,279) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian independently values the Pension Funds Level 1 and some of Level 2 Investments. This means we will be able to triangulate valuations included in the financial statements for these investments to custodian and investment manager confirmations. However, for those not independently valued we will carry out further audit procedures to gain assurance over the valuations of these investments, for instance for level 2 investments we will agree these to market information, where available and we will supplement this with other information (e.g. the financial statement for pooled property funds) where market information is not readily available.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

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03 Identified risks

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Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls Significant	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • evaluate the design and implementation effectiveness of management controls over journals entries; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Identify unusual journals entries made during the year and at the account production stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of Level 3 Investments (excluding directly held properties) **Significant** Relevant Assertion(s) Valuation Applicable Assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £1.03bn excluding directly held properties) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk. Under ISA 315 significant risk often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodian as valuation expert to estimate the fair value as at 31 March 2025.	We will: • Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls; • review the nature and basis of estimated value and consider 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 request year-end confirmations from investment managers and the custodian; • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period; • where available review investment manager service auditor report on design and operating effectiveness of internal controls; • evaluate the competence, capabilities and objectivity of the valuation expert; and • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
Valuation of Directly Held Property **Significant** Relevant Assertion(s) Valuation Applicable Assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.	The Pension Fund has directly held property within its Level 3 investment portfolio and will be valued by management's expert as at 31 March 2024. The valuations represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £461.77m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk.	We will: • Obtain an understanding of the management processes and evaluate the design and implementation effectiveness of the associated controls; • Evaluate management's processes and assumptions for the calculation of the estimates, the instruction issued to the valuation experts and the scope of the work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuations were carried out; • Engage our own valuer to assess the instruction to the fund's valuer report and the assumption that underpin the valuation; • Challenge the information and assumption used by the valuer to assess completeness and consistency with our understanding; and • Test on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent pension fund's financial record.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions Rebutted	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

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Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Valuation of Level 2 Investments **Significant class of transactions** Relevant Assertion(s) Valuation Applicable Assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly (PY: £5.03bn). As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.	We will: **Where we can rely on the valuation from the custodian (investments valued independently by custodian):** • Document our understanding of the processes in place by management in relation with level 2 investments; • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation to the confirmation received from the custodian; • Obtain and review a service auditor's report on internal controls for the custodian; • Review management's classification in the fair value hierarchy for a sample of level 2 investments. **Where we cannot rely on the valuation from the custodian (Investments not independently valued by custodian):** • Document our understanding of the processes in place by management in relation with level 2 investments; • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation to the confirmation received from the custodian • Agree the valuation back to quoted prices at year-end where available; • Compare the valuation to purchase and sale transactions near the reporting date (where appropriate); • Review the guidelines under which the investment has been valued (where appropriate); • Obtain and review a service auditor's report on internal controls for the investment manager; • Review management's classification in the fair value hierarchy for a sample of level 2 investments; • Carry out more detailed testing where the planned procedures do not provide sufficient assurance.
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26 **Significant class of transactions** Relevant Assertion(s) Valuation Applicable Assertion(s) Presentation Planned level of control reliance None	The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (PY: £7,924m) and the sensitivity of the estimate to changes in key assumptions. While there is a risk of misstatement in this estimate, we do not consider this be a significant risk for current year as the estimate is disclosure only and it is not a full triennial valuation year. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as 'other risk'.	We will: • document our understanding of the processes in place by management in relation with Actuarial Present value of promised retirement benefits; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake 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. • We will obtain assurance that the membership data testing conducted in the previous year remains reliable for the valuation as of 31 March 2025.

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Other risks identified (continued)

Risk	Description	Planned audit procedures
Benefits payable **Significant class of transactions** Relevant Assertion(s) Accuracy Applicable Assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	Pension benefits payable represents a significant percentage of the Fund's expenditure (PY: £303.18m). We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	We will: • Gain an understanding of the fund's process in relation with benefits payable; • Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • Gain an understanding of the Fund's system for accounting for pension benefits expenditure; • Test a sample of lump sums to relevant source information and compare them to the lump sum payment out of pension fund bank account; • Examine a sample of pensions to validate eligibility, conduct pension recalculations, verify pensions against payslips, and compare payslip amounts with the payment from the pension fund bank account; and • Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
Contributions receivable **Significant class of transactions** Relevant Assertion(s) Completeness Applicable Assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	Contributions from employers and employees represents a significant percentage of the Fund's revenue (PY : £321.21m). We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	We will: • Gain an understanding of the fund's process in relation with contribution receivables; • Evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • Gain an understanding of the Fund's system for accounting for contribution income; • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained; • Gain assurance over changes to admitted/scheduled bodies. • Gain assurance over the completeness of employer contribution through agreeing total contribution for each employer to employer contribution records.

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Other matters

Other work

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.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We 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.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.

- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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04 Our approach to materiality

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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.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. Users of the pension fund's financial statement are aware of the regulated environment and the nature of the scope of the organization's activities. We have not identified any sensitivities regarding users expectations We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines. Based on our analysis, we established the materiality of the Fund's financial statements using the gross investment assets as of March 31, 2024. At the planning stage, the materiality for the Fund's financial statements is £122,100,000, representing 1.5% of your gross investment assets. The benchmark remains consistent with the prior year at 1.5%, and we have not identified any factors that would warrant a reduction in this percentage.	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to instances where greater precision is required. • Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Governance and Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £6,105k (PY £5,900k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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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.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund's financial statements	122,100,000	In determining the planning materiality for the audit, we have considered user expectations, and the level of risk associated with this engagement. Given that Kent Pension fund is a large pension fund with a higher profile, we have set materiality as 1.5% of gross investment assets, which we consider an appropriate threshold for planning purpose. We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines. This analysis also indicates that 1.5% is an appropriate benchmark. Last year, we used the same benchmark (1.5%) to determine materiality, and we see no justification for reducing it further.
Performance materiality for the Fund's financial statements	91,575,000	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year's audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	6,105,000	Triviality is based on a percentage 5% of the overall materiality
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	35,300,000	This benchmark is calculated as a percentage of the fund expenditure as of 31 March 2024, which has been set at 10%. In determining this benchmark, we considered that the Kent pension fund does not have complex contributions and benefits, and there is consistency in the accounting system used by the pension fund, reducing the risk of misstatement. Therefore, we believe that 10%, the same as last year, will be an appropriate benchmark for fund accounts materiality.
Performance materiality for the fund account	26,475,000	Performance materiality is calculated as 75% of the total materiality of the fund account. Considering the review of the previous year's audit work, during which no significant deficiencies or misstatements were identified, we have determined that maintaining the 75% level is appropriate and consistent with the prior year's approach.

*We have determined that there is no requirement to establish separate triviality for the fund account. As a result, we have chosen to utilize the main triviality threshold for our audit procedures.

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05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund's financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
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. Risk Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of error, omissions or irregularities going undetected, as there is no independent review of transactions.	**Management response:** Journaling is done based on supporting information which is clearly identifiable, without the need of estimation and application of judgement. None of these involve making a cash payment and therefore of low financial risk to the Fund. We do not therefore exercise separation between creating and approving journals for these categories of transactions. However, as you will have seen we have an extensive regime of reconciliations of all the above transactions both during the year as well as at the year end. In the case of investments these reconciliations include third party Custodian records as well the reporting from investment managers and for contributions income, the reconciliations involve year end returns from each employer at each employee level. The year end account preparation process also includes variance analysis at each subjective level to identify any mis posting or unusual items which may not be picked up through the reconciliations. We believe that as a result of the nature of journals both the likelihood and the impact of any mis-posting is low and can be easily and efficiently rectified through the reconciliations We believe that these reconciliations provide an efficient and effective control over the posting of journals and is a proportionate tool to mitigate any risk. However, we are also reviewing journal controls as a result of the Oracle Cloud Programme
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 outside ledger reconciliation excel sheet. We would expect all the transaction to be routed through general ledger. Risk There is an increased risk of human errors and misstatement where investments change in MV are recorded on manual spreadsheet.	**Management response:** We do not believe that the current system that is in place for recording and reconciling the investment values presents any greater risk of errors and misstatements. As you are aware all investments transactions, including purchases, sales and income and expenditure are already recorded on the general ledger. Additionally, the Pension Fund has a robust process of recording and reconciling all investment valuations against Fund manager as well as independent custodian records (which takes into account both holdings as well as pricing) periodically as well as at the year end. Whilst we accept that it would be preferable to have all investment market values reflected in the general ledger, we are conscious of the effort, and time that will be required for such a project. We will investigate this further and look at opportunities to move this in due course.

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06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the stated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle	Financial reporting	• Detailed ITGC assessment (Design effectiveness only) *
Pension Administration System - Altair	Member Data/Benefit payable/contribution receivables	• Detailed ITGC assessment (Design effectiveness only)

* The financial reporting system is hosted by the administrating authority (The County Council) of whom Grant Thornton are also the auditor for and will perform a review of, this review will be used for the pension fund audit.

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07 Logistics

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Logistics

The audit timeline

Key Dates

Audit phases:



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Governance and Audit Committee
- Issue the Audit Plan to management and Governance and Audit Committee

Key elements

- Audit team to present the audit plan

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management
- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Auditing Findings issue to Governance and Audit Committee

Key elements

- Audit team to present the Audit Finding report to Governance and Audit committee

*It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council.

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Our team and communications

Grant Thornton core team



Parris Williams

Engagement Lead

- Key contact for senior management and Governance and Audit Committee
- Overall responsible for overall quality controls, account's opinion, final authorisation of reports



Zargham Malik

Audit Manager

- Audit planning
- Quality assurance of audit work
- Drafting reports & overall responsibility of audit engagement.



Tram Nguyen

Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion	• Audit Plan to be shared in draft with management for comments	• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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08 Fees and related matters

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Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent Pension Fund Audit	105,099	116,779
Auditor's expert used for the valuation of direct property investment	4,650	4,650
ISA 315	7,530	-
Total (Exc. VAT)	**117,279**	**121,429**

Our fee estimate:

The scale fee set by PSAA has increased from £105,099 to £116,779. A large part of the increase is due to the requirements of ISA 315 now being included within the base scale fee set by PSAA.

The 2023/24 fee variation in relation to our auditor's expert used to gain assurance on the valuation of direct property investment is still subject to PSAA approval. The fee variation is based on the invoice Grant Thornton received from the work we commissioned by an external valuer. The 2024/25 is therefore an estimate based on the actual cost of this work in 2023/24. We do not envisage a significant change in the scope of the work of our auditor's expert.

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Kent Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors The scale fee set out in the PSAA contract for the 2024/25 audit is £116,779.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

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09 Independence considerations

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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, there are no matters that we are required to report.**

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority 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 Fund and/or Administering Authority or investments in the Fund and/or Administering Authority 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 Fund/Administering Authority 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 Fund and/or Administering Authority.
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 Fund's and/or Administering Authority'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 at planning 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.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

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Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to a current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we add safeguard.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters to the NAO in respect of the admitted body Ebbsfleet Development Corporation*	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 is £121,429 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is fixed fee and there is no contingent element to it. These factor all mitigate the perceived self-interest threat to an acceptable level.
Total non-audit fees (excluding VAT)	**3,500**		

*It is important to note that IAS 19 report provided to the auditors of local authorities and NHS bodies are included within the scale fee. However, any IAS 19 report requested by the auditors of bodies outside this scope is not covered by the scale fee and is therefore treated as a non-audit fee. We have not yet received a formal request from the National Audit Office (NAO); however, we are proceeding under the assumption that such request will be forthcoming. Accordingly, the proposed fee £3,500 is based on the actual fee raised in 2023/24 audit.

This covers all services provided by us and our network to the Fund, 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.

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10 Communication of audit matters with those charged with governance

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Communication of audit matters with 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

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11 Delivering audit quality

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Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

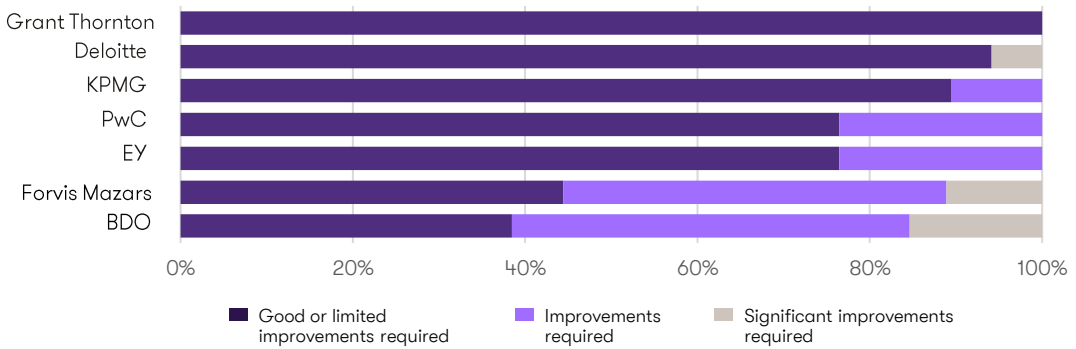
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



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12 Appendices

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The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

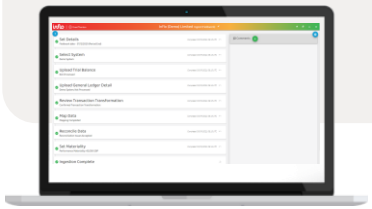


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

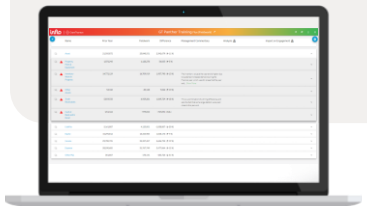


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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Audited body: Kent Pension Fund

Year ended: 31 March 2025

Inquiries of management and others

Inquiries to management	Responses from management 2024/25
General inquiries	
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	The key events and issues likely to have a significant impact on the financial statements of 2024/25 include several transitions and movements resulting from the implementation of the previously agreed investment strategy. These changes will result in changes to asset allocation, returns etc. from previous years. The transitions have been designed to have a positive outcome for the Fund and will not have a significant impact on the financial statements. Additionally, there has been ongoing volatility in global markets this year which will have an impact on asset prices in the short term. The investment valuations are marked to market, however, and will therefore be protected from volatility slightly as a result of the Fund's equity protection programme.
2. Have you considered the appropriateness of the accounting policies adopted by Kent Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	We have considered the appropriateness of the accounting policies and have concluded that no changes are required. There have been no events or transactions that have caused us to change or adopt new accounting policies that differ from those used in 2023..
3. Is there any use of financial instruments, including derivatives? If so, please explain	All the investments made by the Pension Fund except directly held property assets are classified as Financial Instruments. These include derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	All of the Fund's non-current assets are held at market value and there is no impairment required.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Pension Fund requires certain admission employers to put bonds in place issued by financial institutions. There are no other guarantee contracts. Some employers have provided guarantees for admission bodies replacing the requirement for bonds.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Kent Pension Fund during the year. Please indicate where they are working on	The Council has used Invicta Law, and through them engaged legal counsel, to advise on employer admission and regulatory matters. DTZ who manage the Council's owned

open litigation or contingencies from prior years?	properties have used Invicta Law and other 3rd parties for legal advice. The Fund has also used other 3rd party solicitors in relation to investment advice, none of which involved any open litigation or contingencies. Currently, there is no open litigation or contingencies from prior years.
9. Have any of the Kent Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Mercer provide investment advice to the Pension Fund on an ongoing basis. Barnett Waddingham provide actuarial advice on an ongoing basis.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We have considered and identified a need for a credit loss provision for uncollected rental income on directly held property. The provision will be based on the investment managers' assessment of likelihood of non-collection of rents.
Fraud inquiries	
12. Has Kent Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Pension Fund's risk management processes link to financial reporting?	Yes, and we believe the risk of fraud is very low both with regard to external as well as internal fraud. We have procedures in place for the process of investing / divesting from fund managers who also issue internal control reports. With regard to internal fraud officers comply with KCC protocols to assess and identify fraud. In particular they comply with KCC policies and procedures with regard to payment / procurement processes, employee expense and IT security. Segregation of duties, several stages of review/authorisations for payments. Pension payment fraud is managed through ATMOS, Tell us once and NFI, who review the records against the registry of deaths etc. to identify fraudulent continuing claims for benefits. No significant issues noted in this regard. Budgetary control and reporting identifies any areas of significant variance for review and financial reporting.
13. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Refer to above response.
14. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Kent Pension Fund as a whole, or within specific departments since 1 April 2024? If so, please provide details	No.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	A copy of the risk register is reported to every meeting of the Pension Board and to the Kent Pension Fund committee.

5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Kent Pension Fund where fraud is more likely to occur?	The risk register includes: - In-house treasury management risks: use of counterparties, separation of duties, sufficient cover for tasks. - Fraudulent payments to deceased pensioners. ATMOS, tell us one and NFI used to monitor these payments.
6. What processes do Kent Pension Fund have in place to identify and respond to risks of fraud?	Refer to above responses.
7. How do you assess the overall control environment for Kent Pension Fund, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Each year, an annual audit plan is developed that takes into account the risks to the Council. Internal Audit carry out a periodic review of Pension Fund risks. No areas of significant lack of control has been identified either by internal audit or by management. There are internal controls in place to ensure all investment transactions are authorized and that there is separation of duties where appropriate, e.g. re settlement of investment commitments. All reconciliations of transactions are reviewed by a separate person. There is also ongoing monitoring of employer and employee payments, quarterly reporting to the board and committee to identify any unusual variances. KCC measures re procurement / payment processes are applied. No pressure from the S151 officer, committee or board to achieve financial targets and for the override of controls.
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not that we are aware of.
9. How does Kent Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Officers engaged on the Pension Fund are employees of Kent County Council. They are expected to comply with KCC standards and follow KCC policies which include staff code of conduct, anti-fraud corruption strategy and anti-bribery policy. There is e-learning provided to support the prevention and detection of fraud. KCC has a whistle blowing policy and the counter fraud team undertakes fraud awareness presentations. Staff are encouraged to raise all financial irregularities with internal audit.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	S151 officer has delegated authority to spend up to £1m. In practice they work with the Chair of the Committee implementing committee decisions including investment decisions. There are internal controls in place, with staff expected to follow KCC policies and guidelines. Segregation of duties.
11. Are you aware of any related party relationships or transactions that could give	No, not that we are aware of.

rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Officer and member declarations are required for setting up suppliers, committee decision-making. Commissioning category managers also vet new suppliers.
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	Counter fraud reporting to the Governance and Audit Committee at each meeting. The Governance and Audit Committee has the ability to call in any manager to question their arrangements in addressing the risks of fraud. There have been no cases of reported fraud.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	KCC has a whistle blowing policy and no complaints reported.
14. Have any reports been made under the Bribery Act? If so, please provide details	None.
Laws and regulations	
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Kent Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?	Contractual arrangements with service providers including investment managers include regulatory compliance requirements. Managers keep abreast of regulations through receiving communication from the LGA, DLUHC, Scheme Advisory Board, the Fund actuary – Barnett Waddingham, and investment consultant – Mercer. The Pensions Regulator (tPR), Pensions Ombudsman, Internal Dispute Resolution Procedure (IDRP). CIPFA Staff and member training programme, e.g. re the Pensions Regulator code of Practice 14. Report non-compliance to tPR. The annual review and update of the governance compliance statement ensures a review of compliance with LGPS regulations. The Head of Pensions and Treasury is a member of the Scheme Advisory Board's Investment, Engagement and Governance Sub-Committee, and as such has regular meetings with Government officials. This enables the Fund to keep well informed of any regulatory changes. The implications arising from the McCloud remedy could have some impact on the financial statements of the Fund, including potentially increased liabilities and the addition of disclosure notes, though the impact is not expected to be significant.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Reporting to the Pensions Board and Committee who are responsible for governance. Annual review and completion of the Governance Compliance Statement
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25	None.

financial statements? If so, please provide details	
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	None.
5. What arrangements does Kent Pension Fund have in place to identify, evaluate and account for litigation or claims?	The Head of Pensions and Treasury liaises with the Pensions Administration manager to identify issues.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None.
Related parties	
1. Have there been any changes in the related parties including those disclosed in Kent Pension Fund's 2024/25 financial statements? If so please summarise: • the nature of the relationship between these related parties and Kent Pension Fund • whether Kent Pension Fund has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	None.
2. What controls does Kent Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	KCC procedures – Members and senior officers are required to complete declarations of interest which are reviewed during the year end accounts closure. Information is collected via the early return process by KCC.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	All such transactions and arrangements require authorization by senior KCC officers in line with the KCC procedures. Normal KCC procurement and payment procedures apply.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	All controls on the authorization of such transactions are in line with KCC procedures. The Financial Regulations and the delegation matrix sets out the responsibilities that are to be followed. There are 'how to buy' and other guidance on procurement processes. All payments and procurement follow the same rules.
Going concern	
What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Kent Pension Fund will no longer continue?	The Fund undertakes regular cashflow monitoring and forecasting to ensure there is sufficient funds in the short term as well as long term to pay benefits as well as investment commitments. The triennial valuation exercise carried out by the actuary assesses the funding level of the Fund and sets contribution levels to ensure long-term affordability and sustainability. Regular monitoring of investment performance and income collection ensures that timely

	actions are taken to protect the financial position of the Fund.
Are management aware of any factors which may mean for Kent Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
With regard to the statutory services currently provided by Kent Pension Fund, does Kent Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Kent Pension Fund to cease to exist?	Yes – we expect to continue to deliver services for the foreseeable future. The Fund is set to undergo it's triennial valuation this year (as at 31 March 2025) but had a very strong funding position of 102% at the previous triennial valuation. Officers have been implementing investment decisions following a previous review of the strategic asset allocation, to ensure that the Fund can continue to deliver for the foreseeable future and to potentially further strengthen the funding position.
Are management satisfied that the financial reporting framework permits Kent Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – management are satisfied that we can continue to prepare financial statements on a going concern basis and that this basis provides a faithful representation of the items in the financial statements.
Accounting estimates	
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Significant estimates relate to the levels 2 and 3 investments, primarily property investments and Private Equity and Infrastructure Funds. Estimates are also required in calculation of actuarial pension fund liability.
2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?	Having identified the areas of significant estimation involved, management ensures that the they employ the services of regulated and certified experts that are best placed to undertake the estimation following guidance, regulations and best practice. Property Valuation is undertaken by independent valuer (Colliers) and these are validated by the property manager DTZ. Private Equity and Infrastructure Funds are valued by the Fund Managers in accordance with the applicable accounting standards and laws. Internal control reports provided by these managers provide assurance on the controls on valuations in their organisation to ensure that risk related to estimates is mitigated. Pension fund liability estimates are calculated by the Actuary based on actuarial standards and LGPS regulations.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Quarterly reporting provided by investment managers details the methodology of valuations as well as the breakdown of assets that make up the valuations. It also highlights changes in movements in the valuations as well as the factors behind the changes. This would include adjustments for the underlying market conditions as well as the business model and prospects for the underlying investments. This helps the fund to assess the reasonableness of the valuation which often in these cases includes estimation.

4. How do management review the outcomes of previous accounting estimates?	The outcomes of estimated valuations get validated when underlying assets are sold and the valuations are realised or if there is a sudden write down/adjustment required for valuation of assets. The information provided by fund managers in their quarterly reporting, enables the fund to assess the soundness of the estimation and valuation process employed by the managers. Any large unexpected variations in valuations or realised value will trigger an enquiry and review.
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	No changes have been made for 2024/25 for the estimation process.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management pay regard to the specialist nature of investment or liability to determine the need to apply specialised skills or knowledge related to accounting estimates.
7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The level of controls required for specialist services are often dictated by professional standards and overseen by professional bodies which the service provider is expected to be members of. Management can rely on the service providers' accreditation from such professional bodies. Additionally, management takes advice from its investment consultants who carry out the due diligence in respect of the activities of the service provider
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Service providers are required to produce internal control reports that provide independent assurance of the operation of these controls.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: • Management's process for making significant accounting estimates • The methods and models used The resultant accounting estimates included in the financial statements.	Review is undertaken by Senior Management.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	A review is undertaken by senior management. Details of accounting estimates are contained in the statement of accounts which are assessed by external auditors and are challenged and reviewed if needed. The GAC reviews external audit reports, including any recommendations regarding the reasonableness and accuracy of accounting estimates.

	Briefing sessions are also provided to the Committee.
Climate related matters	
1. Is management aware of any climate related legislation or regulation that may impact the entity?	Management are aware of a number of areas of climate-related legislation or regulation which will have an affect on the Pension Fund. The introduction of the TCFD framework on LGPS funds will impact reporting and require increased disclosure on the Fund's processes in identifying, assessing and managing climate risks and opportunities. In addition, the TPR mandates large schemes to consider and report on climate-related risks. The Fund and management work with investment consultants to identify climate-related risks and opportunities to ensure that regulation/legislation is met and risks are mitigated.

Appendix A – Accounting Estimates

Possible examples include: valuation of investments level 2, valuation of investments level 3, valuation of pension liabilities, actuarial PV of retirement benefits, contribution accruals, etc.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of level 3 property investments	RICS valuation – global standards prepared by the Royal Institute of Chartered Surveyors	Considerations of acquisitions and disposals, inspections, tenure floor areas and lettings, market conditions etc.	Yes – registered under the RICS valuer Registration Scheme	These are separate for each asset in the portfolio depending upon the asset and applicable sector, and wider market conditions.	No.
Valuation of level 3 investments	Replacement cost or market approach depending upon stage of direct investments and applying discounts or fair value approach for partnerships.	Free cash flows, EBITDA, entry-level valuation, development in markets, private transactions etc.	Management relies on information provided by the Fund Managers who employ experts.	These are separate for each underlying investment, depending upon the business and applicable sector, and wider market conditions.	No.
Valuation of pension liabilities	Specialist LGPS full actuarial valuation models and stochastic models, developed and maintained in-house, used to project and discount future benefits using assumptions in line with the Fund's Funding Strategy Statement. Both assets and liabilities are typically smoothed over the 6-month period centred on the valuation date, although unsmoothed values are recorded and used as the basis for accounting	Validation of full membership extracts are conducted using in-house online data checking tools. Validation of intervaluation cashflow data is also performed to ensure consistency with membership data. Updated market-related information, stochastic modelling and three to five year longevity/demographic experience analyses	Fund actuary – Barnett Waddingham	Financial and demographic assumptions are used for estimation, as are the agreed probabilities of success used to derive prudence margins within discount rates. Key uncertainties are covered in analysis and reporting (examples for the 2022 valuation include: McCloud; LGPS cost management reviews; potential to move to quadrennial valuation cycle; climate change risks). Alternative assumptions are	No.

	exercises.	**are used to set assumptions on projected returns, levels of prudence, discount rates, salary and price inflation and demographic factors.**		**considered as part of agreeing initial and final valuation results, including using the output of sensitivity analyses undertaken.**	
Actuarial PV of Retirement Benefits	**Latest full triennial valuation projection of future cashflows adjusted for inflation as per IAS 26 requirements, rolled forward annually with assumptions complying with IAS 19 requirements.**	**Validation of member and cash flow data, as well as updated information on interest rates, inflation and demographic data.**	**Fund actuary – Barnett Waddingham**	**Per IAS26, financial and demographic assumptions are used for estimation, including an evaluation of alternative assumptions, and sensitivity analysis is undertaken.**	**No.**
Contribution Accruals	**Employer and Employee contributions are accrued based on Employer Monthly Returns (EMR) or i-connect returns received from employers at the end of each month.**	**Employer contributions are validated against actuary certified rates. Accruals are checked against actual receipts for accuracy and/ or previous EMR/iconnect returns. Additionally, year-end reconciliations of contributions are carried out between employer and Fund's records.**	**Fund actuary – Barnett Waddingham provide employer contribution rates used.**	**Contribution accruals are based on monthly returns provided by employers (EMRs and i-connect returns). There is low level of uncertainty involved in these estimates as the employer returns are based on monthly Payroll figures provided by the employers and therefore no alternatives are considered.**	**No.**

COUNTER FRAUD PROGRESS REPORT 2024-25

01 October 2024 to 31 December 2024

Introduction

The roles of the Counter Fraud function are to:

- Receive, track and, where required, investigate financial irregularities (fraud and error) that occur within Kent County Council;
- Provide advice and support to management in mitigating the risk of financial irregularities occurring within their area; and
- Provide awareness and assess the risk of financial irregularities with management and front-line staff.

The Counter Fraud team work alongside Internal Audit as one function to support work in providing an independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives.

The Governance and Audit Committee are asked to:

- Note the Counter Fraud progress report for 2024/25 and reported irregularities from 01 October 2024 to 31 December 2024;
- Note the progress of the Counter Fraud Action Plan for 2024/25.

Key Messages

- Actual loss: Actual losses amount to **£612,962** with the majority subject to full recovery;
- A rise in procurement referrals is showing a greater awareness of this risk within Directorates;
- Kent Intelligence Network (KIN) outcome for the period April 2024 to December 24 has identified **£1.8m**;
- Counter Fraud Plan: Updates on progression against the Counter Fraud Plan can be found within the report and at **Appendix B.**
- The biennial National Fraud Initiative has been released with the outturn shown in **Appendix C**, work is underway to review and clear the matches either by Counter Fraud or the service;
- A review of the Counter Fraud Service against the Fighting Fraud and Corruption Check list has been completed and can be found at **Appendix D.**

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Proactive Work – October 2024 to December 2024

Awareness Campaigns

In November 2024 a Knet campaign was run which coincided with International Fraud Awareness Week, this included raising awareness of, Fraud, Bribery, Cyber Crime and Whistleblowing.

Additionally, awareness sessions have been delivered to Libraires, Registration and Archives Senior Leadership Team and Prospective Head Teachers.

There has also been attendance at the Serious and Organised cross directorate working group to share intelligence and knowledge of fraud risks.

Fraud Risk Assessments.

Counter Fraud have had initial discussions with those leading the Highway Term Maintenance contract on questions to be asked within the invitation to tender to bidders on their approach in preventing fraud within the contract. Once the selection has been completed, this will prompt a full Fraud Risk Assessment to be completed.

Engagement with Public Health has occurred in assessing the risks within a number of contracts being delivered by third parties in relation to stop smoking and drug and alcohol services as part of their transformation programme.

Engagement with a new process to agree the acceptance of grants has ensured there is a prompt for officers to engage with the Counter Fraud team to assess the risk of fraud ahead of accepting the grant.

Work with the Commercial and Procurement Team has seen standard templates updated to included questions on how businesses will meet the principles of failure to prevent fraud within the Economic Crime and Corporate Transparency Act. This has been trialled in a procurement exercise within GET, with most bidders providing robust responses that can be evaluated and provide better information to build a fraud risk assessment against.

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Irregularity Referrals – October 2024 to December 2024 Overview

A further 109 irregularity referrals were received from October 2024 to December 2024, bringing the total number of referral to 375. This is an increase of 32 referrals (10**%)** against the same period on previous years referrals. An increase in referrals is a good indication of awareness of the need to report irregularities to Internal Audit and Counter Fraud to assess where an investigation is required, ensure risks are assessed and mitigated, identifying lessons to be learnt and financial recovery occurs.

As shown in the subsequent slides and **Appendix A**, there has been increases in irregularities relating to:

- Contract Management – Invoice of services not delivered/ overpayments due to data inputting errors;
- No Recourse to Public Funds (NRPF) – Increase in the number of people claiming support due to destitution and not being able to access public funds;
- Blue Badge misuse – Use of stolen and deceased badges in particular;
- Now reporting irregularities relating to home to school transport.

The types and volumes of irregularities reported are shown in Appendix A

National Fraud Initiative

The National Fraud Initiative (NFI) is operated by the Cabinet Office and it mandates that Local Authorities provide data to detect fraud and error, with fines being imposed for non-compliance. The NFI is run every two years and requires specific data sets to be provided for this purpose. The Counter Fraud Team have engaged with relevant system owners who have extracted and submitted this data to the NFI, this was completed in October 2024.

Unfortunately due to a legal issue with the Department of Health, social care data is not currently included in the data submission which could identify payments made for deceased people and undeclared income in the financial assessment of social care. Engagement with the Cabinet Office has occurred who have informed legislation is currently being progressed and it is hoped social care data will be included in future submissions.

Results of the NFI output and a description of the match can be found in **Appendix C.** It is worth highlighting that the matches are not confirmation of fraud occurring but an indicator. False positives can occur due to data quality issues.

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Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health

There has been a further 9 irregularities (excluding blue badges) reported to Internal Audit and Counter Fraud between October 24 and December 24, bringing the total number of referrals to 39.

Procurement

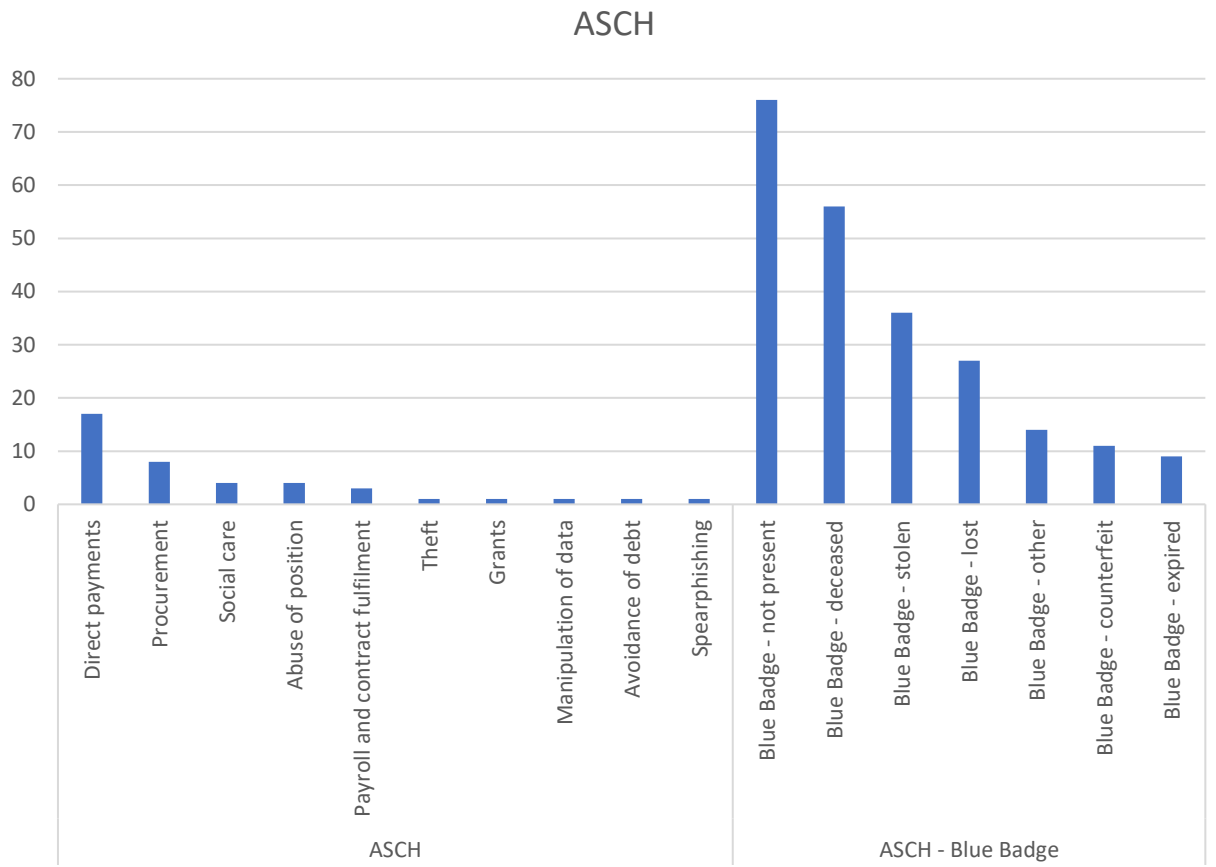
- A further referral (in addition to the five referrals already received) has been received relating to provider invoicing which are currently being progressed with the service to identify what losses may have occurred.

Theft

- Theft of a KCC laptop

Direct Payments

- Three cases relating to irregularities within direct payments that are awaiting allocation.



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Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health - Continued

Blue badges:

There has been a further 58 referrals relating to blue badges received from October to December 2024, bringing the total number of referrals in 2024/25 to 216 which is comparable to the same level of referrals received in the same period for 2023/ 2024. The outcomes of these referrals are:

- 171 Penalty Charge Notices being issued across Kent resulting in an estimated £6,000 of additional parking revenue.
- 100 Warning Letters to reminder users of the appropriate use
- 1 prosecution
- 54 badges removed from being misused

The team have progressed a successful prosecution in December 2024. The person received a £256 fine, ordered to pay a £102 victim surcharge and pay the full prosecution costs of £1,014. The person stated she found the blue badge in a car park and kept it as she thought she would use it when needed.

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Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education

No Recourse to Public Funds:

The Counter Fraud Team provide a due diligence check to validate someone's circumstances when applying for funding under the Childrens Act.

There have been a further 8 referrals for destitution checks from October to December 2024, bring the total number to 24.

Through these checks, positive assurance can be provided to CYPE that the person is destitute and public funds are being used to support KCC statutory duties.

Direct Payments:

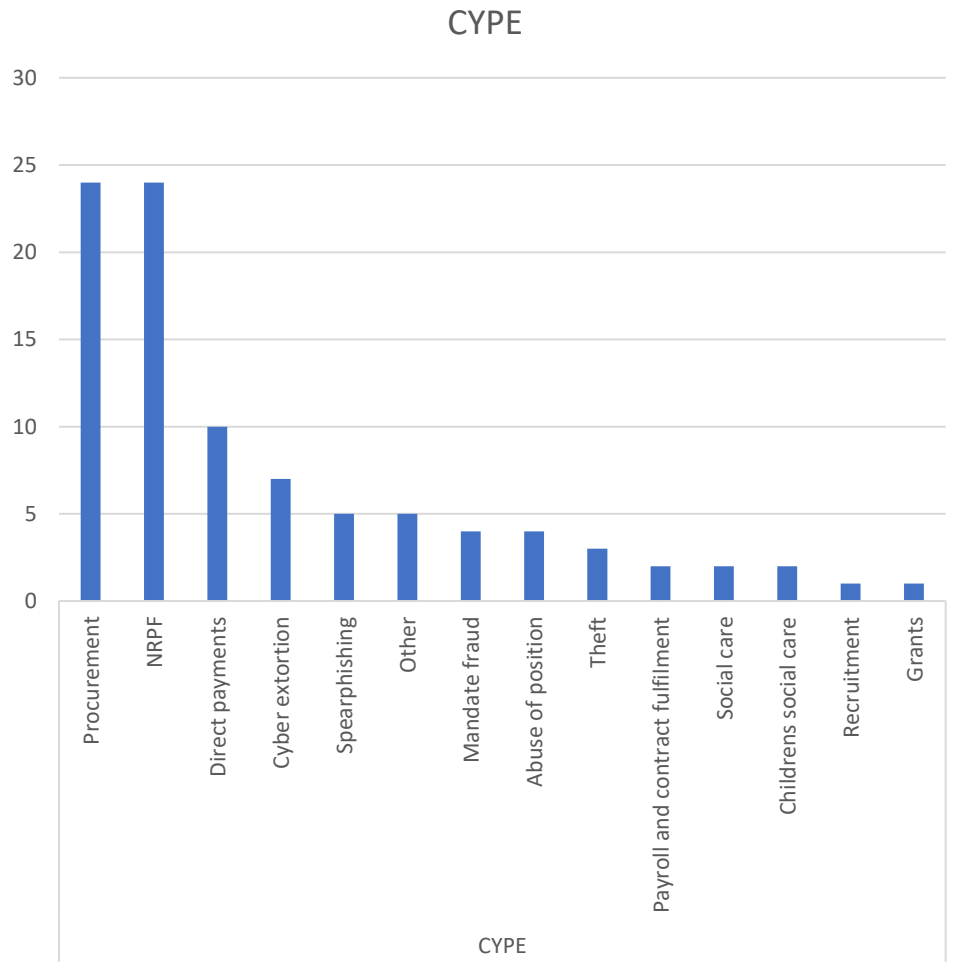
There has been one referral received with a minor loss of £423.

Cyber Fraud/Spear Phishing

Schools continue to be targeted, with 2 further referrals relating to requests to make payments. No actual losses have occurred, there is a prevented loss of £5,850 bringing the total prevented to £41,640 due to the good awareness of these frauds within the reporting schools.

Recruitment

One referral has been received following a complaint from a member of the public who had signed up for a course on the basis they would have a job on completion which did not materialise. This has been referred to Management who have ended the contract with the provider.



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Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education - Continued

Contract Management (Procurement)

Irregularities within the invoicing of Home to School transport by taxi companies have resulted in an increase of referrals relating to invoicing for services not being delivered. These irregularities are managed by the Transport Team within Growth Environment and Transport. The Transport Team identify these irregularities through the checking of invoices and school attendance, the amount overclaimed is then netted off future payments or via invoice if this is not possible. Warning letters are issued to Taxi firms to change behaviour, with contracts being suspended or withdrawn if the behaviour does not change.

For the period April to August 2024 there were 15 cases reported with a value of £29,649 of invoicing for services not being delivered.

Fostering Maintenance Fees:

There has been one reported overpayment relating to maintenance fees, with an actual loss of £7,784, which is subject to full recovery.

Payments continued to a guardian who received payments following a change in circumstances relating to the person they were caring for.

Imprest:

A Management letter has been issued to CYPE to address issues in the management of Imprest within the service. Issues identified included:

- Location and use of safes to store imprest cash were located in open shared offices and were being used to store items not related to imprest;
- Improvements needed in the actions to authorise cash withdrawals and cash reconciliations;
- Training of imprest operators and holders on their roles and responsibilities to meet the requirement of cash handling and operating an imprest;
- The need to update central records of current imprest holders and operators to ensure effective communication of any updates in policy and procedures;

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Irregularity Referrals by Directorate and Fraud Type – Growth, Environment and Transport

Concessionary fares:

4 further referrals relating to misuse of people's concessionary bus pass have been reported. The actual loss is difficult to calculate, however the Department for Transport places a potential loss of £113 where fares are misused through the avoidance of paying bus fares.

Procurement

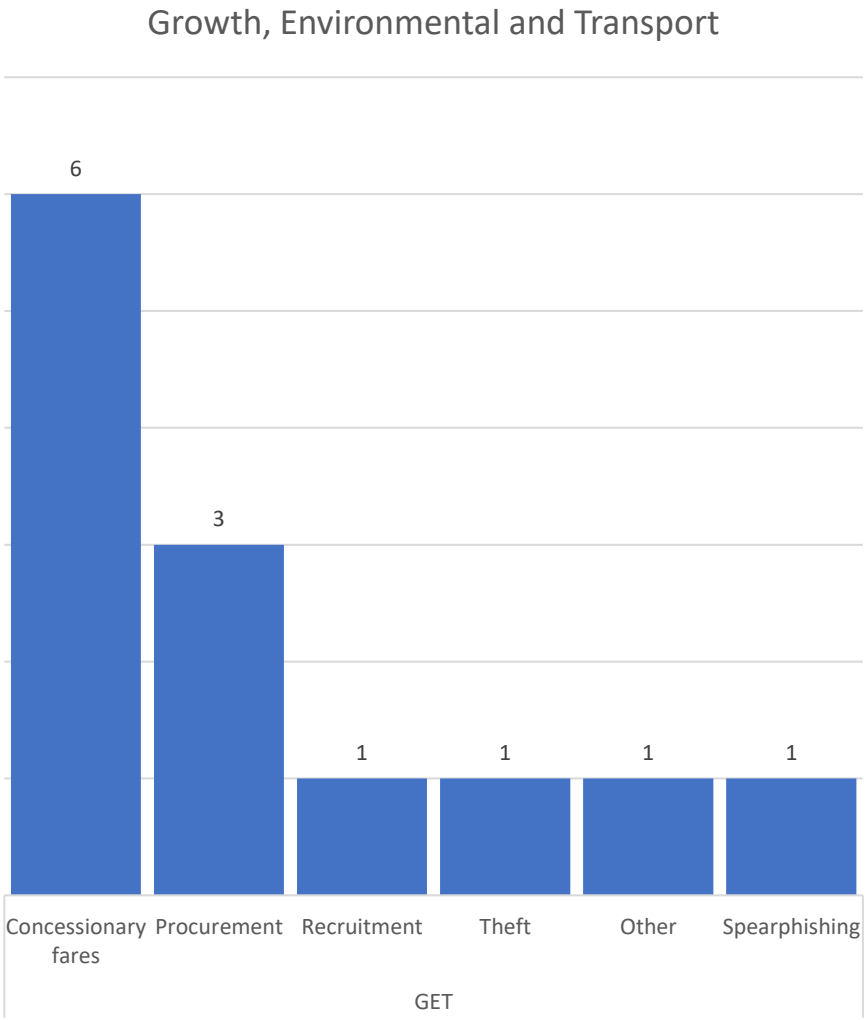
1 referral in relation to procurement issues is currently under investigation, the 2 other referrals related to home to school transport which are now reported under CYPE.

Blue Badges:

Although the Blue Badge scheme is administered by ASCH, the majority of misuse occurs within on-street parking bays, thus having an impact on the amount District/ Borough Councils receive from this income and in turn the amount they could potentially return to KCC.

Spear phishing

One attempt to obtain financial information has been reported with appropriate action being taken to alert Cantium and not engaging with person.



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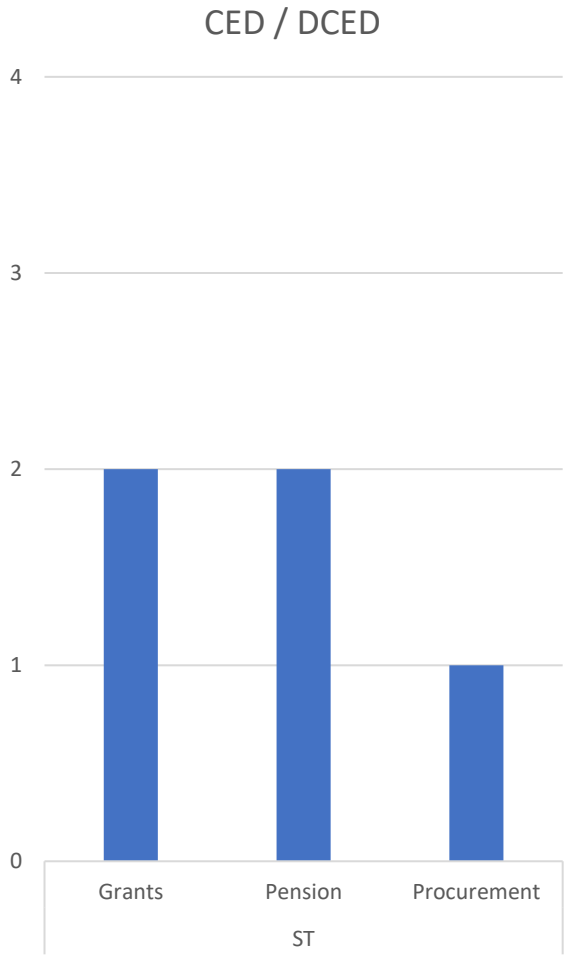
Irregularity Referrals by Directorate and Fraud Type – Chief Executive/ Deputy Chief Executive Departments

Pensions

A further referral has been received relating to an alleged false representation of health in an early retirement due to health case. HR reviewed the circumstances of the case and the records provided to support the application and found no case to answer.

Procurement

One referral has been received and is currently under investigation.



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Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 December 2024

The KIN continues to provide valuable financial support to KCC, Police, Fire Authority and District Councils and the outcomes for the period 1 April 2024 to 31 December 2024, set out below, show the results and financial returns achieved.

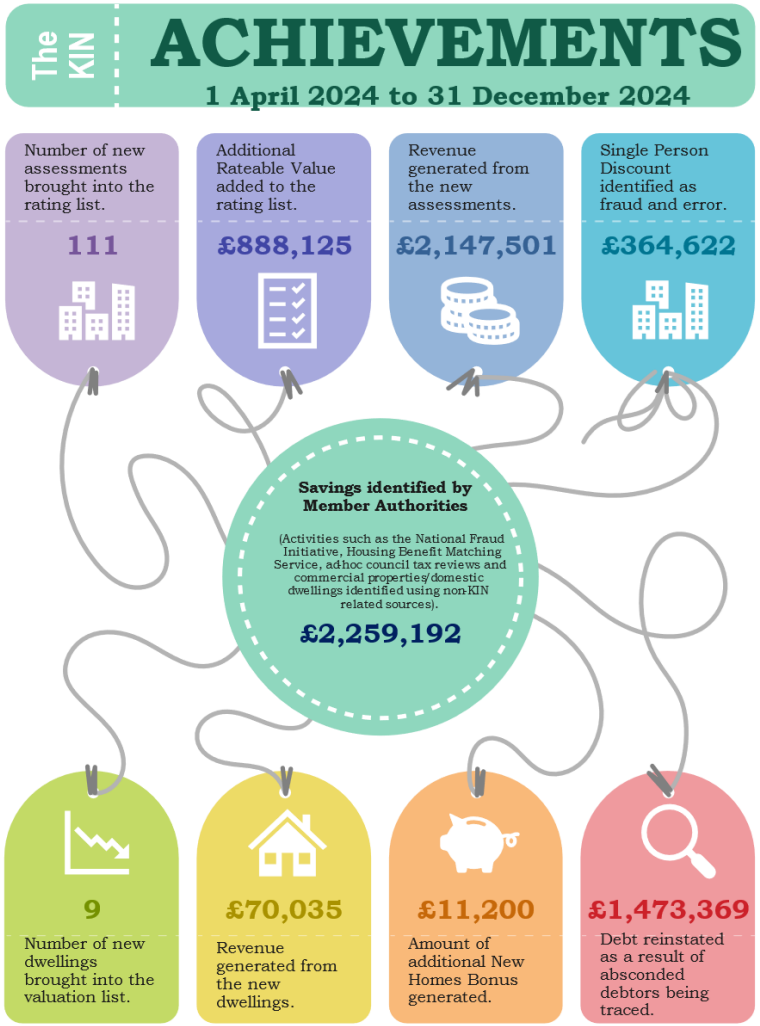
Business Rates

111 commercial properties, amassing a combined rateable value of £888,125, have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the businesses occupying these properties are now liable for business rates.

The additional business rates revenue generated from the identification of these missing properties is £2,147,501, of which broadly 9% (£193,275) comes to KCC, once collected, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £862,396; and
- A 'future loss prevention' provision of 3 years of £1,285,105. This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

It is also pertinent to highlight that on 31 December 2024 there were 100 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 138 cases which are currently under investigation by billing authorities.



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Council Tax

The KIN also helped to identify dwellings missing from the valuation list and an additional 9 dwellings have been identified in this financial year.

The additional council tax revenue generated from the identification of these missing properties is £70,035, of which broadly 73% (£51,125) comes to KCC, once collected, is a combination of the following:

- The total amount of council tax billed for both the current financial year and previous financial years is £20,034; and
- A 'future loss prevention' provision of 3 years of £50,001. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

It is also pertinent to highlight that on 31 December there were 7 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 10 cases which are currently under investigation by billing authorities.

Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts and KCC. It is estimated that the 9 dwellings identified will generate £11,200, of which 20% (£2,240) comes to KCC.

In respect of the £1,473,369 that has been traced from absconded council tax debtors, this will generate additional income for KCC, depending on the amount that is collected. Even if a bad debt provision of 30% is applied to the amount of debt brought back into recovery, KCC would broadly receive 73% of £1,031,358, once collected, and this would amount to £752,891.

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Finally, the proactive work being done in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £364,622, of which broadly 73% **(£266,174**) comes to KCC, once collected.

In total, the financial benefit to KCC from the KIN related initiatives and successes detailed above amounts to **£1,265,705**.

It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:

- A grant of £400,954 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.
- A grant of £19,710 towards a product that helps to trace absconded council tax debtors.

Solely in respect of KIN related work, the financial return to KCC so far for 2024/25 is **£845,041** (this figure is derived from the total financial benefit to KCC, less the grants given to billing authorities to help achieve the outcomes detailed above).

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Counter Fraud Action Plan 2024/2025

Updates to the 2024/25 Counter Fraud Action Plan are set out in Appendix B.

The balance between pro-active and re-active work continues to be a challenge within resource levels. Resource levels below include staff working within the shared service with Tonbridge and Malling Council (0.2 FTE Counter Fraud Manager, 1 FTE Counter Fraud Technician & 0.8 FTE Intelligence Officer).

The Action Plan is being delivered for 2024/ 25 with an increase of awareness being seen through more irregularities being reported, this helps inform areas of risk and where needed inform audits in these areas.

Counter Fraud Resources

Position	Current number of employees
Counter Fraud Manager	1
Counter Fraud Specialists	3
Counter Fraud Technician	2
Intelligence Officer	0.8
Intelligence Assistant	1

Two of the team are on maternity leave, with one position being filled through another member of the team acting up (with their position being backfilled with a temporary contract) and temporary contract for the other position.

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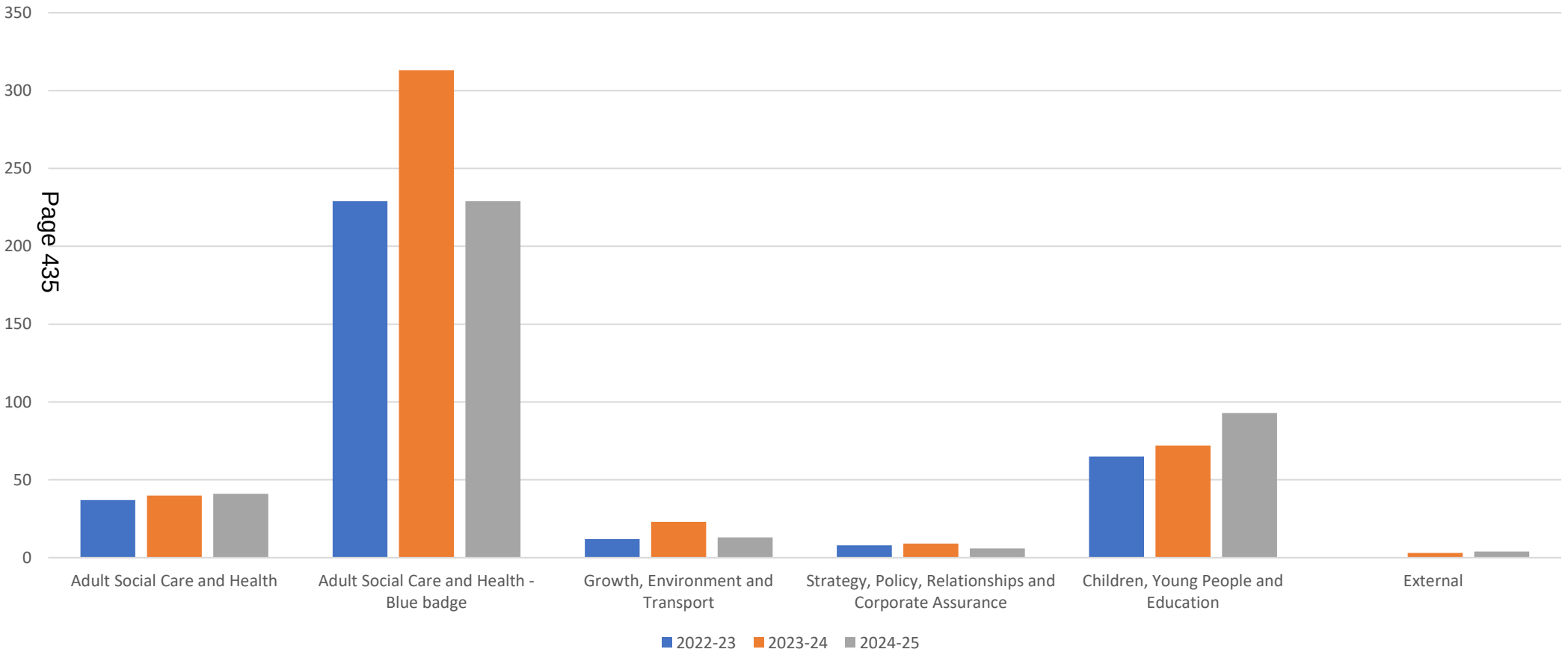
Appendix A - Year on Year Comparison – by Directorate

While Blue Badge cases still represent the largest number of referrals the Counter Fraud service receives, there has been increases of referrals in relation to contract management (procurement). ASCH and CYPE represent the highest proportion of our caseload.



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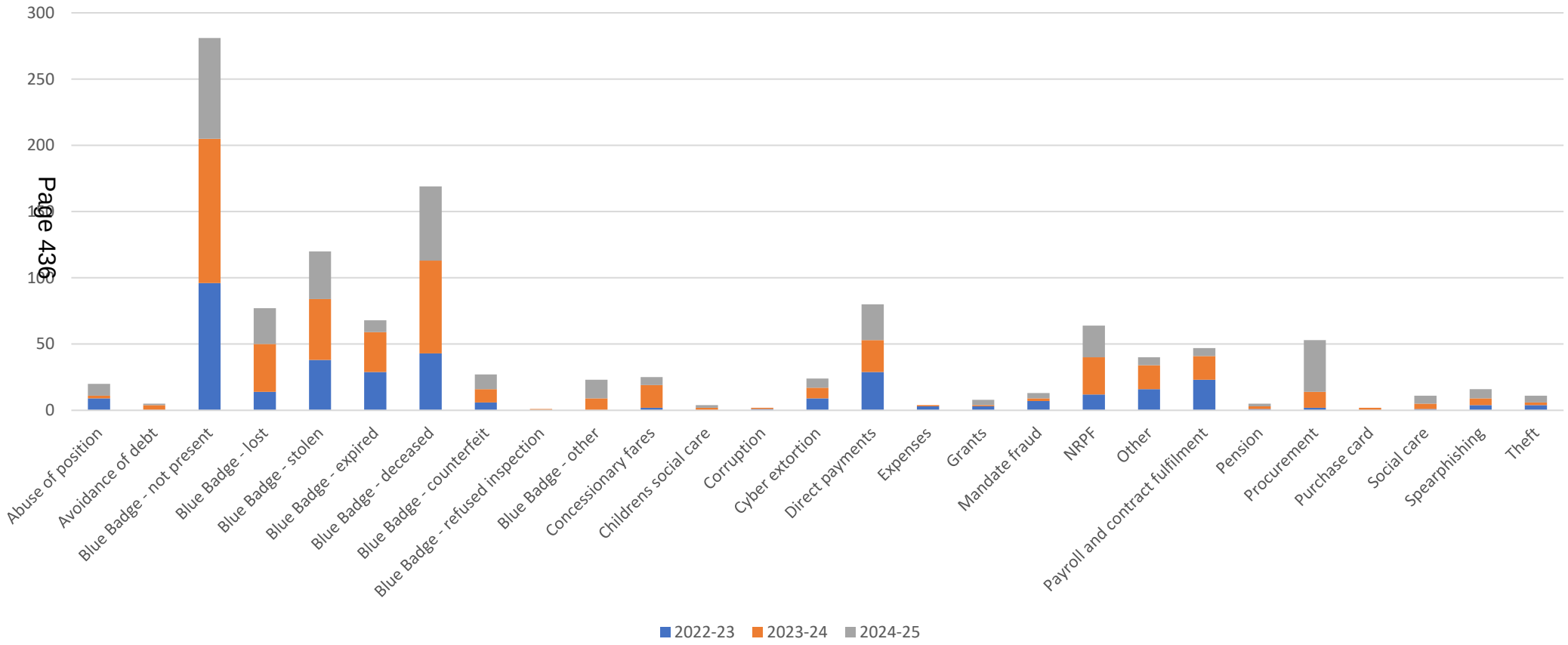
Appendix A - Year on Year Comparison – by Fraud Type

This slide demonstrates that Direct Payments have historically been the biggest risk of fraud after blue badges. This year however, the number of procurement related and NRPF referrals received has a greater financial risk to KCC.



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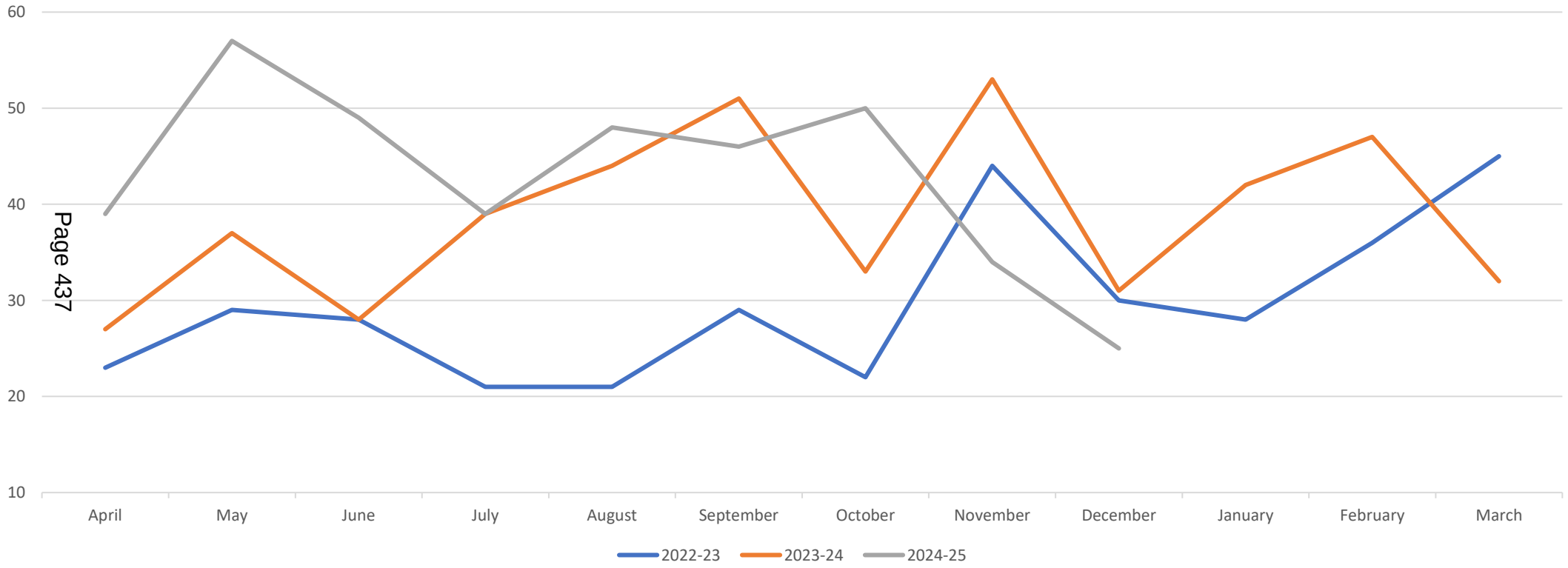
Appendix A - Year on year comparison – by Month Received

Referrals from April to December 2024 are still averaging over 40 per month.



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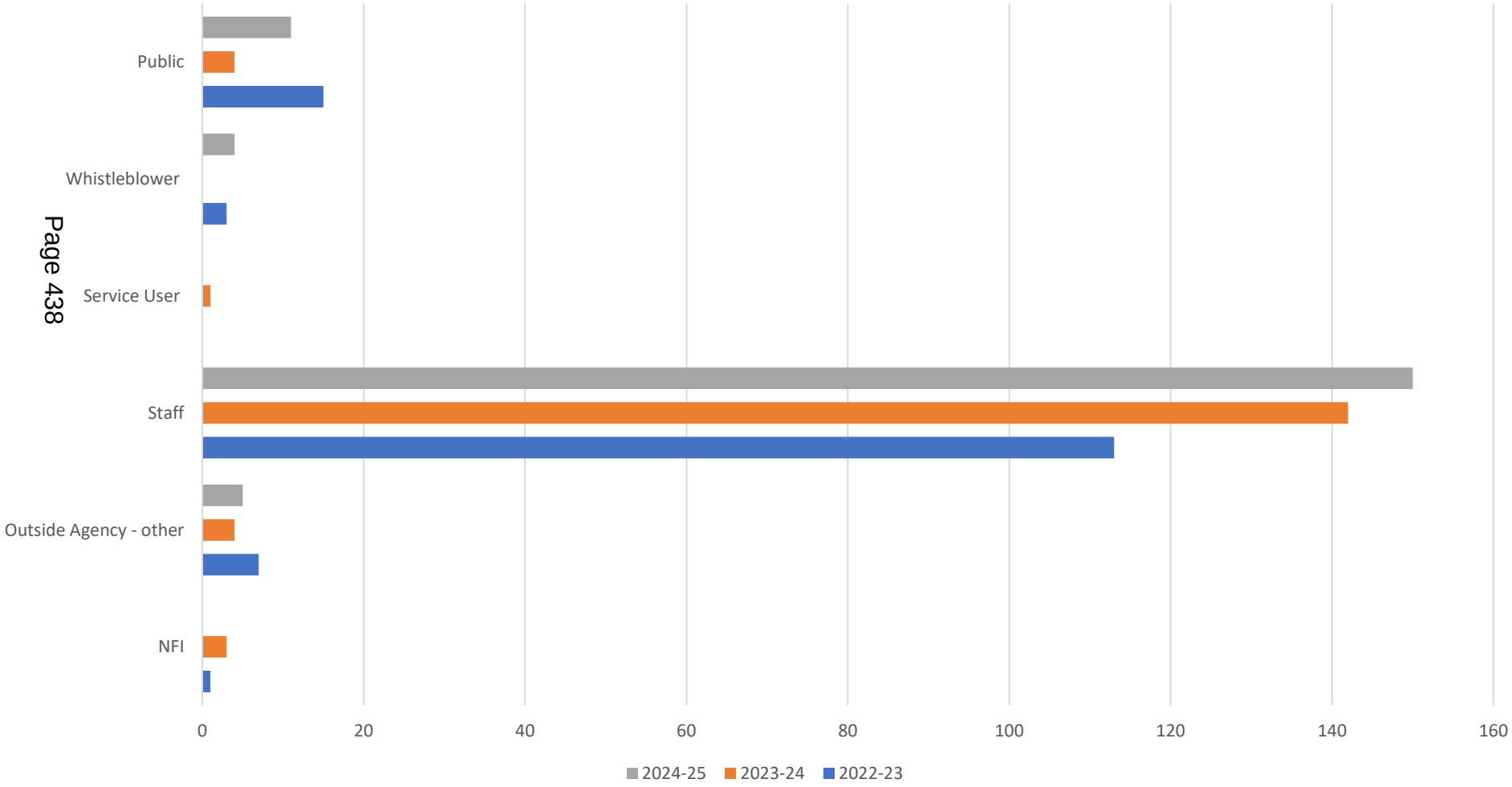
Appendix A - Year on Year Comparison – by Source of Referral

Relationship management/ awareness is working as in most cases, the number of referrals received from KCC staff is increasing.



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Appendix A - Year on year comparison – by outcome

The increase in the number of referrals, in particular blue badge referrals, has resulted in some referrals not being progressed due to work on more complex cases taking priority.



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Blue Badge Referrals – By type and Referring Parking Team

Ashford Borough Council continue to detect more blue badge misuse than other District/ Borough Councils, however we continue to see a marked increase of referrals being received from Maidstone and Swale councils.

Blue Badge misuse type	Number of referral
Blue Badge – counterfeit	11
Blue Badge - deceased	56
Blue Badge - expired	9
Blue Badge - lost	27
Blue Badge - not present	76
Blue Badge - other	14
Blue Badge - stolen	36
Grand Total	229

Parking Enforcement area	Number of referrals
Ashford Borough Council	67
Canterbury City Council	19
Dartford Borough Council	2
Dover District Council	3
Gravesham Borough Council	18
Maidstone Borough Council	43
Sevenoaks District Council	10
Swale Borough Council	49
Thanet District Council	2
Tonbridge and Malling Borough Council	1
Tunbridge Wells Borough Council	2
Total	216

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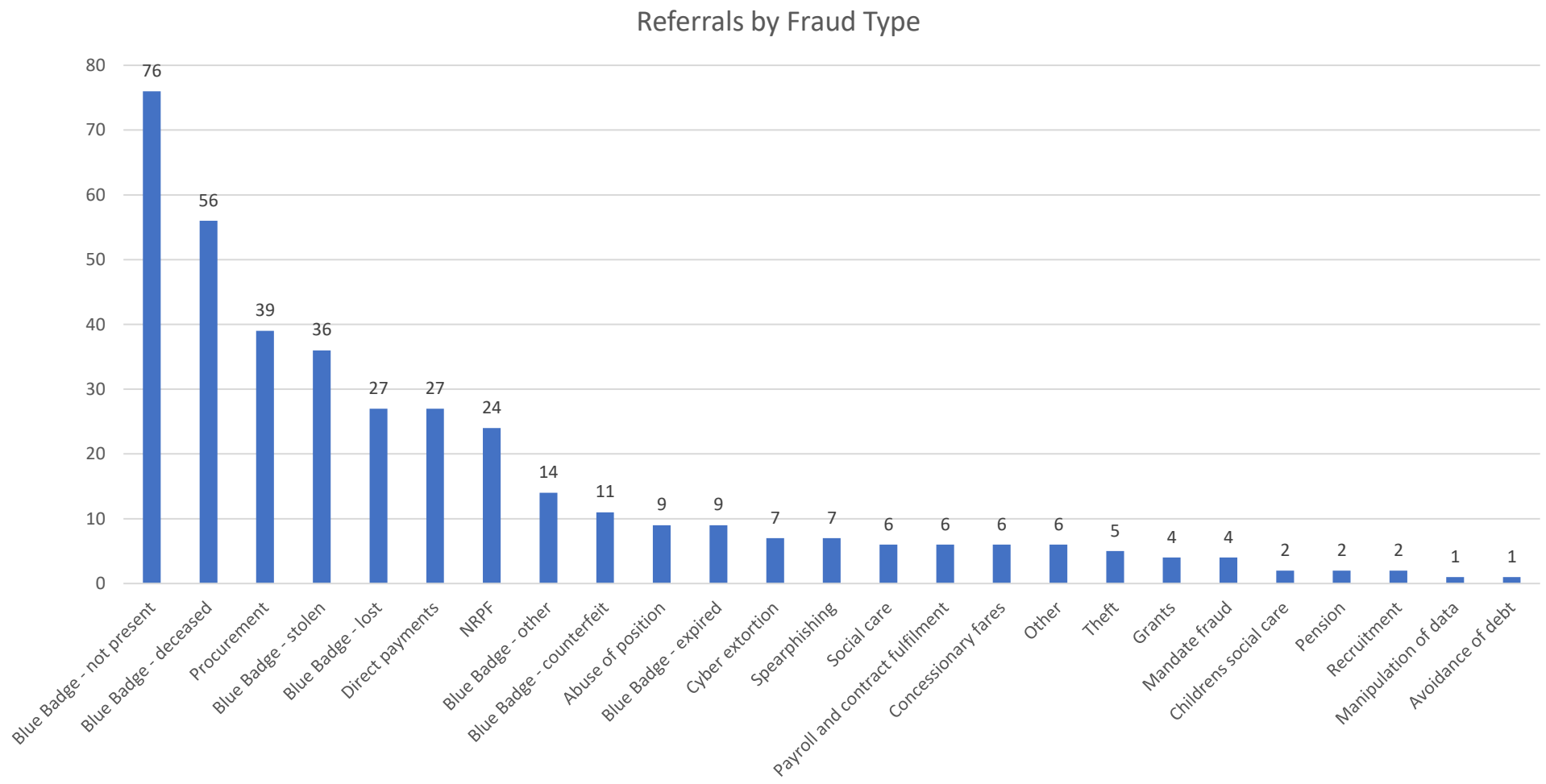

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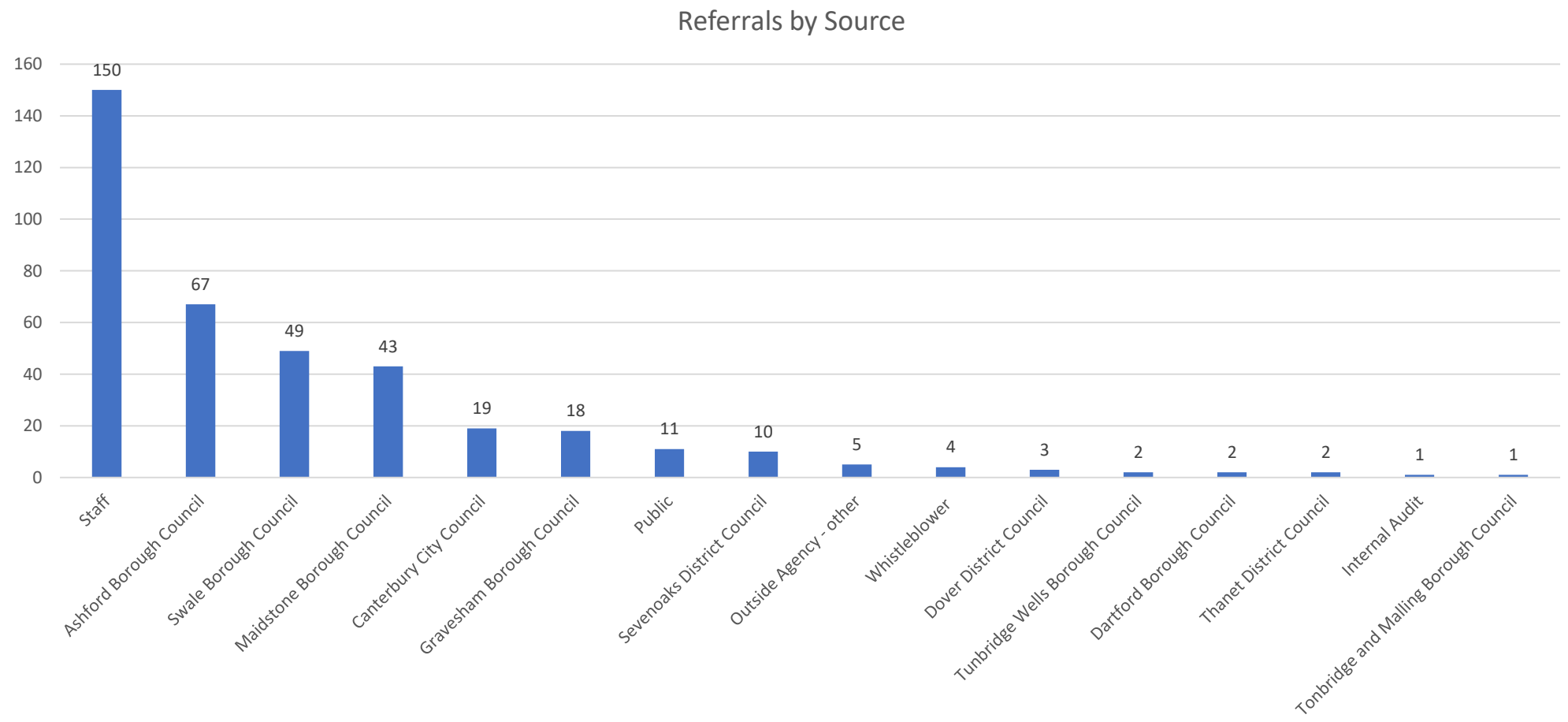

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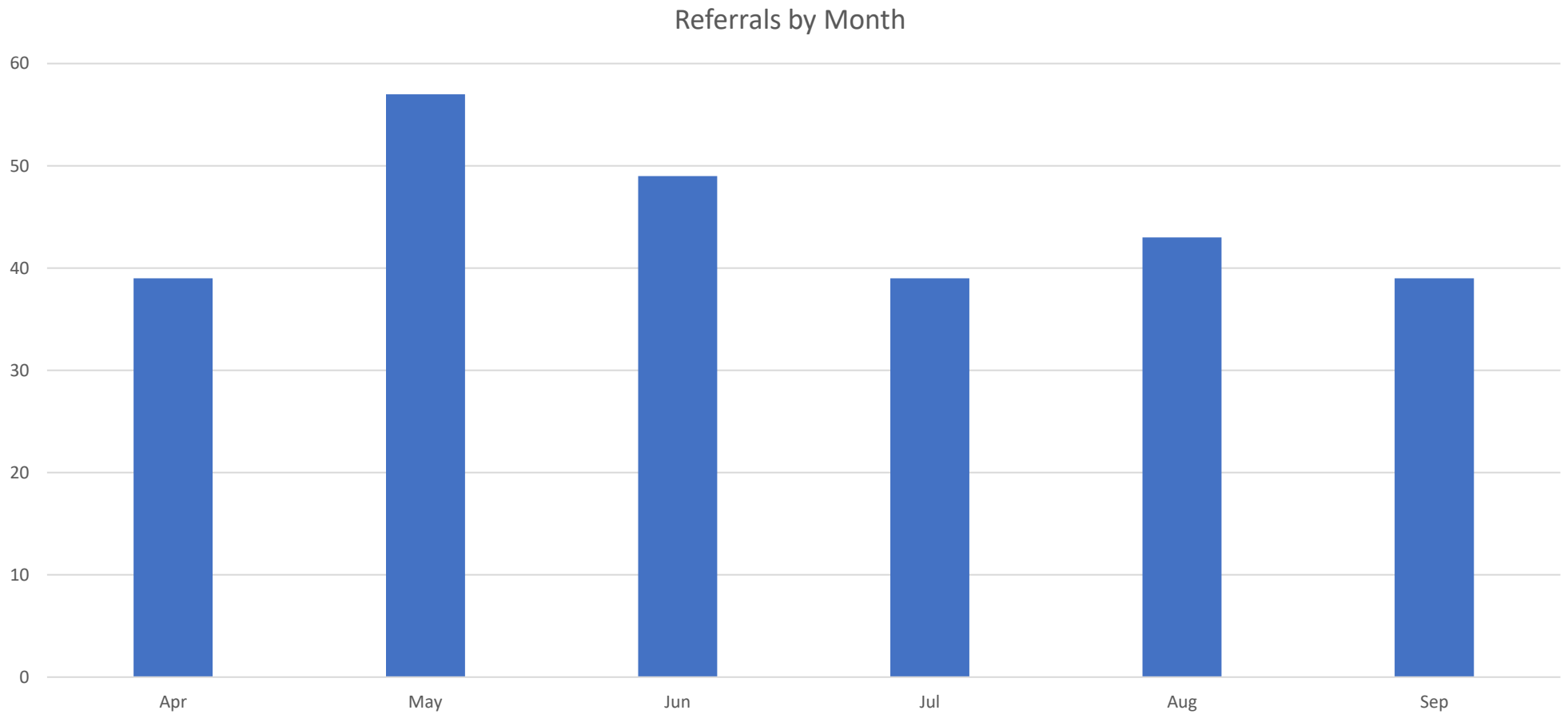

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Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	A quarterly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	In progress – Progress report for 2024/25 reported to CMT and November 2024 G&A. Further Progress report for 2024/25 reporting to March 2025 In addition, fraud and error awareness presentation to Cabinet completed.
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.	In progress – Completed in January 2024, next review reporting to G&A March 2025.
	Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). To work with Governance and Law to embed fraud risk assessments within the Key Decision process.	In progress – see proactive slide. One fraud risks assessment in fieldwork following the identification of fraud. Engagement with Governance and Law to include the need for fraud risk assessment in key decision process. The grant acceptance process also has a requirement for a fraud risk assessment to be completed prior to acceptance.
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.	In progress – Meetings held with senior officers. Attendance at the task and finish group for supporting living to challenge and support management.
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.	In progress – Substantial assurance provided on the whistleblowing arrangements.

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Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture (including failure to prevent fraud) and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.	In progress see proactive section in main report for update.
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.	In progress – Draft engagement plans review by Counter Fraud Manager and/ or Counter Fraud Specialist to provide advice to IA.
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.	Completed – Communication plan supported by internal communications supporting the delivery of key messages.
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Resources will be allocated and based on specific expertise and knowledge – this means matches can be dealt with promptly. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.	In progress – Data specification and project timetable shared with services, data received and uploaded to the NFI. Expecting output from data match mid-December. Engagement with services next step to inform approach to investigate and clear matches.
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents/.	In progress – See update on KIN

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Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Pursue **Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders.** **Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps**	Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; • that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice • the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee • Appropriate sanctions are applied.	In progress – outcomes and referral rates reported in main report.
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.	In progress – SE County Council Fraud Hub engagement, London Fraud Investigation Group engagement, Kent Fraud Panel engagement.

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Appendix C: National Fraud Initiative outturn

Type	Match ID	Match name	Purpose of match	Total number of matches
Pensions	52	Pensions/Pension Gratuity to DWP Deceased	The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.	250
	53	Deferred Pensions to DWP Deceased	The purpose of the match is to identify instances where the former employee has passed away, but payment of any widow/dependant entitlement may not have commenced.	45
	54	Pensions to Payroll	To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally, abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement.	179
	55	Pensions to Payroll	To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally, abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement.	201

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Payroll	65	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time. The criteria for a match are a person having one full-time post plus at least one other post elsewhere. Payroll Data Matched on Email Address or Phone Number: The purpose of these matches is to identify fraudsters that may changed their names or are using false identities to avoid detection. There is evidence to indicate they often keep the same phone number or email address for convenience or to facilitate the fraudulent activity.	6
	66	Payroll to Payroll		49
	67.2	Payroll to Payroll - Email Address		TBC
	68.1	Payroll to Payroll - Phone Number	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time. The criteria for a match are a person having one full-time post plus at least one other post elsewhere. Payroll Data Matched on Email Address or Phone Number: The purpose of these matches is to identify fraudsters that may changed their names or are using false identities to avoid detection. There is evidence to indicate they often keep the same phone number or email address for convenience or to facilitate the fraudulent activity.	1
	78	Payroll to Pensions	To identify cases where employees who have gone back into employment after drawing a pension that could result in an abatement of pension. Although investigation of these cases would normally be undertaken by the pension scheme, details of the matches where earnings in excess of £15,000 (for the six months the data submission covers i.e. £30,000 per annum) have been provided to allow you to identify any sensitive cases i.e. involving senior employees or employees in a position of trust.	7
	80	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account (report 80) or the same address (report 81) to identify employees with interests in companies with which your organisation is trading. This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.	2
	81	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account (report 80) or the same address (report 81) to identify employees with interests in companies with which your organisation is trading This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.	9

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Blue Badge	170	Blue Badge Parking Permit to Blue Badge Parking Permit	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	18
	170.1	Blue Badge Parking Permit to Blue Badge Parking Permit	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	2
	172.1	Blue Badge Parking Permit to DWP Deceased	Individuals who have a blue badge have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified.	2476
	172.7	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	208
	172.8	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	364
	172.9	Blue Badge Parking Permit to Blue Badge Parking Permit - Email Address	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	182
	303	Blue Badges to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1
	304	Blue Badges to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	8

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Concessionary Fares	172.2	Concessionary Travel Passes to DWP Deceased	Individuals who have a concessionary travel pass have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified	3558
	306	Concessionary Travel Passes to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1
	307	Concessionary Travel Passes to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1

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Creditors	700	Duplicate creditors by creditor reference	Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once.	TBC
	701	Duplicate creditors by creditor name	To identify instances where the same supplier has been set up with more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity.	TBC
	702	Duplicate creditors by address detail	To identify multiple creditors operating at the same address. These may represent simple errors, where the same creditor may have been set up twice using a slightly different spelling, for example LIMITED and LTD, or an attempt to obscure fraudulent activity.	19
	703	Duplicate creditors by bank account number	This output shows where the same bank account details appear on more than one record. Of particular interest is where the same bank details are shown against suppliers with different names. These may indicate where a supplier has changed trading name but the standing data has not been updated to reflect this or there are links between companies with different trading names. Please note that some building society accounts are differentiated by sort code, account number and roll number (or personal reference number). Therefore, for such accounts where the roll (or personal reference) number has not been provided, this match may only indicate that the creditors involved share the same building society, not necessarily the same account. This report only contains Creditors for whom raised payable invoices were included within the invoice history data submitted for the NFI. In addition, if the 'Creditor Type' has been provided for each Creditor when submitting your data, and you wanted to restrict your area of investigation, the matches can be filtered to show just those Creditor types you are interested in.	16
	707	Duplicate records by reference, amount and creditor reference	This match highlights possible duplicate payments in excess of £500 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	1
	708	Duplicate records by amount and creditor reference	This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff. There are likely to be more matches than in report 707 as this report does not require the invoice reference field to match. Please Note: Matches involving three or more invoices have been pre-filtered out as our evidence suggests that these are usually periodic payments, for example, monthly building lease or utility payments.	23582
	709	VAT overpaid	This report identifies instances where VAT may have been overpaid. This is based on the information provided within the NFI invoice history data submission and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by the NFI exercise.	127
	711	Duplicate records by invoice number and amount but different creditor reference and name	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	12
	712	Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	2
	713	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	10

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Procurement	750	Procurement - Payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage. To do this we have matched your payroll data to companies house information and then to your creditors data. The reports are split between those highlighting employees who appear to be registered directors of companies that the employing body has traded with (Report 750) and those where the employees address appears to have links to the company directors or the company (Report 752).	3
	752	Procurement - Payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage. To do this we have matched your payroll data to companies house information and then to your creditors data. The reports are split between those highlighting employees who appear to be registered directors of companies that the employing body has traded with (Report 750) and those where the employees address appears to have links to the company directors or the company (Report 752).	11
MOR	9999	Multiple occurrence report	Report 9999 brings together individuals who appear as a match in more than one of the NFI reports. This can alert investigators that there may be more than one issue to consider and potentially save time avoiding duplication of work on a match found later on.	887
Payroll to Council Tax Reduction Scheme	461	Payroll to Council Tax Reduction Scheme	To identify cases where senior employees (or employees in a position of trust) are in receipt of council tax reduction but are potentially not declaring their employment income which may remove entitlement to the reduction or reduce the reduction amount. Refer to the 'Additional Information' below regarding cases where the national insurance number matches but the personal details held on each system are different, as these matches should not simply be ignored.	1
	462	Payroll to Council Tax Reduction Scheme	To identify cases where senior employees (or employees in a position of trust) are in receipt of council tax reduction but are potentially not declaring their employment income which may remove entitlement to the reduction or reduce the reduction amount. Refer to the 'Additional Information' below regarding cases where the national insurance number matches but the personal details held on each system are different, as these matches should not simply be ignored.	1

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Senior Stakeholders	Checklist Requirement	Counter Fraud Lead Assessment
Chief Executive Officer	Ensure that your authority is measuring itself against the checklist for FFCL	CMT Report presented the outcome and actions required to be completed, which will be reported further to the Governance and Audit Committee
	Is there a trained counter fraud resource in your organisation or do you have access to one?	Yes – Five staff (Counter Fraud Manager, 3 x Counter Fraud Specialists and one Counter Fraud Technician) are Accredited Counter Fraud Specialists., one Intelligence Assistant receiving apprenticeship training. .
	Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?	Standalone Counter Fraud Report sent to G&A Committee which covers the work on counter fraud, external audit present at meetings and has access to Counter Fraud Report as a publicly available document.
Section 151 Officer	Is there a portfolio holder who has fraud within their remit?	Yes – Leader of the Council has Internal Audit & Counter Fraud within their portfolio as per the Constitution. In addition, the Deputy Leader of the Council has finance within their portfolio.
	Is the head of internal audit or counter fraud assessing resources and capability?	Yes – a review of resources in 2024/25 identified the need to increase resources due to the increasing risk of fraud being committed against KCC. Awaiting decision of budget.
	Do they have sufficient internal unfettered access?	Yes – However there has been some relevant challenge on access by business units to ensure they are compliant with Data Protection Requirements.
	Do they produce a report on activity, success and future plans and are they measured on this?	Reported via G&A Committee which is issued to CMT, this covered current activity, successes and future plans. However, we welcome feedback from both CMT and G&A to ensure that there is relevant challenge.

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The Monitoring Officer	**Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?**	**Yes – Covered in the Counter Fraud Report.**
	Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?	Yes – Internal Audit and Counter Fraud report directly to Leader of the Council and Statutory Officers in order to maintain independence.
The Audit Committee	Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work.	Yes – G&A receives a at least six monthly reports to keep the Committee informed of proactive and reactive work.
	Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured	Yes – statistical information included within the report that measures the fraud risks facing the authority and how resources are allocated, however this may not be as clear as it should be.
	Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud	Yes – G&A report shared with Leader and Deputy Leader of the Council.
	Should support proactive counter fraud activity	Yes – Comments and feedback during G&A Committee has been to challenge and support the Counter Fraud Team on their activity.
	Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.	Questions and comments received from G&A Committee on the Counter Fraud Report, which includes this review.
The Portfolio Lead	Receives a regular report that includes information, progress and barriers on: The assessment against the FFCL checklist Fraud risk assessment and horizon scanning.	Yes – Portfolio Lead provided of all Counter Fraud Reports that are going to CMT & G&A Committee.

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FFCL Check list requirements	Counter Fraud Lead Response
The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	Fraud and Corruption risk at a strategic level has been assessed and is reviewed regularly by CMT via the risk management process. Directorate/ Divisional Fraud, Bribery & Corruption risk assessments is work in progress due to the size and complexity of the Council. Prompts to complete risk assessments have/ are being embedded into the grant acceptance and key decision processes.. Counter Fraud Action plan is in place and is reported to CMT and G&A.
The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.	The strategic fraud risk has been updated with the harm that fraud does to the community. Horizon scanning occurs as BAU, with national information obtained from NAFN, CIFAS, Action Fraud, CIPFA and National Cyber Security Centre. Local liaisons also occur via the Kent Fraud Panel and the Southern County Council fraud hub to assess trends at a local level. This activity is captured in the Counter Fraud Action Plan.
There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.	As part of the G&A report this will include the outcome of the review against the checklist.
The relevant portfolio holder has been briefed on the fraud risks and mitigation	Fraud Progress report and action plan form part of the report which is shared with the portfolio holder in order to brief them on the fraud risks and mitigation.
The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources	Terms of Reference for the Governance and Audit Committee covers the requirement for them to ensure that the level of activity is appropriate in terms of fraud risk and resources.

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FFCL Check list requirements	Counter Fraud Lead Response
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Revised Anti-Fraud and Corruption strategy is presented to CMT and G&A for review, last reviewed in Jan 2024, with a recommendation that reviewed every two years.
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	KCC Values and Kent Code are designed to ensure staff act in the best interests of KCC ahead of personal interests.
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Fraud and Corruption risks are discussed with Corporate Directors for inclusion on their directorate risk register.
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Partly – Within the report to CMT there will be a need to strengthen this approach within the strategy that requires new policies, strategies and initiatives to consult with Counter Fraud
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Yes – When prosecutions occur press releases are prepared and issued via the Press Office.
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Within the financial regulations there is a requirement for all staff to report financial irregularities to Internal Audit, the Counter Fraud Team monitor these and report up to G&A. This has identified key risk areas for KCC which then feeds into the Counter Fraud Action Plan. Wider communication strategy on the financial regulations is needed and will engage with Finance on supporting their work on communicating financial regulations.

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FFCL Check list requirements	Counter Fraud Lead Response
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: **– codes of conduct including behaviour for counter fraud, anti-bribery and corruption** **– register of interests** **– register of gifts and hospitality.**	Referral rates by fraud type and directorate are captured to provide an indication of where codes of conduct, register of interests and gifts and hospitality have been breached. However, there is no monitoring on when staff have not completed an annual declaration of interests.
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended **in FFCL 2020 to prevent potentially dishonest employees from being appointed.**	Checks on identification, references and qualifications is conducted as part of the recruitment process to identify any false applications by recruitment managers and HR Services. In addition, for KR16 posts and above enhanced vetting process is conducted by the Counter Fraud Team given the significant budget responsibility of these posts.
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	This is included in the Code of Conduct for staff, annual reminders are issued by staff officers of the need to record any offers or acceptance of gifts and hospitality. Additionally, reminders are issued to members by the Monitoring Officer.
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Fraud awareness is available through e-learning and face to face training, risk-based approach in place to raise requests for training that are led by Counter Fraud experts. Furthermore, Counter Fraud awareness is being delivered to management and officers across directorates.
There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Whistleblowing policy is reviewed annually, hotline exists which is managed by Internal Audit and Counter Fraud. Whistleblowing arrangements received a substantial audit opinion in 2024/25.

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FFCL Check list requirements	Counter Fraud Lead Response
Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.	As part of the contract terms and conditions contractors and third parties bound by KCC policies.
Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	A review of resources was completed in 2024/25 that has led to a business case being created to request additional resources.
There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The Fraud Plan along with updates is provided to G&A as part of the quarterly reporting.
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	In place and reported via the Counter Fraud Report.
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	In place via the Financial Regulations, However there has been some relevant challenge on access by business units to ensure they are compliant with Data Protection Requirements.
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.	At present, the information is only captured in the Counter Fraud Report and when prosecutions are successful. Engagement with Communications team will occur to highlight the cases when Internal Fraud Week occurs in November 2020.
All allegations of fraud and corruption are risk assessed.	The National Intelligence Model is used to assess referrals, this includes a risk assessment which takes into account the length of time the fraud has occur, the potential, actual, prevented and recoverable loss, so that resources are used effectively

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FFCL Check list requirements	FFCL Check list requirements
The fraud and corruption response plan covers all areas of counter fraud work: **– prevention** **– detection** **– investigation** **– sanctions** **– redress.**	Fraud Action Plan (Response plan) Includes activity and resources to progress each area.
Asset recovery and civil recovery are considered in all cases.	As part of the investigation plan, asset recovery and civil recovery is a factor investigators have to address during all stages of the investigation.
There is a zero-tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	The Anti-Fraud and Corruption Strategy has a zero tolerance to fraud and requires incidents of financial irregularity to be reported to the HoIA which the CFT monitors, referral rates and outcomes are monitored and reported to G&A a risk assessment is conducted on the cases to determine if suitable for investigation.
There is a programme of proactive counter fraud work which covers risks identified in assessment.	Fraud Action plan includes fraud awareness in key fraud risk areas this is reviewed annually as well as having the ability to be agile to react to emerging risk areas.
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	Collaborative working with District authorities occurs through both the Kent Intelligence Network. In addition Counter Fraud Team is a member of the Kent Fraud Panel which works with Kent Police, Trading Standards and Community Safety.
The local authority shares data across its own departments and between other enforcement agencies.	Use of the National Intelligence Model, allows data to be shared with other enforcement agencies on a case by case basis. KCC subscribe to the National Fraud Initiative which collects data from across a number of departments and external agencies to detect fraud occurring. KCC are also a member of the Kent Intelligence Network which is promoting further data sharing activity to support the detection of fraud.

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FFCL Check list requirements	FFCL Check list requirements
Prevention measures and projects are undertaken using data analytics where possible.	Internal Audit and Counter Fraud have a data analytics strategy, this is evolving to take into account new software and data quality. Internal Audit have a planning step to consider data analytics in all audits. Draft Engagement Plans are reviewed by Counter Fraud for any fraud risks associated to the area being audited which may lead to data analytics being utilised.
The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	Access to Knowledge hub is in place for all CFT members to access.
The counter fraud team has access to the FFCL regional network.	CFT has access to the FFCL regional network.
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	All staff are ACFS qualified and progressing a case to join the Government Counter Fraud Profession.
The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	Through work with services and the Combined Audit Knowledge & Experience there is good access to knowledge on how all areas across the local authority operate. Relationship management is in place to help identify any changes in processes/ practices.
The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for: **– surveillance** **– computer forensics** **– asset recovery** **– financial investigations.**	Expertise is in place within CFT as well as access to further specialist support from Trading Standards (Surveillance, Asset Recovery and financial investigations) & ICT security (Computer forensics)
Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	As part of the investigation process the investigation report provides management with areas of weaknesses in the control environment with recommendations if required being made to capture management responses.

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Item

By:	Roger Gough, Leader of the Council
	Amanda Beer, Chief Executive Officer
To:	Governance and Audit Committee – 20th March 2025
Subject:	**Review of KCC's Risk Management Policy, Strategy and Programme**
Classification:	Unrestricted

Summary:

The Governance and Audit Committee reviews the Council's Risk Management Policy & Strategy and Programme annually.

The Governance and Audit Committee is asked to **approve** the Risk Management Policy & Strategy and **note** the review of the risk management programme.

FOR DECISON

1. Introduction and background

1.1 As part of the Governance & Audit Committee's terms of reference, KCC's Risk Management Policy & Strategy is reviewed annually to ensure that it remains up to date and relevant.

1.2 The document covers a rolling 3-year period to reflect the medium-term nature of the strategy. This has not affected the requirement for the Policy & Strategy to be reviewed and approved annually.

1.3 KCC's Risk Management Policy & Strategy draws on best practice from several sources, in particular the UK implementation of the international standard for risk management, *ISO 31000:2018 Risk management - Guidelines*; the HM Treasury and Government Finance Function's *"Orange Book: Management of risk – Principles and Concepts";* and examples from other organisations. The document is attached in appendix 1.

1.4 The Council's Risk and Delivery Assurance Team acts as corporate advisors of risk at a strategic level and has day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support and training and contributing to the ongoing reporting and analysis of risks. This also includes reinforcing KCC's risk management framework throughout major change activity across the Council. The team looks to continually improve and update corporate risk management procedures based on current best practice and lessons learned and has aligned its work plan with the objectives set out in the Policy & Strategy.

2. Supporting Procedures, Communication and Review

2.1 The Risk Management Policy & Strategy is supported by a Risk Management Toolkit containing more detailed advice and guidance for managers, including a breakdown of risk management processes and other parts of the framework.

3. Review of Risk Management Work Programme 2024/25

3.1 The annual review of the KCC Risk Management Programme, set against the objectives and priorities laid out in the Risk Management Policy & Strategy, is outlined below:

Objective / Action from Strategy	Current Position and Latest Developments
Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.	The Risk and Delivery Assurance Team engages regularly with senior and middle managers, at an individual level and with management teams at corporate, directorate, divisional and increasingly at service level. This involves facilitation, including challenge, regarding suitability and effectiveness of controls, upcoming actions and risk ratings. More service level registers are being added to our risk management database to help provide improved visibility of more service based, operational risks. In 2024, an exercise was conducted to categorise controls listed against risks on the corporate risk register, with findings reported to the Corporate Management Team. Next steps involve assessing key controls for KCC's material risks in relation to purpose, design and operation. Risk Management messages are aligned with business planning processes and timelines. The Risk and Delivery Assurance function has been involved with preparations for the 2025/26 business planning approach for the Council. Behavioural factors important for effective risk management are embedded in KCC values and cultural attributes – for example, effective risk management features as part of the list of corporate responsibilities outlined for all managers at grade KR 12 and above. The Council's Quarterly Performance Report, reported to Cabinet quarterly and County Council annually, contains a section on the Corporate Risk Register,

	including progress against mitigating actions. The Head of Risk and Delivery Assurance and Chief Analyst have been conducting performance and risk related 'deep dives' for Corporate Board, to focus on areas of connection or interdependency. One example is a review of implementation risks and opportunities relating to the telecoms industry-led Public Switched Telephone Network (PSTN) switchover, and assessing progress to date. The Risk and Delivery Assurance Team provides project management briefing sessions to support those looking to attain Association of Project Management (APM) qualifications, helping to build capacity across the organisation to manage significant projects. This has included colleagues in the Strategic Reset Programme Team.
Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.	The Council's Risk Management database is used to capture business risks across the Council, improving visibility and enabling better corporate oversight. As at 12th March 2025, there were 611 open risks on the system (up from 515 last year). Internal Auditors can view the system to aid their audit activity. After its significant upgrade in 2024, a training and support package was rolled out to aid effective use of the system. The upgrade included an Application Programming Interface (API) link to the database information, which has enabled the development of a suite of Power BI Dashboards for CMT and directorates that aids visibility and analysis of risks. Thematic analysis takes place on cross-cutting risks, acting as a prompt for discussions around risk and control ownership and effectiveness of mitigations. MS Teams sites are established for key networks relating to Risk and Project Management, to offer a platform for people in those areas to share information, dilemmas and collaborate.
Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.	A universal eLearning package relating to risk management is available to staff across the organisation, which is complemented by several webinars relating to different aspects of how risk is managed at KCC that are available to view on the Delta learning hub:

	• Managing Risk at KCC overview. • Project and Programme Risk. • Tools and Techniques for identifying risks. • Risk Assessment and Evaluation. • Risk Appetite, Tolerance and Escalation. • Risk Treatment. • Risk Monitoring, Review and Reporting. Bespoke risk management briefings / training sessions are provided either on request, or where the Head of Risk & Delivery Assurance feels it would be beneficial. Risk Management is planned to be part of the induction development sessions for Members post elections in 2025.
Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.	The Risk and Delivery Assurance Function works closely with the Strategic Reset Programme (SRP) Team to understand key risk themes, mitigate risks and improve delivery confidence to get programmes working in the right way to deliver successfully. Delivery confidence recommendations are provided on business cases whilst in development. The team also has an open invitation to attend the Corporate Management Team SRP Programme Board items where there could be significant risks discussed. The SRP, Risk and Delivery Assurance and Internal Audit teams also take an integrated assurance approach, working together on risk management, business case development and programme governance. One example from 2024/25 is the collaboration between the Risk and Audit functions on the Oracle Cloud Programme audit, with the Risk function inputting intelligence to aid the audit activity, as well as conducting ‘critical friend’ reviews of the OCP risk register, and supporting the Programme Team’s ongoing risk quantification work, reporting to the Oracle Cloud Programme Board. There is regular cross-referencing between programme risks and mitigations with the Corporate Risk Register.

Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.	The Council's overarching risk appetite statement is outlined in the KCC Risk Management Policy & Strategy. This is supported by practical guidance for managers regarding risk appetite and tolerance within the Risk Management toolkit. The setting of 'Target' residual ratings for each risk also prompts discussion regarding risk appetite with Risk Owners, with the context taken into consideration. It is important that conversations about risk appetite continue as our risk environment evolves, as integral aspects of strategy development, budgeting and decision-making on an ongoing basis.
Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience, and knowledge. This includes ensuring understanding of how each of the "three lines of assurance" contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.	The Risk and Assurance Function has a positive, collaborative working relationship with the Internal Audit and Counter-Fraud function, sharing intelligence on findings from risk reviews; on activities such as assurance mapping; as well as liaising to prevent duplication and complement each other's work in instances where the Internal Audit function is offering consultancy-type services. The Risk and Delivery Assurance function now routinely attends Internal Audit's Relationship Management meetings for each directorate, to enable joint liaison with Corporate Directors regarding emerging risks, as well as audit activity. The team also attends Internal Audit team meetings regularly. The Head of Risk and Delivery Assurance is a recipient of finalised audit reports to enable reviewing of issues and consideration of the associated risks, including how they feature in the risk profile. As part of a KCC Risk Management network the lead officers for risk specialisms i.e., Health & Safety, Resilience and Emergency Planning, Information Resilience and Transparency, Insurance, as well as Internal Audit and Counter Fraud meet to share intelligence and align activities where possible. Further work is to be conducted in the coming year to more explicitly link key risk indicators to risks and controls. Representatives from the Risk and Delivery Assurance Team are assigned to working groups associated to key risk areas for oversight and to offer

	a corporate perspective. Examples include involvement in cross directorate groups relating to information governance, business continuity / resilience and the PREVENT agenda, as well as Serious and Organised Crime.
Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.	Many of our corporate / strategic risks involve working with partners and providers to mitigate risks. For example, members of the Risk and Delivery Assurance Team have been liaising with KCC senior management and partners on risks relating to the SEND agenda, as well as those involving market pressures / forces e.g. in social care settings. The Team has been liaising with the Council's Commercial and Procurement function, as well as Commissioning teams in directorates, to ensure continued visibility of key risks, such as those related to the recommissioning of several key contracts in ASCH directorate. The Team supported the recent ISO14001 Environmental Management Audit in which KCC was given full accreditation with zero negative findings. Positive feedback was received of sound practice of risk management being embedded within the environmental management framework and processes.
Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.	Key messages are communicated via regular engagement with management teams at corporate, directorate, divisional / service levels. Messages are sent out to promote new initiatives or training and Microsoft Teams sites are also being used to communicate targeted messages to Risk or Project Management networks.
Subjecting KCC's risk management arrangements to regular review to determine their continued adequacy and effectiveness.	An audit of Risk Management Culture was conducted by Internal Audit during 2024 and presented to Governance & Audit Committee. A "Substantial" audit opinion was given, with "Good" prospects for improvement. The Head of Risk and Delivery Assurance chairs a regional Risk Management Network where good practice and ideas are shared, allowing for informal benchmarking of corporate / strategic risks against other local authorities. This is also a useful forum for

	horizon scanning. During the past year the team has analysed risks outlined by Government departments to look for relevant connections to risk profiles at local level. The Risk and Delivery Assurance Team has membership of the national Association of Local Authority Risk Managers (ALARM), with access to resources, training events and best practice.

3.2 Work against these medium-term objectives will continue to be built into the Risk and Delivery Assurance function's work plans for 2025-26, as it looks to target its resources on areas of greatest value.

4. Recommendations

4.1 Members of the Governance and Audit Committee are asked to:

a) **APPROVE** the Risk Management Policy & Strategy 2025-2028; and

b) **NOTE** the report on the Risk Management Programme for assurance.

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Risk Management Policy & Strategy 2025-28

Draft for Presentation to Governance & Audit Committee

March 2025

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Review Process:

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the Corporate Management Team and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

1. Statement of Commitment

1.1 The Cabinet and the Corporate Management Team are committed to effective risk management and see it as a key part of KCC's responsibility to deliver effective public services to the communities within Kent.

1.2 There is a shared commitment to embedding risk management throughout the organisation, promoting a positive risk culture and making it a part of everyday service delivery and decision-making, ensuring that sufficient resources are allocated. This includes fostering an environment that embraces openness, supports integrity, objectivity, accountability and transparency in the identification, assessment and management of risks, welcoming constructive challenge and promoting collaboration, consultation and cooperation. We must invite scrutiny and embrace expertise to support decision-making, invest in the necessary capabilities and seek to continually learn from experience.

1.3 By implementing sound management of our risks and the threats and opportunities that flow from them we will be in a stronger position to deliver our organisational objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit and Accounts Regulations. Risk management will therefore be at the heart of our good management practice and corporate governance arrangements.

1.4 Risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. To meet our objectives, improve service delivery and achieve value for money for the residents of Kent, risk management must be an essential and integral part of planning and decision-making.

2. Purpose and Scope of the Policy and Strategy

2.1 The aim of this Risk Management Policy and Strategy is to support the delivery of organisational aims and objectives through effective management of risks across the Council's functions and activities, applying appropriate risk management processes, analysis and organisational learning.

2.2 It explains our approach and outlines the principles of risk management, as well as clarifying risk management roles and responsibilities across the council. This document is aligned with the Council's key organisational strategies and plans and is part of our risk management framework.

2.3 This policy applies to all of KCC's core functions. Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. It is also expected that our significant contractors have risk management arrangements at a similar level, which should be established and monitored through commissioning processes and contract management arrangements.

2.4 This document draws on several sources. This includes the *Management of Risk: Guidance for Practitioners* manual; the most recent HM Treasury publication *"The Orange Book: Management of Risk – Principles and Concepts";* and is informed by the UK implementation of the international standard for risk management BS *ISO 31000: 2018.*

2.5 There are different but aligned risk management processes that are applied at different levels within the organisation. Risk specialists are embedded across the organisation in areas such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security and Governance; Counter-Fraud etc. These specialist risk areas each have their own policies, procedures and processes that are built into the governance arrangements of the council so that work is coordinated within the council's overall risk management framework.

2.6 The Policy and Strategy is supported by a Risk Management Toolkit that guides, supports and assists staff in achieving successful risk management.

3. Risk Definitions

3.1 Risk is defined as, "The effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats."

3.2 Risk management is defined as: "Co-ordinated activities to direct and control an organisation with regard to risk."
(BS ISO 31000:2018 Risk Management Guidelines)

4. Risk Management Strategy

4.1 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.

4.2 The pressures on local government finances have become particularly acute now, with several authorities over recent years either issuing Section 114 (S114) notices under the 1988 Finance Act(essentially a statutory stop on all non-essential spending), or requesting Exceptional Financial Support from Government. 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.

4.3 *Securing Kent's Future* – KCC's Budget Recovery Strategy, highlights the scale of the change required to deliver its aims and the importance of the Council being cognisant of the wider risks that may materialise, including:

- Delivery Risk: *Securing Kent's Future* will require the organisation to undertake multiple savings and transformation programmes concurrently, whilst also delivering business as usual activity.

- Risk transfer to system and partners: The council's services do not exist in isolation, but in many cases are part of an interdependent 'system' across a wider network of public, voluntary, social, and private sector partners.

- Regulatory risk: Many of the council's services are subject to regulation and inspection by third party organisations established such as Ofsted and Care Quality Commission (CQC). The inspection frameworks used by such regulators are often focussed on professional practice, service quality, client relationships, and outcomes for clients/individuals. The financial position of the service, or indeed the council, is often assumed or ignored within these regulatory frameworks, and little to no account is taken about the financial resources or capacity of the council to meet demand to the standards expected.

- Risk of legal and other challenge: the potential risk that where the council makes decisions that secure Best Value, the possibility of legal or other challenge from interested third parties will increase.

4.4 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.

4.5 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.

4.6 The Council will also be considering implications of the English Devolution White Paper, which has set out an ambitious agenda to reshape local government in England through broadening and deepening devolution and progressing local government reorganisation in two-tier areas. The Council needs to respond to the Government's decision not to include Kent and

Medway on the in the Devolution Priority Programme, with the aim to ensure Kent receives a clear devolution timetable. Alongside this, the Minister of State for Local Government and English Devolution has written to Council Leaders in Kent and Medway, formally inviting them to develop proposals for local government reorganisation, with any full proposal to be submitted by 28th November 2025. This work will require thorough and regular consideration of transition risks, as well as opportunities arising.

5. Risk Management Objectives

5.1 In support of the Council's governance and internal control arrangements and achievement of KCC's objectives, the Council is committed to:

- Managing risk in accordance with good practice and sound governance principles.
- Embedding effective risk management into the design, values and culture of the council.
- Integrating the identification and management of risk into policy and operational decisions.
- Proactively anticipating and responding to changing social, economic, political, environmental, legislative and technological requirements that may impact on delivery of our objectives.
- Eliminating or reducing negative impacts, disruption and loss from current and emerging events.
- Harnessing risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes.
- Managing risks in line with risk appetite.
- Promoting openness and transparency in risk management processes.
- Raising awareness of the need for risk management by all those connected with the Council's delivery of services.

5.2 KCC will achieve these aims by:

- Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.
- Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.
- Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.
- Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.
- Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.
- Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience and knowledge. This includes ensuring understanding of

how each of the “three lines of assurance” contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.

- Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.
- Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.
- Subjecting KCC’s risk management arrangements to regular review to determine their continued adequacy and effectiveness.

6. Risk Management Principles and Framework

6.1 As an integral part of our management systems, and through the normal flow of information, our risk management framework harnesses the activities that identify and systematically anticipate and prepare successful responses.

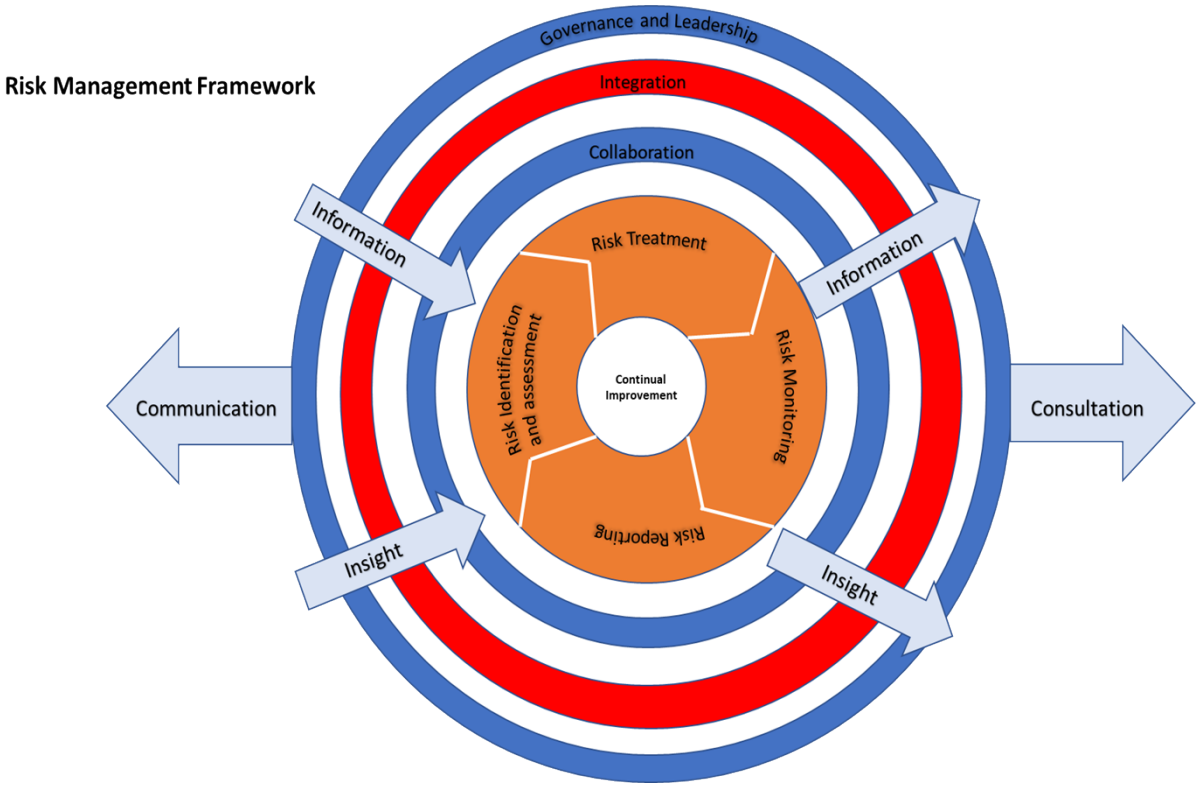
6.2 The framework is designed to support a comprehensive view of the risk profile, aggregated where appropriate, in support of governance and decision-making requirements. It supports the consistent and robust identification and management of risks within desired levels across the organisation, supporting openness, challenge and innovation in the achievement of objectives.

6.3 There are five key principles of risk management that provide the basis on which KCC will manage risk:

A. Governance and Leadership – risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.
B. Integration – risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives.
C. Collaboration and Best Information – risk management shall be collaborative and informed by the best available information.
D. Structured Processes – risk management processes are recognised as iterative in practice, rather than sequential, and shall be structured to include:

- **Risk Identification and Assessment** – to determine and prioritise how the risks should be managed.
- **Risk Treatment** – the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level.
- **Risk Monitoring** – the design and operation of integrated, insightful and informative risk monitoring.
- **Risk Reporting** – timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

E. Continual Improvement – risk management shall be continually improved through learning and experience.



7. Risk Management Processes

Risk Identification and Assessment

7.1 The aim of risk identification is to recognise and articulate the risks that may help or prevent KCC to achieve its objectives. It is particularly relevant to consider new or emerging risks alongside business planning and strategy formulation processes.

7.2 There are several risk perspectives:

Corporate - Those risks, which if they occurred, would have a major impact on the organisation or delivery of its priorities. Corporate risks also include cross-cutting risks that impact across directorates.

Change related (Programme / Project) – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes or deliver predefined outputs that enable us to deliver outcomes and realise benefits.

Operational / Service / Contract – where we are exposed to risks that could affect our control and ability to successfully and continually deliver or commission services to our service users / residents.

7.3 The following factors, and the relationship between these factors, should be considered when identifying risks:

- Changes in the external and internal context
- Causes and events
- Consequences and their impact on objectives
- Threats and opportunities
- Vulnerabilities and capabilities
- Uncertainties and assumptions within options, strategies, plans or initiatives
- Indicators of emerging risks
- Limitations of knowledge and reliability of information
- Time-related factors
- Any potential biases and beliefs of those involved.

7.4 Risks should be identified whether or not their sources are under KCC's direct control, as they have the potential to impact on achievement of objectives, causing great damage or creating significant opportunity.

Risk Analysis

7.5 The aim of risk analysis is to build understanding of the nature of risk and its characteristics, including, wherever possible, the level of risk. It involves consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

7.6 Risk Analysis considers factors such as:

- the likelihood of events and consequences occurring
- the type and scale of consequences
- complexity, connectivity and volatility
- time-related factors
- the effectiveness of existing controls
- sensitivity and confidence levels

7.7 KCC uses a common set of risk criteria to foster consistent interpretation and application in defining the level of risk, based on the assessment of the likelihood of the risk occurring and the consequences should the event happen. Below is KCC's 5x5 Risk Matrix used to determine risk ratings, where the likelihood score is multiplied by the impact score to achieve an overall rating of between 1 and 25:

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			Impact				

7.8 Providing sufficient information is known, during assessment each risk is to be assigned a 'current' and 'target' risk rating. The 'current' risk rating refers to the current level of risk, taking into account any mitigating controls already in place and their effectiveness. The 'target' rating represents what is deemed to be a realistic, deliverable level of risk to be achieved once any additional actions have been put in place. Depending on our risk appetite and the level of direct control we have over the risk, the aim may be to contain the risk at the current level.

7.9 Risk assessments and heat maps used for more conventional risks should be complemented by structured, creative discussions across services that bring different and collaborative risk perspectives on a topic. This will help us to better identify emerging risks and understand potential risk trajectories as well as 'knock-on' effects.

Risk Evaluation

7.10 Once analysed, risks will be evaluated to compare the results against the nature and extent of risks that the organisation is willing to take or accept to determine where and what additional action is required.

Risk Appetite, Tolerance and Escalation

7.11 Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.

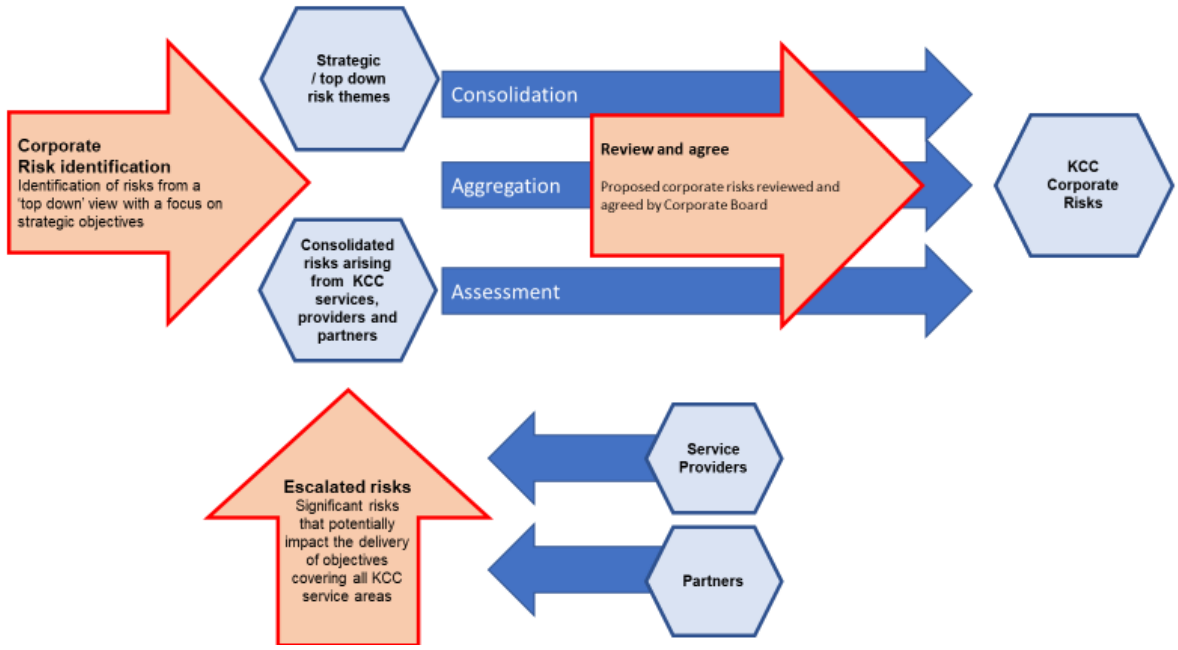
7.12 This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. While risks defined as 'high' are to be managed down to a tolerable level wherever possible, it is important that risks across the Authority are not over-controlled.

7.13 It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite is expected to be considered and reflected in the development of policies, regulations and strategies of the Council that will need to be reviewed at appropriate intervals. However, examples of risks that would be seen as intolerable are those that are likely to:

- Adversely impact the financial security or resilience of the Council.
- Negatively affect the safety of our service users, residents or employees.
- Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).
- Lead to breaches of laws and regulations.
- Severely damage the Authority's reputation.

7.14 In addition, to aid managers in understanding what risks are acceptable, our appetite for risk is implicitly defined within our standard for determining risk levels (see section 7.7 above). Risks rated as "High" will be deemed to have exceeded tolerance levels and will be subject to escalation by the Risk Owner to the next management level for review and action. The target rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

Risk Escalation, Consolidation and Aggregation



7.15 Depending on the nature of the risk and availability of objective risk measures, tolerances will be agreed for Key Risk Indicators. Breaching those tolerances will mean increasing or decreasing the risk rating accordingly.

Risk Treatment

7.16 Potential benefits derived in relation to the achievement of objectives are to be balanced against the costs, efforts or disadvantages of implementation.

7.17 Justification for the design of risk treatments and the operation of internal control is broader than solely financial considerations and should consider all of the organisation's obligations, commitments and stakeholder views.

Risk Monitoring

7.18 The frequency of risk assessment, analysis and review should be a function of how fast risks are emerging and the level of their materiality rather than determined by traditional institutional administrative cycles.

7.19 However, as a minimum, High and Medium rated risks that are not at their Target residual level should be reviewed every 3 months, with low rated risks reviewed at least annually. Risks rated as High should be subject to more detailed and frequent monitoring.

7.20 Risks that are rated Medium or Low and have been managed to their Target residual level are to remain as part of the risk profile and be subject to annual review to ensure existing controls remain effective and no other elements of

the risk have changed. Any High rated risks with Target residual ratings set at High e.g. due to constraints on the Council's ability to mitigate, should still be reviewed every 3 months as a minimum.

7.21 It is expected that in addition to the timely reviewing of individual risks by risk owners, key risks are subject to structured collective discussion by management teams, focusing on changes to the existing risk profile, trends and any emerging risks.

7.22 The Head of Risk & Delivery Assurance may initiate a review of a corporate risk if it is felt that either external or internal changes are likely to impact on the level of risk exposure for the council.

7.23 Ongoing monitoring should support understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended to provide reasonable assurance over the management of risks to an acceptable level in the achievement of organisational objectives.

Risk Reporting

7.24 Senior Officers and elected Members must receive unbiased information about the organisation's principal risks and how management is responding to those risks.

7.25 Reporting will take into account differing stakeholders and their specific information needs and requirements; cost, frequency and timeliness of reporting; method of reporting; and relevance of information to organisational objectives and decision-making.

7.26 As a public service body, it is imperative that we demonstrate transparency and accountability for managing the risks that impact on our staff, service users and residents. Therefore, our corporate risks shall be reported regularly in public forums.

7.27 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh, in addition to any occasion where there has been a significant change to the Council's overall risk profile.

7.28 The Corporate Risk Register is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes, alongside a summary of directorate risks.

7.29 Corporate Risks are subject to "deep dive" reviews by Corporate Board and the Governance & Audit Committee, with those responsible for the management of risks present, at an appropriate frequency, depending on the nature of the risk.

7.30 Progress against objectives set out in this Policy and Strategy will be reported to the Governance & Audit Committee annually.

8. Cultural Factors

8.1 Human behaviour and culture significantly influence all aspects of risk management at each level and stage. Several vital elements of an effective culture for risk are embedded within our organisational values and cultural attributes that we strive for as an organisation. In particular:

- KCC Values
  - We are brave. We do the right thing, we accept and offer challenge
  - We are curious to innovate and improve
  - We are strong together by sharing knowledge

- KCC Cultural Attributes
  - Flexible/agile – willing to take (calculated) risks
  - Empowering – our people take accountability for their decisions and actions
  - Curious – constantly learning and evolving

9. Review of this Policy

9.1 It is the responsibility of the Governance and Audit Committee to: '*provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements' and monitor 'the development and operation of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions in the Council'*. 'Internal Audit will support their role in assuring its effectiveness and adequacy.

9.2 Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

10. Roles and Responsibilities

Group or Individual	Responsibilities
Elected Members of the County Council	Seek to explore, understand and scrutinise risks in the process of formulating policy and decision making.
Governance & Audit Committee	Ensure that risk management and internal control systems are in place that are adequate for purpose and are effectively and efficiently operated. Includes approval of KCC's Risk Management Policy & Strategy on behalf of the County Council
Cabinet	Responsibility for the operation of the risk management framework, including the establishment of the Council's risk appetite.

Cabinet Members	Responsibility for the effective management of risk within respective portfolio areas and ensuring that risks are considered in all decisions they make.
Cabinet Portfolio Holder for Corporate Risk	Ensure effective risk management arrangements are put in place.
Cabinet Committees	To provide pre-decision scrutiny to ensure that due consideration is given to associated risks.
Chief Executive Officer	Ensure that overall management attention, effort and controls are commensurate to risk and opportunity across the Council's functions and activities. Ensure governance arrangements provide appropriate oversight and effective risk management of core programmes and activities to enable the best approach to resource stewardship for the Council.
Corporate Director Finance (Section 151 Officer)	Active involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	Adopt the Risk Management Policy and Strategy, ensuring the Council manages risks effectively. Actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register. Promote and demonstrate the behaviours and values that support well-informed and considered risk decision-making. Promote the integration of risk management principles into the culture of the Council and its partners.
Directorate Management Teams (DMTs)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMTs)	Responsibility for the effective management of risk within the division, including risk escalation and reporting to the Directorate Management Team as appropriate.
Head of Risk and Delivery Assurance	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Governance & Audit Committee, Cabinet Members and the Corporate Management Team. Facilitate the risk management process within the Council and

	advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.
Risk and Delivery Assurance function	Act as corporate advisors of risk at a strategic level. Day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support and training and contributing to the ongoing reporting and analysis of risks. Develop oversight, transparency and coordination of major change activity across the Council, including reinforcing KCC's risk management framework throughout major change activity. Continually improve and update corporate risk management procedures based on current best practice and lessons learned.
Internal Audit	Assess the effectiveness of the risk management framework and the control environment in mitigating risk.
Directors and Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to ensure the Council's exposure is at an acceptable level. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
All elected Members and Staff Members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.
In relation to individual risks:	
Risk Owner	Named individual or role who is accountable for the management and control of all aspects of the risks assigned to them, including determining, authorising, implementing and monitoring the selected controls and actions to address the threats and maximise the opportunities.
Control Owner	The individual or group accountable for ensuring or providing assurance that the specified management control is effective and fit for purpose.
Action Owner	A nominated owner of an action to address a risk. Required to manage action on the risk owner's behalf and to keep them apprised of the situation.

By:	Jonathan Idle, Head of Internal Audit
To:	Governance and Audit Committee – 20th March 2025
Subject:	**INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT PROCESS**
Classification:	Unrestricted

Summary: This report provides Members with an overview of the requirements set out in the Global Internal Audit Standards and the UK Public Sector Application Note in relation to an External Quality Assessment (EQA) of the Council's Internal Audit service and to inform Members of the planned approach to ensure an EQA is procured and completed by 31 March 2026.

FOR DECISION:

1. Introduction and Background

1.1 The Global Internal Audit Standards (GIAS) came into effect from January 2025. In December 2024, a UK Public Sector Application Note was issued by the Institute of Internal Auditors (IIA), which sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector. This includes as section on External Quality Assessments.

1.2 The Standards are arranged into 5 Domains:

I. Purpose of Internal Auditing
II. Ethics and Professionalism
III. Governing the Internal Audit Function
IV. Managing the Internal Audit Function
V. Performing Internal Audit Services

The 5 domains include 15 Principles and 53 individual standards to support these.

1.3 The Standards include a process whereby the Internal Audit function is the subject of regular internal and external assessments. The purpose of these assessments is to confirm compliance with the Standards and to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively. An internal assessment must be completed at least annually, and an external quality assessment (EQA) must be completed at least every five years.

1.4 The last external quality assessment (EQA) of the Kent County Council Internal Audit service was completed in June 2021. In order to satisfy the Standards, the next EQA should be completed by May 2026.

1.5 Failure of not having an EQA completed at least every 5 years, by a qualified, competent, and independent person will mean the Internal Audit function is no longer operating in compliance with the Standards and stakeholders may no longer have assurance that the function is operating efficiently and effectively.

1.6 The Standards state that an EQA must provide a comprehensive review of the adequacy of the Internal Audit function. The review primarily should focus on conformance with the professional standards, and this will include, for example, reviews of the Mandate, Charter, Strategy, audit methodologies and processes.

1.7 The Standards require the Chief Audit Executive (Head of Internal Audit) to develop a Plan for the EQA and discuss the Plan with the Committee.

1.8 The requirements of an Audit Committee within the Standards are to:

- Discuss with the Head of Internal Audit about plans for the EQA.
- Collaborate with senior management and the Head of Internal Audit to determine the scope and frequency of the EQA.
- Consider the scope and the responsibilities of Internal Audit and the Head of Internal Audit, as described in the Charter, when defining the scope of the EQA.
- Review the Plan for the EQA which should include:
  - Scope and Frequency of Assessments
  - Competencies and Independence of External Assessor
  - Rationale if a self-assessment with independent validation instead of a full EQA.
- Receive the report of the Independent Assessor.
- All reporting relating to EQA to be included in Committee minutes.
- Receive reports from the Head of Internal Audit on any actions following the independent assessment.

1.9 Section 8.4 of the Standards require that an independent and competent person must be sourced to avoid any conflict of interest and impairment to objectivity. The GIAS sets as requirement that when selecting the independent assessor or assessment team, the Head of Internal Audit must ensure at least one person undertaking the assessment holds an active Certified Internal Auditor designation.

1.10 However, the Public Sector Application Note (PSAN) in December 2024 determined that this requirement is replaced by a requirement that at least one person have the characteristics outlined for chief audit executive qualification. The PSAN consider that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.

1.11 The Standards also require that “Senior Management” should collaborate with the CAE to determine the scope of the EQA.

1.12 The following document provides an overview of an approach which could be taken in relation to progressing with and commissioning the Internal Audit External Quality Assessment.

2. Proposed Assessment / Review Process

2.1 Table 1 sets out an overview of the two main options available for the EQA. The table also includes the advantages of each option and other factors to consider:

Table 1 – Options for EQA:

	FULL ASSESSMENT	VALIDATION OF SELF-ASSESSMENT
Details	This would be a full independent assessment of the Internal Audit function against the Standards	This would require the Audit Team to complete a full self-assessment of the service to check for compliance against the Standards. The self-assessment document and supporting evidence would then be reviewed and evaluated by an independent person to determine the level of compliance with the Standards and that the internal assessment was conducted accurately. The self-assessment can include benchmarking with leading practices and interviews with key stakeholders within the organisation. The Validation of Self-Assessment approach is considered appropriate for mature Internal Audit functions, who regularly assess conformance against the standards.
Estimated cost	See NB	See NB
Advantages	Full and independent compliance check against the Standards Assessor sharing best practice from other recent EQA's	Whole Team involvement in the self-assessment exercise to increase knowledge and accountability of the Standards and to contribute to Team members continuing professional development. Opportunity to remedy gaps in the self-assessment at an early interval. Budget savings. Not as lengthy a process.
Considerations	Budget capacity Assessor availability High time commitment during the assessment	Team resources to complete the self-assessment and compile relevant evidence. Availability of suitably competent and qualified person to conduct assessment.

N.B. At this stage, quotes have not been obtained, but it is recognised that the cost of a Full Assessment can be substantially higher than a Validation of Self-Assessment.

2.2 Following discussions with the Chair and Vice Chair of the Governance and Audit Committee and the Corporate Director of Finance, it is proposed that the approach for the forthcoming EQA should be to commission a **self-assessment validation,** using an independent and experienced assessor.

2.3 The justification for this is because the Council and the Internal Audit Team, based on previous self-assessments, already have a detailed understanding and appreciation of where the audit service is in respect of compliance with the Standards.

2.4 Within the GIAS, it refers to EQA's to be undertaken for all organisations. KCC Internal Audit service delivers to several other organisations and the concerning issue of the

same EQA's been undertaken at a cost to respective organisations has been raised with the Institute of Internal Audit and CIPFA, both of whom are reviewing whether this element of the GIAS needs amendment for Internal Audit services who operate across more than one public sector body. The Guidance is expected to be published by April 2025.

2.5 The scope of the EQA will need to incorporate appropriate wording relating to client relationships and how the services are managed with other organisations.

3. What will the self-assessment validation involve?

3.1 The validation of our self-assessment is likely to include the following:

- A review of key documents and audit file reviews
- On-site interviews with key personnel / stakeholders
- A detailed findings report, with recommendations / actions
- Confirmation of compliance with the Standards
- Potential areas for improvement and best practice.

4. What happens Next?

4.1 In order to progress the EQA process further the following steps set out in Table 2 need to be completed:

Table 2 – EQA Actions:

	Action	Notes
1	Agree whom from Senior Management collaborates with the Head of Internal Audit for the EQA, effectively as a Project Sponsor.	Collaboration is with John Betts, Corporate Director of Finance &s.151 Officer.
2	Agree the authority lead for the procurement exercise.	The procurement exercise will be completed under Kent County Council's procurement arrangements.
3	Identify potential suppliers to complete the self-assessment validation EQA and seek at least 3 quotes.	A number of potential suppliers can be contacted to request a further discussion about commissioning an EQA and obtaining a quote.
4	Prepare an EQA specification document.	An EQA specification document will be prepared and will be discussed and agreed with the Chair and Vice Chair of the Governance and Audit Committee and Corporate Director of Finance agree the terms of the specification and the quotation evaluation criteria in respect of price and quality.
5	Request quotations from at least 3 suppliers.	It is anticipated that suppliers will be approached for quotations in April- May 2025.
6	Evaluation of quotations	All the quotations received will be assessed against the criteria set out in the specification document. It is intended for several key stakeholders to be involved in the evaluation of quotations exercise, including the Corporate Director of Finance and the Chair of the Governance and Audit Committee.
7	Appointment of supplier and EQA scope agreed.	Before the EQA is completed, the scope of the assessment will need to be agreed with the successful supplier. This will include the documents and files to be reviewed and any areas of the Standards requiring more detailed review.
8	The Audit Team complete the EQA self-assessment and compile relevant evidence.	The self-assessment exercise is a large body of work which needs to be completed in advance of the EQA. The aim is for the self-assessment exercise to be completed before 31 August 2025.
9	EQA self-assessment validation is completed.	The successful supplier completes the EQA assessment by 28 February 2026. The assessors will want to speak to key stakeholders as part of their assessment process.
10	Reporting of EQA outcomes	The outcomes from the EQA will be reported to all key stakeholders as soon as practically possible, with the full outcomes report being reported to Governance and Audit Committee in either March or May 2026.

5. Reporting Arrangements

5.1 Following the EQA, a detailed report on the findings will initially be discussed with the Internal Audit service and the Corporate Director of Finance. When this report is finalised, it will then be presented to the Governance and Audit Committee together with an action plan prepared to address any areas for improvement identified.

5.2 This action plan will be reviewed and updated at regular intervals and updates provided to Members to monitor improvements required as part of our standard progress reports.

6. Timeline

6.1 The following timeline is proposed for the EQA exercise:

Table 3 – EQA Timeline:

Date	Activity
April 2025	Quotations obtained and evaluation process completed
May 2025-July 2025	Self-assessment completed and evidence collated by Internal Audit Team
February 2026	Completion of External Quality Assessment
March or May 2026	EQA outcomes and draft action plan reported to GAC

7. Summary

7.1 This report has provided Members with an overview of the requirements set out by the Standards for the Internal Audit function to be externally assessed by an independent assessor / competent body. The report has detailed the options available for the assessment to be completed and a proposal that this be done through an independent validation of the self-assessment. The report has also provided an overview of the suggested timeline and an overview of the 'next steps.'

7.2 The report identifies a nominated sponsor for the exercise, as detailed in Table 2.

7.3 Reporting and monitoring arrangements are detailed at in Section 5.

8. Recommendations

It is recommended that Members:

8.1 Endorse the approach for the External Quality Assessment of the Council's Internal Audit function.

8.2 Approve the nominated Project Sponsor for the exercise.

Jonathan Idle
Head of Internal Audit (03000 417840)

By: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

John Betts – Acting Corporate Director Finance

To: Governance and Audit Committee – 20 March 2025

Subject: Statutory Accounts for those companies in which KCC has an interest

Classification: Unrestricted

Summary: To present the latest available Statutory Accounts for those companies in which KCC has an interest.

For assurance

1. Introduction

1.1 This report aims to give an oversight in the companies in which KCC has an interest. The nature of the interest is either shareholding, or board representation.

1.2 There are six companies and the most recent filed accounts for these companies is included in Appendix A. For most companies the accounts are for the year ending 31 March 2024. The exception is TRICS Consortium Ltd where the most recent accounts are for the year ending 31 December 2023.

1.3 This report highlights the payments made by the Council to each company, what the payment relates to, the purpose of the company and the nature and degree of interest that the Council has in the company. There is no underlying risk to KCC in relation to these accounts and none of the accounts give reason for concern, they have all been prepared on a going concern basis.

2. Entities in which KCC has an interest.

2.1 This section shows the purpose of each entity, the payments made by KCC during 2023-24, the representation KCC has on the Board, the profit or loss and where relevant the dividend received by KCC.

1. Aylesham & District Community Workshop Trust Ltd

Purpose of entity	Established for the benefit of persons in the Aylesham and Rural District, to provide or assist in the provision of facilities for the advancement of education, and for recreation and leisure-time occupation with the objective of improving the conditions of life of said persons. A company limited by guarantee and a charitable trust.
Level and Nature of Interest	KCC is a Member. Each Member has one vote. Liability will not exceed £10.
Directors on the Board	S Manion – KCC Member.
Profit/Loss	Loss of £12,319 (31 March 2024 accounts).
Payment during 2023-24	£10,090.

2. Trading Standards South-East Ltd

Purpose of entity	To provide advice to consumers in the southeast of England. This company is limited by guarantee.
Level and Nature of Interest	KCC is a Member. Each Member has one vote. Liability is limited to £1.
Directors on the Board	J Whidett – KCC Officer appointed on 1 January 2021.
Profit/Loss	Loss of £61,906 (31 March 2024 accounts).
Payment during 2023-24	£21,645 (excluding VAT)

3. East Kent Spatial Development Company

Purpose of entity	A regeneration company specialising in the provision of utilities infrastructure to the business parks in East Kent. This company is limited by guarantee.
Level and Nature of Interest	KCC is a Class A Member. Each Class A Member has one vote. Liability is limited to £1.
Directors on the Board	D Murphy – KCC Member appointed on 1 September 2021 and resigned on 7 February 2024. KCC currently has no board representation.
Profit/Loss	Profit of £153,762 (31 March 2024 accounts).
Payment during 2023-24	Nil

4. Produced in Kent

Purpose of entity	To support and promote businesses in Kent and increase the public's awareness of Kent produce. This company is limited by guarantee.
Level and Nature of Interest	The Board has a maximum number of nine directors of which KCC is entitled to nominate a maximum of two directors. Liability is limited to £1 per Member.
Directors on the Board	KCC currently has no board representation.
Profit/Loss	Loss of £45,710 (31 March 2024 accounts).
Payment during 2023-24	£31,768 (excluding VAT) – contribution towards the running costs of the company.

5. TRICS Consortium Ltd

Purpose of entity	Consortium of six County Councils owning and operating a transport trip rate database known as TRICS. This company is limited by shares.
Level and Nature of Interest	37,500 shares of total share capital of 225,000 (16.7% holding). KCC is one of six members with equal voting rights. KCC received a dividend £94,798.20 in 2023.
Directors on the Board	M Hogben - KCC officer.
Profit/Loss	Loss of £163,247 (31 December 2023 accounts).
Payment during 2023-24	£3,835 (excluding VAT) – Annual Licence.

6. Kent PFI Holding Company 1 Ltd

Purpose of entity	Kent PFI Holding Company 1 Ltd is a holding company for Kent PFI Company 1 Limited, a company established for the construction and maintenance of three secondary schools: • Thamesview School, • Northfleet Technical College and • St John's Catholic Comprehensive School.
Level and Nature of Interest	As part of the Treasury Strategy to make investments in equity up to the value of £5m, KCC purchased shares in Kent PFI Holding Company 1 Ltd. KCC has 42% shareholding in the company. KCC received £510,002 relating to 23-24, of which £138,578 relates to dividend payments and £371,424 loan repayments.
Directors on the Board	J Lee and J Hansen – KCC Officers.

Profit/Loss	Profit of £527,000 (31 March 2024 accounts).
Payment during 2023-24	£12,458,000 (excluding VAT).

3 RECOMMENDATION

3.1 Members are recommended to note the contents of this report for assurance.

Andrea Melvin
Commercial Accounting Manager

Appendix A

Aylesham & District Community Workshop Trust Ltd	Aylesham and District Community W
Trading Standards South-East Ltd	Trading Standards South East 31.3.24.pdf
East Kent Spatial Development Company	East Kent Spatial Development Compar
Produced in Kent	Produced in Kent 31.3.24.pdf
TRICS Consortium Ltd	TRICS consortium 31.12.23.pdf
Kent PFI Holding Company 1 Ltd	Kent PFI Holdings Company 1 group acc

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Company registration number: 03114198
Charity registration number: 1050794

Aylesham And District Community Workshop Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 March 2024

Batchelor Coop Ltd
The New Barn
Mill Lane
Eastry
Sandwich
CT13 0JW

FRIDAY
ADHVBD3K
A19 13/12/2024 #107
COMPANIES HOUSE

Aylesham And District Community Workshop Trust

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Aylesham And District Community Workshop Trust

Reference and Administrative Details

Trustees	A Doggett S M Bott J Davies C Duffield J E Flaig S M Mamjan S Manion N H B Ratcliffe C Williams
Secretary	E Barnes
Charity Registration Number	1050794
Company Registration Number	03114198
	The charity is incorporated in England and Wales.
Registered Office	Ackholt Road Aylesham Kent CT3 3AJ
Independent Examiner	Batchelor Coop Ltd The New Barn Mill Lane Eastry Sandwich CT13 0JW
Solicitors:	Furley Page 52-54 High Street Whitstable Kent CT5 1BG
Bankers	Lloyds Bank PLC 49 High Street Canterbury Kent CT1 2SE

Aylesham And District Community Workshop Trust

Trustees' Report

The trustees, who are directors for the purposes of company law, present the annual report together with the financial statements of the charitable company for the year ended 31 March 2024.

Objectives and activities

Objects and aims

The principle object of the charity is to benefit the persons of Aylesham and the rural district with the objective of improving the quality of life for those persons, by providing or assisting in the provision of facilities for the advancement of education, recreation and employment.

Public benefit

The trustees confirm that they have complied with the requirements of section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

Trustees and officers

The trustees and officers serving during the year and since the year end were as follows:

Trustees:	A Doggett
	S M Bott
	J Davies
	C Duffield
	J E Flaig
	S M Mamjan (appointed 28 November 2023)
	S Manion
	N H B Ratcliffe
	C Williams (appointed 28 November 2023)
	F W J Marsh (deceased 2 October 2023)
	N Scrivener (resigned 28 November 2023)
	P Walker (resigned 1 May 2023)
	S Williams (deceased 15 October 2023)
Secretary:	E Barnes

Trustees' Report

Risk management

The Trustees examine the major risks that the charity faces each financial year and where necessary seek to develop systems to monitor and control these risks, to mitigate any impact which they may have on the future of the charity.

Business Operations

What a year it has been! Our staff and trustees have been busy making plans for the future and developing our site to become the active community it should be for the benefit of the people of Aylesham.

We kicked off the financial year with a staff and trustee 'away day' to assess where we were as a Trust and what we wanted to achieve in the future. We reviewed our strategic plan, discussed how we could make the most of our assets on site including our main building and land not currently in use. We are lucky to occupy what is a substantial site which used to be the old secondary school. But being asset rich brings its own challenges as we need to raise the funds to put those assets to good use. We also considered our branding and marketing agreeing to adopt the name 'Aylesham Community Trust' and our new colourful, modern logo.

In June, following the departure of one of our staff, we successfully appointed to a new role of Customer Services and Support Officer. This post has enhanced our staff team enabling the team to tackle many long-standing maintenance and service delivery issues.

Thanks to our sharp-eyed CEO, who noticed the imminent closure of the SAGA sites in Folkestone, we have been able to acquire kitchen and catering equipment worth several thousand pounds. A trustee group was established to support our CEO in planning our catering offer, drawing up a three-year business plan and applying for loan finance. These days running any hospitality venture is challenging so we are proceeding with caution but are looking forward to the commencement of the Old School Coffee Shop and Kitchen in 2025.

We have made our main building available to local community groups and developed the Community HQ for groups to use for their meetings and to provide a postal address so that people do not have to use their personal addresses. At the end of this financial year, we had 12 organisations using this facility including the Carnival, Aylesham In Touch magazine, Aylesham4Aylesham, Aylesham and Rural Community Heart and the Snowdown Colliery Welfare Male Voice Choir.

A number of community events have taken place this year which the Trust has either organised or been participants in. We had a week of events on site under the banner We are Aylesham which helped groups to drum up new members and showcased the mining heritage of Aylesham.

Amongst our many plans we intend that our site should become an arts and cultural space as this is lacking in the village. Our cinema club showed a number of films including the Chair's favourite Elf just before Christmas. Working in partnership with Espression Arts and funded by Dover District Council community grant, we ran a series of creative coffee mornings which were really well attended.

2024-2025 represents the 40th anniversary of the national miners' strike that had an enormous impact in Aylesham. In discussion with former miners in Aylesham and the surrounding coalfield area it was agreed to stage commemorative events. A strike commemorative committee was formed and both Trust staff and trustees were active participants. A major event was held in May this year but more of that in next year's report.

As in previous years, we administered the 30K grant fund from the Coalfield Regeneration Trust and our own 6K small grants programme to local community groups in Aylesham and the surrounding former Kent coalfield area, beneficiaries included Aylesham Scouts, the Arts club at Bechange and the Green Howards to enable them to attend the 80th anniversary of the D-Day landings.

Aylesham And District Community Workshop Trust

Trustees' Report

During the year we have continued to work closely with Bechange, an organisation that is based on our site and runs activities of benefit to the local community. There a two key partnership projects. The community garden which continues to thrive although the main funding for this project (through Aspire) has now come to an end and the social pantry. This is based in our main building but is also run by Bechange and it continues to grow, providing a much-needed service in reducing grocery shopping costs for its members. Aylesham Pantry was the 100th pantry to be established in England. The Co-Op, who sponsor food pantries, held a celebration event with us and 100 people from our community in June. It was a good celebratory and networking day. It also showed us how nice our main hall can look when it is all decked out in fancy tables and chairs!

Our site has continued to be a successful place for small businesses to operate and, for the most part, thrive. For most of this year we had 100% occupancy of our offices in Garrity House and our units on Miners Way. This was the best we have ever achieved. We have also been developing a new strategic partnership with East Kent College for them to deliver support to students from our site.

Unfortunately, we have not been immune to the effects of climate change. The ferocity of the winter storms, including on one day a mini tornado, resulted in considerable damage to the roof on our main building and Garrity House requiring urgent repairs. The staff did a fantastic job identifying all the damage and getting buckets underneath! There will be more to come so it demonstrated how crucial it is to keep up to date with building maintenance.

Our CEO represented the trust at a number of events throughout the year including The Carnival selection night held in our main hall, the Remembrance Day service, and the performance of St Joseph's school choir.

Our trustee board has met five times during the year where we have considered plans for the future, signed off policies needed to run our Trust and reviewed our financial position. The system of sub groups covering finance, staffing and remuneration, and governance has also worked well helping the board meetings to focus on the decisions that need to be made. We were all saddened when we received news of the deaths of two Trustees during the course of the year. Both Steve Williams and Fred Marsh will be very much missed by all of us. After many years service as a Trustee we also said goodbye to Neil Scrivener who stood down due to increasing work commitments and we thank him for all his support over the years and wish him well. We have also welcomed Maria Mamjan to the Trustee Board following her election as one of our District Councillors. I should like to thank our dedicated band of trustees who put in a lot of work and, I am very pleased to report, are good attenders at our meetings.

Finally, I should like to thank our staff team - Emily, Lisa, Maria, Rachel, and Andy - they work very well together and are always willing to go above and beyond when needed. We are lucky to have them.

I am pleased to say that our community trust is a good news story but watch this space, we will do even better next year!

Structure, governance and management

Nature of governing document

The company is registered as a charitable company Limited by Guarantee and was set up by a Memorandum of Association on 16 October 1995.

Recruitment and appointment of trustees

The Trust has policies and procedures in place for the recruiting, induction and training of new trustees.
This policy is under review.

Aylesham And District Community Workshop Trust

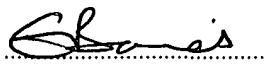
Trustees' Report

Organisational structure

The management of the charity is the responsibility of the Trustees who are elected and co-opted under the terms of the Memorandum and Articles of Association of the company. They form a board of Directors which is responsible for the general control of the charity. Trustees/Directors are volunteers, give their time freely and receive no remuneration or other financial benefits in respect of their voluntary position, save that reasonable expenses (notably travel) may be paid. Trustees/Directors meet together on a regular basis.

Day to day management of the charity and its assets are delegated to paid staff and volunteers.

The annual report was approved by the trustees of the charity on 26 November 2024 and signed on its behalf by:



E Barnes
Company secretary

Aylesham And District Community Workshop Trust

Statement of Trustees' Responsibilities

The trustees (who are also the directors of Aylesham And District Community Workshop Trust for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including its income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that can disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aylesham And District Community Workshop Trust

Independent Examiner's Report to the trustees of Aylesham And District Community Workshop Trust ('the Company')

I report to the charity trustees on my examination of the accounts of the Company for the year ended 31 March 2024.

Responsibilities and basis of report

As the charity's trustees of the Company (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

Since the Company's gross income exceeded £250,000 your examiner must be a member of a body listed in section 145 of the 2011 Act. I confirm that I am qualified to undertake the examination because I am a member of the Association of Accounting Technicians, which is one of the listed bodies.

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of Aylesham And District Community Workshop Trust as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities [applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)].

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

.....

Martin Roby FMAAT
Batchelor Coop Ltd
The New Barn
Mill Lane
Eastry
Sandwich
CT13 0JW

28 November 2024

Aylesham And District Community Workshop Trust

Statement of Financial Activities for the Year Ended 31 March 2024 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted funds £	Restricted funds £	Total 2024 £
Income and Endowments from:				
Charitable activities	3	160,995	30,000	190,995
Other trading activities	4	103,982	-	103,982
Investment income	5	3,408	-	3,408
Total income		268,385	30,000	298,385
Expenditure on:				
Raising funds		(5,555)	-	(5,555)
Charitable activities	6	(255,548)	(49,601)	(305,149)
Total expenditure		(261,103)	(49,601)	(310,704)
Net income/(expenditure)		7,282	(19,601)	(12,319)
Transfers between funds		(22,038)	22,038	-
Net movement in funds		(14,756)	2,437	(12,319)
Reconciliation of funds				
Total funds brought forward		331,553	1,978,410	2,309,963
Total funds carried forward	19	316,797	1,980,847	2,297,644

The notes on pages 12 to 26 form an integral part of these financial statements.

Aylesham And District Community Workshop Trust

Statement of Financial Activities for the Year Ended 31 March 2024 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted funds £	Restricted funds £	Total 2023 £
Income and Endowments from:				
Charitable activities	3	139,513	30,000	169,513
Other trading activities	4	115,407	-	115,407
Investment income	5	270	-	270
Total income		255,190	30,000	285,190
Expenditure on:				
Raising funds		(6,923)	-	(6,923)
Charitable activities	6	(230,588)	(48,138)	(278,726)
Total expenditure		(237,511)	(48,138)	(285,649)
Gains/losses on investment assets		-	535,000	535,000
Net income		17,679	516,862	534,541
Transfers between funds		(19,675)	19,675	-
Net movement in funds		(1,996)	536,537	534,541
Reconciliation of funds				
Total funds brought forward		333,549	1,441,873	1,775,422
Total funds carried forward	19	331,553	1,978,410	2,309,963

All of the charity's activities derive from continuing operations during the above two periods.
The funds breakdown is shown in note 20.

Aylesham And District Community Workshop Trust

(Registration number: 03114198)
Balance Sheet as at 31 March 2024

	Note	2024 £	2023 £
Fixed assets			
Tangible assets	12	1,035,893	1,065,519
Investments	13	1,185,000	1,185,000
		2,220,893	2,250,519
Current assets			
Debtors	14	20,158	32,658
Cash at bank and in hand	15	223,490	226,951
		243,648	259,609
Creditors: Amounts falling due within one year	16	(119,588)	(130,341)
Net current assets		124,060	129,268
Total assets less current liabilities		2,344,953	2,379,787
Creditors: Amounts falling due after more than one year	17	(47,309)	(69,824)
Net assets		2,297,644	2,309,963
Funds of the charity:			
Restricted income funds			
Restricted funds		1,445,847	1,443,410
Revaluation reserve		535,000	535,000
Total restricted funds		1,980,847	1,978,410
Unrestricted income funds			
Unrestricted funds		316,797	331,553
Total funds	19	2,297,644	2,309,963

The notes on pages 12 to 26 form an integral part of these financial statements.

Aylesham And District Community Workshop Trust

(Registration number: 03114198)
Balance Sheet as at 31 March 2024

For the financial year ending 31 March 2024 the charity was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the charity to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 8 to 26 were approved by the trustees, and authorised for issue on 26 November 2024 and signed on their behalf by:



S M Bott
Trustee

1 Charity status

The charity is limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £10 towards the assets of the charity in the event of liquidation.

The address of its registered office is:
Ackholt Road
Aylesham
Kent
CT3 3AJ

These financial statements were authorised for issue by the trustees on 26 November 2024.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)) (issued in October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Basis of preparation
Aylesham And District Community Workshop Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Going concern
The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern nor any significant areas of uncertainty that affect the carrying value of assets held by the charity.

Income and endowments
All income is recognised once the charity has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably. Income derived from the provision of goods or services is stated after any discounts and net of VAT.

Grants receivable

Grants are recognised when the charity has an entitlement to the funds and any conditions linked to the grants have been met. Where performance conditions are attached to the grant and are yet to be met, the income is recognised as a liability and included on the balance sheet as deferred income to be released.

Investment income

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Raising funds

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Grant provisions

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees meetings and reimbursed expenses.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Tangible fixed assets

Individual fixed assets costing £500.00 or more are initially recorded at cost.

Depreciation and amortisation
Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Plant and machinery	25% reducing balance
Fixtures and fittings	15% reducing balance
Freehold property	Not depreciated
Motor vehicles	25% reducing balance
Leasehold improvements	Straight line over 50 years
Investment asset	Not depreciated

Investment properties
Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by the trustees. The trustees use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the charity will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in the Statement of Financial Activities in the period in which they arise except for:

1) exchange differences on transactions entered into to hedge certain foreign currency risks (see above);

2) exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and

3) in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

Fund structure
Unrestricted income funds are general funds that are available for use at the trustees discretion in furtherance of the objectives of the charity.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the charity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Debt instruments

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Derivative financial instruments

The charity uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in statement of financial activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of financial activities depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

3 Income from charitable activities

	Unrestricted funds General	Restricted funds	Total funds
	£	£	£
Charitable activities	160,995	30,000	190,995
Total for 2024	160,995	30,000	190,995
Total for 2023	139,513	30,000	169,513

4 Income from other trading activities

	Unrestricted funds General £	Total funds £
Property rental income	103,982	103,982
Total for 2024	103,982	103,982
Total for 2023	115,407	115,407

5 Investment income

	Unrestricted funds General £	Total 2024 £	Total 2023 £
Interest receivable and similar income;			
Interest receivable on bank deposits	3,408	3,408	270

	Unrestricted funds General £	Total funds £
Interest receivable and similar income;		
Interest receivable on bank deposits	3,408	3,408
Total for 2024	3,408	3,408
Total for 2023	270	270

6 Expenditure on charitable activities

	Note	Unrestricted funds General £	Restricted funds £	Total funds £
Charitable activities		240,135	21,295	261,430
Grant funding of activities		(372)	28,306	27,934
Allocated support costs	7	646	-	646
Governance costs	7	15,139	-	15,139
Total for 2024		255,548	49,601	305,149
Total for 2023		230,588	48,138	278,726

7 Analysis of governance and support costs

Governance costs

	Unrestricted funds General £	Total funds £
Staff costs		
Other staff costs	172	172
Other governance costs	252	252
Allocated support costs	14,715	14,715
Total for 2024	15,139	15,139
Total for 2023	19,955	19,955

8 Grant-making

Analysis of grants

	Grants to institutions 2024 £	2023 £
Analysis		
Grants awarded	27,934	33,172

The support costs associated with grant-making are £Nil (31 March 2023 - £Nil).

Below are details of material grants made to institutions

Name of institution	Activity	2024 £	2023 £
A&DCWT	Charitable activities	-	900
A&SWWS	Charitable activities	(1,000)	-
Aylesham & Snowdown Bowls	Charitable activities	2,194	3,000
Aylesham Arts Club	Charitable activities	304	-
Aylesham Heritage	Charitable activities	1,531	-
Aylesham Scouts Group	Charitable activities	225	-
Bechange	Charitable activities	5,568	9,500
Betteshangar Bowls Club	Charitable activities	3,322	-
Betteshangar Colliery Welfare	Charitable activities	1,440	-
Bettehangar Colliery Welfare Band	Charitable activities	899	-
Betteshangar Welfare FC	Charitable activities	-	3,000
Betteshangar Social Welfare Club	Charitable activities	-	2,200
Betteshangar Trading Arm	Charitable activities	-	3,000
Chislet Colliery Welfare	Charitable activities	500	-
E&E Heritage Group	Charitable activities	2,100	2,990
E&E Village Hall	Charitable activities	2,302	-
Elvington & Eythorne	Charitable activities	-	377
Elvington Community Centre	Charitable activities	(1,000)	1,000
Green Howards	Charitable activities	500	-
Hillside House Allotment	Charitable activities	3,200	-
Kent Community Coal Court	Charitable activities	-	843
Kent Miners	Charitable activities	1,133	4,125
Mongeham F'ship Group	Charitable activities	(48)	506
Snowdown Colliery RFC	Charitable activities	200	-
Snowdown Colliery Welfare Band	Charitable activities	4,429	-
Snowdown Male Voice Choir	Charitable activities	1,866	-
Woodpecker Court	Charitable activities	(1,731)	1,731
		27,934	33,172

9 Trustees remuneration and expenses

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

No trustees have received any other benefits from the charity during the year.

10 Staff costs

The monthly average number of persons (including senior management / leadership team) employed by the charity during the year expressed as full time equivalents was as follows:

	2024 No	2023 No
Average number of employees	3	3

No employee received emoluments of more than £60,000 during the year.

11 Taxation

The charity is a registered charity and is therefore exempt from taxation.

12 Tangible fixed assets

	Land and buildings £	Furniture and equipment £	Motor vehicles £	Other tangible fixed asset £	Total £
Cost					
At 1 April 2023	426,790	230,521	5,350	1,297,713	1,960,374
At 31 March 2024	426,790	230,521	5,350	1,297,713	1,960,374
Depreciation					
At 1 April 2023	-	217,221	4,873	672,761	894,855
Charge for the year	-	2,336	119	27,171	29,626
At 31 March 2024	-	219,557	4,992	699,932	924,481
Net book value					
At 31 March 2024	426,790	10,964	358	597,781	1,035,893
At 31 March 2023	426,790	13,300	477	624,952	1,065,519

13 Fixed asset investments

	2024	2023
	£	£
Investment properties	1,185,000	1,185,000

Investment properties

	Investment properties £
Cost or Valuation	
At 1 April 2023	1,185,000
Provision	
At 31 March 2024	-
Net book value	
At 31 March 2024	1,185,000
At 31 March 2023	1,185,000

The investment properties were subject to a formal valuation by an independent valuer in November 2023. The trustees consider that the fair value of investment properties would not have been materially different to this valuation at the Balance Sheet date.

14 Debtors

	2024	2023
	£	£
Trade debtors	14,942	27,326
Prepayments	1,905	1,800
Other debtors	3,311	3,532
	20,158	32,658

15 Cash and cash equivalents

	2024	2023
	£	£
Cash at bank	223,490	226,951

16 Creditors: amounts falling due within one year

	2024	2023
	£	£
Bank loans	22,515	21,042
Trade creditors	4,764	15,270
VAT	17,238	17,907
Other creditors	67,913	69,041
Accruals	7,158	7,081
	119,588	130,341

17 Creditors: amounts falling due after one year

	2024	2023
	£	£
Bank loans	47,309	69,824

18 Pension and other schemes

Defined contribution pension scheme

The charity operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the charity to the scheme and amounted to £3,836 (2023 - £4,000).

19 Funds

	Balance at 1 April 2023 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2024 £
Unrestricted funds					
General	331,553	268,385	(261,103)	(22,038)	316,797
Restricted funds	1,978,410	30,000	(49,601)	22,038	1,980,847
Total funds	2,309,963	298,385	(310,704)	-	2,297,644

	Balance at 1 April 2022 £	Incoming resources £	Resources expended £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2023 £
Unrestricted funds						
General	333,549	255,190	(237,511)	(19,675)	-	331,553
Restricted funds	1,441,873	30,000	(48,138)	19,675	535,000	1,978,410
Total funds	1,775,422	285,190	(285,649)	-	535,000	2,309,963

20 Related party transactions

During the year the charity made the following related party transactions:

S Manion
(one of the trustees)
During the year the company charged rent and utilities of £4,740 (2023 - £4,300) to a business operated by S Manion. These transactions were carried out at arms length on normal commercial terms. At the balance sheet date the amount due from S Manion was £360 (2023 - £Nil).

N Scrivener
(one of the trustees)
During the year the company charged rent and utilities charges of £5,285 (2023 - £4,955) to N Scrivener. These transactions were carried out at arms length on normal commercial terms. At the balance sheet date the amount due from N Scrivener was £528 (2023 - £1,034).

Bechange
(a company in which A Dogget is the manager and J Flaig is a Trustee)
During the year the company charged rent and utilities of £11,550 (2023 - £7,817) and awarded grant funding totalling £5,500 (2023 - £9,500) to Bechange. Although the rent is not charged at a commercial rate these transactions were carried out at arms length in accordance with the charity's objects

During the year the company obtained services from Bechange totalling £948 (2023 - £Nil),. At the balance sheet date the amount due to Bechange was £4,444 (2023 - £8,828).

Batchelor Coop Ltd
(the independent examiner)
During the year the company charged rent of £3,900 (2023 - £3,645) to Batchelor Coop Ltd. These transactions were carried out at arms length on normal commercial terms. At the balance sheet date the amount due to Batchelor Coop Ltd was £288 (2023 - £360).

21 Analysis of net assets between funds

	Unrestricted		
	General	Restricted	Total funds 31 March 2024
	£	£	£
Tangible fixed assets	175,121	860,772	1,035,893
Fixed asset investments	-	1,185,000	1,185,000
Current assets	216,647	27,001	243,648
Current liabilities	(74,972)	(44,616)	(119,588)
Creditors over 1 year	-	(47,309)	(47,309)
Total net assets	316,796	1,980,848	2,297,644

	Unrestricted		
	General	Restricted	Total funds 31 March 2023
	£	£	£
Tangible fixed assets	183,452	882,067	1,065,519
Fixed asset investments	-	1,185,000	1,185,000
Current assets	233,666	25,943	259,609
Current liabilities	(83,356)	(46,985)	(130,341)
Creditors over 1 year	-	(69,824)	(69,824)
Total net assets	333,762	1,976,201	2,309,963

REGISTERED NUMBER: 05259365 (England and Wales)

UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

FOR

TRADING STANDARDS SOUTH EAST LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

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BALANCE SHEET
31 MARCH 2024

	Notes	2024 £	2023 £
CURRENT ASSETS			
Debtors	4	606,169	1,222,648
Cash at bank		1,754,183	1,422,274
		2,360,352	2,644,922
CREDITORS			
Amounts falling due within one year	5	1,720,161	1,942,825
NET CURRENT ASSETS		640,191	702,097
TOTAL ASSETS LESS CURRENT LIABILITIES		640,191	702,097
RESERVES			
Income and expenditure account		640,191	702,097
		640,191	702,097

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 March 2024.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 March 2024 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Statement of Income and Retained Earnings has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2024 and were signed on its behalf by:

S C Crawley - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. STATUTORY INFORMATION

Trading Standards South East Limited is a private company, limited by guarantee , registered in England and Wales. The company's registered number and registered office address are as below:

Registered number: 05259365

Registered office: Surrey County Council, Fairmount House
Bull Hill
Leatherhead
Surrey
KT22 7AY

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Turnover
Turnover represents net project income, excluding value added tax. Turnover is also represented by grants and subscriptions receivable.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Grants receivable
Revenue grants received are matched against the expenditure to which they relate.

Grants received in respect of capital expenditure are credited to the deferred income account and are released to the profit and loss account by equal instalments over the expected useful lives of the assets.

Any unmatched surplus revenue grants at the end of the period are carried forward in reserves.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2023 - NIL).

4. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024	2023
	£	£
Trade debtors	465,214	425,974
Other debtors	140,955	796,674
	606,169	1,222,648

continued...

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024	2023
	£	£
Trade creditors	330,566	829,486
Taxation and social security	7,184	619
Other creditors	1,382,411	1,112,720
	1,720,161	1,942,825

6. LIMITED LIABILITY AND CONTROLLING INTEREST

The company is limited by guarantee and does not have any share capital. The liability of the members is limited to contributions of £1. There is no ultimate controlling party.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

Registered number: 04410176

East Kent Spatial Development Company

(A company limited by guarantee)

Directors' Report and Financial Statements

For the year ended 31 March 2024

East Kent Spatial Development Company

(A company limited by guarantee)

Company Information

Member Organisations	Kent County Council (KCC)
	University of Kent (UoK)
	Locate in Kent (LiK)
	Thanet District Council (TDC)
	Dover District Council (DDC)
	Folkestone & Hythe District Council (FHDC)
	Canterbury City Council (CCC)
Directors	G Law (UoK) (appointed 20 February 2024) A Baldock (CCC) (appointed 16 August 2023) A Lockwood (FHDC) (appointed 20 July 2023) R J Everitt (TDC) (appointed 21 September 2023) K Mills (DDC) (appointed 28 July 2023) S Bittorf (CCC) (appointed 20 July 2023)
Company secretary & Chief executive officer	D Spalding
Registered number	04410176
Registered office	Clover House John Wilson Business Park Harvey Drive, Chestfield Whitstable Kent CT5 3QZ
Independent auditors	Kreston Reeves LLP Statutory Auditor & Chartered Accountants 37 St Margaret's Street Canterbury Kent CT1 2TU
Bankers	NatWest Bank Plc 11 The Parade Canterbury Kent CT1 2SQ

East Kent Spatial Development Company

(A company limited by guarantee)

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East Kent Spatial Development Company

(A company limited by guarantee)

Directors' Report
For the year ended 31 March 2024

The Directors present their report and the financial statements for the year ended 31 March 2024.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity is to promote the economic development and regeneration, with a view to promoting the economic and environmental wellbeing, of an area within the districts of Thanet District Council, Dover District Council, Shepway District Council and Canterbury City Council including, without limitation.

a) primarily to undertake or procure the provision of infrastructure works and wider regeneration activities, and

b) subject thereto to promote, provide and procure the provision of economic development activities and to promote, provide and procure the provision of other appropriate support activities, including without limitation, advice and training, in each case within or for the benefit of the Target Area.

Directors

The Directors who served during the year were:

G Law (UoK) (appointed 20 February 2024)
H Holland (UoK) (appointed 20 February 2024, resigned 22 February 2024)
A Baldock (CCC) (appointed 16 August 2023)
A Lockwood (FHDC) (appointed 20 July 2023)
R J Everitt (TDC) (appointed 21 September 2023)
D Monk (FHDC) (resigned 25 May 2023)
T Bartlett (DDC) (resigned 25 May 2023)
D Murphy (KCC) (resigned 7 February 2024)
T Periera (UoK) (resigned 14 February 2024)
K Mills (DDC) (appointed 28 July 2023)
S Bittorf (CCC) (appointed 20 July 2023)
K L Barber (UoK) (resigned 7 February 2024)
B A Fitter-Harding (CCC) (resigned 25 May 2023)

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Chairman Cllr Alan Baldock
Director
Date: 19 December 2024

Independent Auditors' Report to the Members of East Kent Spatial Development Company

Opinion

We have audited the financial statements of East Kent Spatial Development Company (the 'Company') for the year ended 31 March 2024, which comprise the Statement of comprehensive income, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Valuation of other debtors

Utility loans

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in notes 2.6, 3, 9 and 13 to the financial statements concerning the value of utility provider loans included in other debtors which is dependant upon performance criteria outside the company's control. The ultimate value of these other debtors cannot be presently determined.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' 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 Company'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 Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Members of East Kent Spatial Development Company (continued)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information contained within the Annual Report. 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 course of 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 this gives rise to 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 prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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 Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Capability of the audit in detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks.

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, Statement of Recommended Practice, taxation and pension legislation. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management override. Audit procedures performed by the engagement team:

• Detailed discussions were held with management to identify any known or suspected instances of non-

compliance with laws and regulations;

• Assessment of identified fraud risk factors; and

• The engagement team were made aware of the identified laws and regulations to ensure they remained

alert to any indications of non-compliance throughout their audit procedures;

• Performing analytical procedures to identify unusual or unexpected relationships that may indicate risk of

material misstatement due to fraud;

• Performing analytical procedures with automated data analytics tools to identify any unusual or

unexpected relationships, including related party transactions, that may indicate risks of material

misstatement due to fraud;

• Reading minutes of meetings of those charged with governance, reviewing internal audit reports and

reviewing correspondence with relevant tax and regulatory authorities

• Review of significant and unusual transactions and evaluation of the underlying financial rationale

supporting the transactions;

• Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

• Confirmations of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Manser FCA DChA (Senior statutory auditor)
for and on behalf of
Kreston Reeves LLP
Statutory Auditor
Chartered Accountants
Canterbury

20 December 2024

East Kent Spatial Development Company

(A company limited by guarantee)

Statement of Comprehensive Income
For the year ended 31 March 2024

	Note	2024 £	2023 £
Turnover		**1,325,194**	1,210,969
Cost of sales		**(430,416)**	(363,387)
Gross profit		**894,778**	847,582
Administrative expenses		**(458,494)**	(362,128)
Fair value movements		**(291,710)**	(160,622)
Operating profit		**144,574**	324,832
Fair value movement from Investment Property		**-**	1,475,000
Interest receivable and similar income		**37,160**	9,917
Profit before tax		**181,734**	1,809,749
Tax on profit	6	**(27,972)**	(310,764)
Profit for the financial year		**153,762**	1,498,985

There were no recognised gains and losses for 2024 or 2023 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2024 (2023:£NIL).

The notes on pages 9 to 18 form part of these financial statements.

East Kent Spatial Development Company

(A company limited by guarantee)
Registered number: 04410176

Balance Sheet
As at 31 March 2024

	Note		2024 £		2023 £
Fixed assets					
Tangible assets	7		**20,421**		31,752
Investment property	8		**9,737,443**		9,737,443
			9,757,864		9,769,195
Current assets					
Debtors	9	**3,035,701**		3,247,322	
Cash at bank and in hand		**3,079,254**		2,640,286	
		6,114,955		5,887,608	
Creditors: amounts falling due within one year	10	**(1,528,783)**		(1,367,420)	
Net current assets			**4,586,172**		4,520,188
Total assets less current liabilities			**14,344,036**		14,289,383
Creditors: amounts falling due after more than one year	11		**(4,448,245)**		(4,575,189)
Provisions for liabilities					
Deferred tax	14	**(2,154,490)**		(2,126,518)	
			(2,154,490)		(2,126,518)
Net assets			**7,741,301**		7,587,676
Capital and reserves					
Profit and loss account			**7,741,301**		7,587,676
			7,741,301		7,587,676

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Chairman Cllr Alan Baldock
Director
Date: 19 December 2024

The notes on pages 9 to 18 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2024

1. General information

East Kent Spatial Development Company is a company limited by guarantee incorporated in England. The address of the registered office is Clover House, John Wilson Business Park, Harvey Drive, Chestfield, Whitstable, CT5 3QZ.

The company's principal activity is to promote the economic development and regeneration, with a view to promoting the economic and environmental wellbeing, of an area within the districts of Thanet District Council, Dover District Council, Folkestone & Hythe District Council and Canterbury City Council.

The financial statements are presented in sterling which is the functional currency of the company. The financial statements are rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the requirements of the Companies Act 2006. The disclosure requirements of Section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

There is no certainty over the timing and future value of the other debtor loan repayments and consequently the carrying value of the loans which are valued at the Directors' best estimate of fair value.

The company made a profit after tax of £153,762 (2023: £1,498,985). The company has £3,079,254 (2023: £2,640,286) included in cash at the bank. As a consequence the Directors believe that the company is well place to manage its business risks successfully despite the current uncertain economic outlook and uncertainty over the carrying value of utility loans (see notes 2.6, 3, 9 and 13).

After making enquiries, the Directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office Equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.5 Investment properties

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Utility loans

Other debtors include loans made to a utility provider to finance new infrastructure works in East Kent. The loans (utility loans) are index linked to RPI and are repayable as and when third parties pay the utility provider to connect to the new utility infrastructure. The amount of the utility loan repayable is proportionate to the capacity connected as a percentage of the total capacity of the new utility network.

In order to make these utility loans the company has received grants (see note 2.9). At the point of repayment, the grant made to finance the utility loan is transferred from designated grants in advance to unrestricted grants in advance.

The utility loans have been treated as other financial instruments and are measured at fair value, being the present value of future payments discounted at a market rate of interest for a similar debt instrument. Any movement in the value of this estimate, other than from draw down or repayment, is taken to the Statement of comprehensive income.

The directors do not envisage 100% connection to the network and therefore they have made a provision to reduce the value of utility loans to their estimated fair value. There is no certainty over the timing and percentage connection to the network that will be achieved. As such there is significant uncertainty over the carrying value of utility loans.

Fair value is the directors' best estimate of the discounted future income stream arising from the repayment of the utility loans based on the latest independent professional consideration of the likely repayments. Repayments are linked to the Retail Price Index up to March 2019 and it is assumed this will continue to rise at 3.5% per annum. The discount rate applied is also assumed to be 3.5%.

2. Accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Grants

Grants received in respect of investment properties and assets under construction

Investment property related grants are accounted for in accordance with the performance model. Under the performance model:

- A grant that specified performance conditions is recognised in other operating income when the

performance criteria is met;

- A grant that does not specify performance conditions is recognised in other operating income when

the proceeds are received or receivable;

- A grant received before the recognition criteria are satisfied is recognised as a liability.

Grants received in respect of revenue expenditure

Grants relating to revenue expenditure are accounted for in accordance with the accrual model. Under the accrual model grants relating to revenue shall be recognised in income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

Grants received to finance utility loans

Grants receivable to finance utility loans are accounted for under the accrual model. Under the accrual model grants relating to utility loans shall be transferred from designated grants in advance to unrestricted grants in advance in the period in which repayment or other reduction of the other debtor to which they relate is made.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Jointly controlled assets

Jointly controlled assets have been recognised by recognising the company's share of jointly controlled assets, liabilities, income and expenses.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgments have had the most significant impact on amounts recognised in the financial statements:

Going concern

In the judgment of the directors it is appropriate to prepare the financial statements in accordance with the going concern basis of accounting. See note 2.2 for further details.

Investment properties

The company holds investment properties with fair value of £9,737,443 at the year end (see note 8). In order to determine the fair value of investment property the directors have used a valuation technique based on comparable market data and valuation reports from independent suitably qualified experts. The determined fair value of the investment properties is most sensitive to fluctuations in the property market.

Debtors - infrastructure loans

The company has made loans to a utility provider. The utility loans have been treated as other financial instruments and are measured at fair value, being the present value of future payments discounted at a market rate of interest for a similar debt instrument. Fair value is taken as the Directors' best estimate of the discounted future income stream arising from the repayment of the utility loans (see note 2.6).

Any movement in the value of this estimate, other than from the draw down or repayment, is taken to the statement of comprehensive income.

The Directors do not envisage 100% connection to the network and therefore they have made a provision to reduce the value of utility loans to their estimated fair value. There is no certainty over the timing and percentage connection to the network that will be achieved. As such there is significant uncertainty over the carrying value of utility loans.

Grants

Grants relating to investment properties are accounted for under the performance model. In the opinion of the Directors' all performance criteria have been met and thus all appropriate grant income has been released.

4. Employees

The average monthly number of employees, including directors, during the year was 15 (2023 - 13).

5. Fair value movement

The company has made loans to a utility provider. The utility loans have been treated as other financial instruments and are measured at fair value, being the present value of future payments discounted at a market rate of interest for a similar debt instrument. £291,710 (2023: £160,622) represents the fair value movement in the year.

The company had a revaluation in the prior year on the investment properties, this created an uplift of £Nil (2023:£1,475,000).

6. Taxation

	2024 £	2023 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**27,972**	310,764
Total deferred tax	**27,972**	310,764
Tax on profit	**27,972**	310,764

7. Tangible fixed assets

	Furniture, fittings and equipment £
Cost or valuation	
At 1 April 2023	**115,397**
Additions	**13,233**
At 31 March 2024	**128,630**
Depreciation	
At 1 April 2023	**83,645**
Charge for the year on owned assets	**24,564**
At 31 March 2024	**108,209**
Net book value	
At 31 March 2024	**20,421**
At 31 March 2023	31,752

8. Investment properties

	Long term Leasehold investment properties £
Valuation	
At 1 April 2023	**9,737,443**
At 31 March 2024	**9,737,443**

The 31 March 2024 valuations were made by directors, on a fair value basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would be valued at £12,245,810 (2023: £12,245,810).

Notes to the Financial Statements
For the year ended 31 March 2024

9. Debtors

	2024	2023
	£	£
Due after more than one year		
Other debtors	**2,107,997**	2,399,707
	2,107,997	2,399,707
Due within one year		
Trade debtors	**33,678**	12,696
Other debtors	**820,889**	820,889
Prepayments and accrued income	**73,137**	14,030
	3,035,701	3,247,322

Other debtors include loans made to a utility service provider to finance the installation of new network infrastructure. Repayment of this loan is dependant on connections to the infrastructure, see notes 2.6, 3 and 13.

10. Creditors: Amounts falling due within one year

	2024	2023
	£	£
Grants received in advance (see note 12)	**365,291**	238,347
Trade creditors	**54,294**	5,076
Other taxation and social security	**24,825**	25,959
Other creditors	**1,075,739**	1,087,140
Accruals and deferred income	**8,634**	10,898
	1,528,783	1,367,420

11. Creditors: Amounts falling due after more than one year

	2024	2023
	£	£
Grants received in advance (see note 12)	**4,448,245**	4,575,189

12. Grants received in advance

	2024 £	2023 £
Designated grants - other debtors	**3,320,034**	3,044,774
Unrestricted grants	**1,493,504**	1,768,763
	4,813,538	4,813,537

Designated grants

These relate to grants received in order to finance other debtor loans made by the company. They are converted to unrestricted grants once the repayment of the other debtors falls due. The balance includes Single Regeneration Budget funding administered through TDC of £698,176 (2023: £767,567) and other third party funding of £2,071,338 (2023: £2,277,207).

Unrestricted grants

These relate to those grants received by the company that the company is able to use for whatever purpose it deems appropriate. The balance includes unreleased general grant funding of £57,304 (2023: £57,304) and converted other debtor grants of £1,986,720 (2023: £1,711,460)

13. Financial instruments

	2024 £	2023 £
Financial assets		
Financial assets measured at fair value through profit or loss	**2,107,997**	2,399,707

Financial assets measured at fair value through profit or loss comprise loans made to a utility provider which are held in other debtors. The valuation principles of these loans and related uncertainties are described in note 2.6.

14. Deferred taxation

	2024 £
At beginning of year	**(2,126,518)**
Charged to the profit or loss	**(27,972)**
At end of year	**(2,154,490)**

The deferred tax liability is made up as follows:

	2024 £	2023 £
Grant funding of property acquisitions	**(2,154,490)**	(2,126,518)

15. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

16. Contingent liabilities

The company has received grants contingent on meeting certain performance criteria. The Directors are confident that the company will meet these performance criteria.

17. Controlling party

There is no controlling party for the company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

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PRODUCED IN KENT LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

Produced In Kent Limited
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Produced In Kent Limited
Balance Sheet
As At 31 March 2024

Registered number: 05505567

	Notes	2024 £	2024 £	2023 £	2023 £
FIXED ASSETS					
Intangible Assets	**4**		17,370		15,480
Tangible Assets	**5**		1,045		2,089
			18,415		17,569
CURRENT ASSETS					
Debtors	**6**	13,944		64,427	
Cash at bank and in hand		81,691		133,050	
		95,635		197,477	
Creditors: Amounts Falling Due Within One Year	**7**	(84,602)		(139,549)	
NET CURRENT ASSETS (LIABILITIES)			11,033		57,928
TOTAL ASSETS LESS CURRENT LIABILITIES			29,448		75,497
PROVISIONS FOR LIABILITIES					
Deferred Taxation			-		(339)
NET ASSETS			29,448		75,158
Income and Expenditure Account			29,448		75,158
MEMBERS' FUNDS			29,448		75,158

For the year ending 31 March 2024 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has taken advantage of section 444(1) of the Companies Act 2006 and opted not to deliver to the registrar a copy of the company's Income and Expenditure Account.

On behalf of the board

Mrs Susie Warran-Smith

Director

16/12/2024

The notes on pages 3 to 5 form part of these financial statements.

1. General Information

Produced In Kent Limited is a private company, limited by guarantee, incorporated in England & Wales, registered number 05505567 . The registered office is Milwood House, 36b Albion Place, Maidstone, Kent, ME14 5DZ.

2. Accounting Policies

2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 section 1A Small Entities "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

2.2. Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

Rendering of services

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

2.3. Intangible Fixed Assets and Amortisation - Other Intangible

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exeed ten years.

The estimated useful lives range as follows:

Website and app development - 5 years

2.4. Tangible Fixed Assets and Depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & Fittings	33% straight-line

2.5. Financial Instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.
Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.
Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instruments any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.
Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.
Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

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2.5. **Financial Instruments - continued**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

2.6. **Taxation**

Corporation Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from surplus as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in surplus or deficit, except when they related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. **Average Number of Employees**

Average number of employees, including directors, during the year was: 2 (2023: 2)

4. **Intangible Assets**

	Website and App Development Costs
	£
Cost	
As at 1 April 2023	19,350
Additions	7,200
As at 31 March 2024	26,550
Amortisation	
As at 1 April 2023	3,870
Provided during the period	5,310
As at 31 March 2024	9,180
Net Book Value	
As at 31 March 2024	17,370
As at 1 April 2023	15,480

5. **Tangible Assets**

	Fixtures & Fittings
	£
Cost	
As at 1 April 2023	11,130
As at 31 March 2024	11,130
Depreciation	
As at 1 April 2023	9,041
Provided during the period	1,044
As at 31 March 2024	10,085
Net Book Value	
As at 31 March 2024	1,045
As at 1 April 2023	2,089

6. **Debtors**

	2024	2023
	£	£
Due within one year		
Trade debtors	3,503	5,243
Other debtors	10,441	59,184
	13,944	64,427

7. **Creditors: Amounts Falling Due Within One Year**

	2024	2023
	£	£
Trade creditors	23,833	16,897
Other creditors	59,952	121,370
Taxation and social security	817	1,282
	84,602	139,549

8. **Company limited by guarantee**

The company is limited by guarantee and has no share capital.

Every member of the company undertakes to contribute to the assets of the company, in the event of a winding up, such an amount as may be required not exceeding £1.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

TRICS CONSORTIUM LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Trics Consortium Limited
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Trics Consortium Limited
Company Information
For The Year Ended 31 December 2023

Directors	Mr Philip Channer Mr Michael Green Mr Matthew Hogben Mrs Gemma McCart Mr Steven Shaw Mrs Claire Warwick
Company Number	09262594
Registered Office	Transport Development Planning 35 Guildford Road Woking Surrey GU22 7QQ
Accountants	Probusiness Ltd 37 Chamberlain Street Wells Somerset BA5 2PQ
Auditors	Moore Chartered Accountants and Statutory Auditor 30 Gay Street Bath Somerset BA1 2PA

Trics Consortium Limited
Balance Sheet
As At 31 December 2023

Registered number: 09262594

	Notes	2023 £	2023 £	2022 £	2022 £
FIXED ASSETS					
Intangible Assets	**4**		413,138		454,502
Tangible Assets	**5**		8,795		11,610
			421,933		466,112
CURRENT ASSETS					
Debtors	**6**	104,369		230,493	
Cash at bank and in hand		759,741		788,364	
		864,110		1,018,857	
Creditors: Amounts Falling Due Within One Year	**7**	(478,285)		(513,964)	
NET CURRENT ASSETS (LIABILITIES)			385,825		504,893
TOTAL ASSETS LESS CURRENT LIABILITIES			807,758		971,005
NET ASSETS			807,758		971,005
CAPITAL AND RESERVES					
Called up share capital			225,000		225,000
Share premium account			364,500		364,500
Profit and Loss Account			218,258		381,505
SHAREHOLDERS' FUNDS			807,758		971,005

These accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The company has taken advantage of section 444(1) of the Companies Act 2006 and opted not to deliver to the registrar a copy of the company's Profit and Loss Account.

On behalf of the board

Mr Philip Channer

Director

26/06/2024

The notes on pages 3 to 7 form part of these financial statements.

1. General Information

Trics Consortium Limited is a private company, limited by shares, incorporated in England & Wales, registered number 09262594 . The registered office is Transport Development Planning, 35 Guildford Road, Woking, Surrey, GU22 7QQ.

2. Accounting Policies

2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 section 1A Small Entities "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

2.2. Going Concern Disclosure

At the balance sheet date, the company had net current assets of £386k and net assets of £808k.

The directors have considered the level of funds held and the expected level of income and expenditure for the 12 months following the approval of these financial statements. The directors believe that the budgeted income and expenditure and the level of reserves held, are sufficient for the company to be able to continue as a going concern and to be able to meet its liabilities as they fall due in the 12 months following the date of approval of these financial statements.

2.3. Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

Rendering of services

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

2.4. Intangible Fixed Assets and Amortisation - Intellectual Property

Intangible Assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost less estimated residual value of each asset over the following useful lives.

Intellectual Property Rights (Surveys) - 7 Years

TRICS uses the past 8 year's worth of data to create trip rate calculations, so as the sites take between 6 months and a year to be active on the system it makes them approximately a year old at the time of inclusion.

Intellectual Property Rights (System) - 5 Years

TRICS looks at carrying out an update every 7 or 8 years, so as the system gets towards this age it has come to the end of its life.

During the year, the directors reviewed the method of calculating intangible asset additions. Subsequent to this review, a simplified method was adopted. The directors are of the opinion this represents a change in estimation technique in accordance with FRS102 and not a change in accounting policy.

2.5. Tangible Fixed Assets and Depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold	Straight Line over the Lease Period
Fixtures & Fittings	25% Reducing Balance
Computer Equipment	25% Reducing Balance

2.6. **Leasing and Hire Purchase Contracts**

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase contracts are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in the creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

2.7. **Foreign Currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2.8. **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

2.9. **Pensions**

The company operates a defined pension contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

3. **Average Number of Employees**

Average number of employees, including directors, during the year was: 7 (2022: 6)

4. **Intangible Assets**

	Intellectual Property
	£
Cost	
As at 1 January 2023	1,947,360
Additions	158,365
As at 31 December 2023	2,105,725

...CONTINUED

Amortisation	
As at 1 January 2023	1,492,858
Provided during the period	199,729
As at 31 December 2023	1,692,587
Net Book Value	
As at 31 December 2023	413,138
As at 1 January 2023	454,502

5. **Tangible Assets**

	Land & Property Leasehold	Fixtures & Fittings	Computer Equipment	Total
	£	£	£	£
Cost				
As at 1 January 2023	8,770	4,443	21,535	34,748
Additions	-	121	1,164	1,285
As at 31 December 2023	8,770	4,564	22,699	36,033
Depreciation				
As at 1 January 2023	5,262	2,667	15,209	23,138
Provided during the period	1,754	474	1,872	4,100
As at 31 December 2023	7,016	3,141	17,081	27,238
Net Book Value				
As at 31 December 2023	1,754	1,423	5,618	8,795
As at 1 January 2023	3,508	1,776	6,326	11,610

6. **Debtors**

	2023	2022
	£	£
Due within one year		
Trade debtors	93,712	217,291
Other debtors	10,657	13,202
	104,369	230,493

7. **Creditors: Amounts Falling Due Within One Year**

	2023	2022
	£	£
Trade creditors	33,453	72,322
Other creditors	264,747	239,163
Taxation and social security	180,085	202,479
	478,285	513,964

8. Other Commitments

The total of future minimum lease payments under non-cancellable operating leases are as following:

	2023	2022
	£	£
Not later than one year	20,500	20,500
Later than one year and not later than five years	-	20,500
	20,500	41,000

9. Post Balance Sheet Events

After the balance sheet date, and following the preparation of the financial statements, a dividend totalling £130,955 was declared and paid.

10. Related Party Transactions

Turnover for the year includes the following amounts in connection with councils that are shareholders of the company.

Dorset Council

TRICS Licence - Income to TRICS

£3,600 (2022: £3,450)

East Sussex County Council

TRICS Licence - Income to TRICS

£3,990 (2022: £4,450)

West Sussex County Council

TRICS Licence - Income to TRICS

£3,600 (2022: £3,450)

Hampshire County Council

TRICS Licence - Income to TRICS

£3,775 (2022: £9,120)

Kent County Council

TRICS Licence - Income to TRICS

£3,600 (2022: £3,450)

Surrey County Council

TRICS Licence - Income to TRICS

£3,600 (2022: £4,450)

11. Controlling Party

By virtue of the shareholdings there is no controlling party.

12. **Audit Information**

The auditors report on the account of Trics Consortium Limited for the year ended 31 December 2023 was unqualified

The auditor's report was signed by Mr Simon Cunningham (Senior Statutory Auditor) for and on behalf of Moore Chartered Accountants and Statutory Auditor , Statutory Auditor

Moore Chartered Accountants and Statutory Auditor
30 Gay Street
Bath
Somerset
BA1 2PA

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REGISTERED NUMBER: 06523286 (England and Wales)

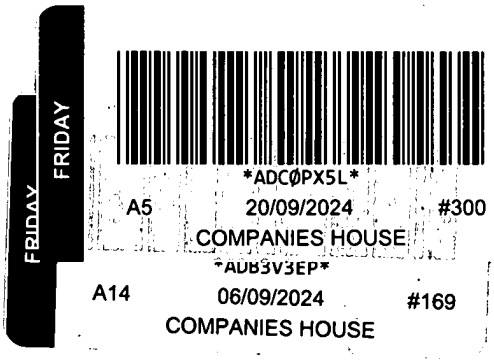
Report of the Directors and

Consolidated Financial Statements

for the Year Ended 31 March 2024

for

Kent PFI Holdings Company 1 Limited



Kent PFI Holdings Company 1 Limited

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for the year ended 31 March 2024

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Kent PFI Holdings Company 1 Limited

Company Information
for the year ended 31 March 2024

DIRECTORS:	J A Hansen J L Lee K Savjani J G Du Plessis
REGISTERED OFFICE:	3 More London Riverside London SE1 2AQ
REGISTERED NUMBER:	06523286 (England and Wales)
AUDITOR:	Forvis Mazars LLP 6 Dominus Way Meridian Business Park Leicester LE19 1RP

Report of the Directors
for the year ended 31 March 2024

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2024. The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company with a single subsidiary, Kent PFI Company 1 Limited.

The principal activity of Kent PFI Company 1 Limited is the provision of construction and maintenance services to three secondary schools for pupils across Kent under a PFI contract signed in October 2008. The schools are Thamesview School, Northfleet Technical College and St John's Catholic Comprehensive School. The operational phase started in July 2010 with the contract expiring on 31 August 2039.

REVIEW OF BUSINESS

The directors consider the performance of the group and company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

The consolidated statement of comprehensive income is set out on page 8 and shows a profit on ordinary activities before taxation of £702,000 (2023: £448,000).

DIVIDEND

The directors authorised payment of an interim dividend of £330,000 (2023: £320,000).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2023 to the date of this report, unless otherwise stated.

J A Hansen
J L Lee
K Savjani

Other changes in directors holding offices are as follows:

J P Marsh – resigned 14 April 2023
J G Du Plessis – appointed 14 April 2023

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks affecting the group are considered to relate to cash flow management, facility management compliance and review of the insurance cover and lifecycle profile. The group is exposed to inflation risk as some of its operational costs are RPI linked. This risk is mitigated as an element of the group's availability income is also linked to RPI. The board formally reviews risks and appropriate processes are put in place to mitigate them.

GOING CONCERN

The group has net liabilities of £758,000 (2023: £1,463,000) which includes the fair value of the interest rate swap of £1,539,000 (2023: £2,216,000) and cash of £3,985,000 (2023: £3,696,000).

The directors have prepared the financial statements on a going concern basis having had regard to the contractual arrangements and financial projections associated with the Kent Building Schools for the Future project. The directors have concluded that the group and company has sufficient cash flows to enable it to meet its liabilities as they fall due.

The directors reviewed the future liquidity requirements and have considered the cash flow forecasts of the group and company. Based on this review and the future business prospects of the group, despite the current economic conditions the directors believe the group will be able to meet its liabilities as they fall due.

Having regards to the above and after enquiries, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Forvis Mazars LLP will therefore continue in office.

ON BEHALF OF THE BOARD:

K Savjani
K Savjani (Aug 29, 2024 09:24 GMT+1)

K Savjani - Director

Date: Aug 29, 2024

Statement of Directors' Responsibilities for the year ended 31 March 2024

The Directors are responsible for preparing the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss of the company for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditor to the Members of
Kent PFI Holdings Company 1 Limited
for the year ended 31 March 2024

Opinion
We have audited the financial statements of Kent PFI Holdings Company 1 Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt 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 United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 parent company 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.

Other matter
Without qualifying our opinion, we draw attention to the accounting policies on page 15 to the financial statements and the fact that the comparative consolidated financial statements was unaudited as the Parent Company was entitled to exemption from preparing consolidated financial statements.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the director'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 group's and the parent company'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 directors 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 Report of the Directors, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 this gives rise to 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption to prepare a Strategic Report.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the group's and the parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 the financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: health and safety regulation, anti-bribery, corruption and fraud and money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Auditor's responsibilities for the audit of the financial statements - continued
Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Use of the audit report
This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Ashley Barraclough
Ashley Barraclough (Aug 29, 2024 09:35 GMT+1)

Ashley Barraclough (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
(Chartered Accountants and Statutory Auditor)
6 Dominus Way
Meridian Business Park
Leicester
LE19 1RP

Date: Aug 29, 2024

Kent PFI Holdings Company 1 Limited

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
TURNOVER		**6,026**	4,618
Cost of sales		**(5,545)**	(4,271)
GROSS PROFIT		**481**	347
OPERATING PROFIT	3	**481**	347
Interest receivable and similar income	4	**3,764**	3,812
Interest payable and similar expenses	5	**(3,543)**	(3,711)
PROFIT BEFORE TAXATION		**702**	448
Tax on profit	6	**(175)**	(85)
PROFIT FOR THE FINANCIAL YEAR		**527**	363
OTHER COMPREHENSIVE INCOME			
Change in fair value of cash flow hedge		**677**	7,226
Income tax relating to other comprehensive income		**(169)**	(1,807)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**508**	5,419
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,035**	5,782
Profit attributable to:			
Owners of the Shareholders		**527**	363
Total comprehensive income attributable to :			
Owners of the Shareholders		**1,035**	5,782

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 March 2024

	Notes	2024 £'000	2023 £'000
CURRENT ASSETS			
Debtors: amounts falling due within one year	9	**4,456**	4,141
Debtors: amounts falling due after more than one year	9	**50,365**	53,731
Cash at bank		**3,985**	3,696
		58,806	61,568
CREDITORS			
Amounts falling due within one year	10	**(9,826)**	(9,734)
NET CURRENT ASSETS		**48,890**	51,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**48,890**	51,834
CREDITORS			
Amounts falling due after more than one year	11	**(48,199)**	(51,081)
OTHER FINANCIAL LIABILITIES	13	**(1,539)**	(2,216)
NET LIABILITIES		**(758)**	(1,463)
CAPITAL AND RESERVES			
Called up share capital	14	**10**	10
Cash flow hedging reserve		**(1,155)**	(1,663)
Retained earnings		**387**	190
SHAREHOLDERS' DEFECIT		**(758)**	(1,463)

The financial statements were approved by the Board of Directors and authorised for issue on Aug 29, 2024 and were signed on its behalf by:

K Savjani
K Savjani (Aug 29, 2024 09:24 GMT+1)

K Savjani - Director

The notes form part of these financial statements

Company Statement of Financial Position
31 March 2024

	Notes	2024 £'000	2023 £'000
FIXED ASSETS			
Fixed asset investments	7	**10**	10
CURRENT ASSETS			
Debtors: Amounts falling due within one year	9	**502**	494
Debtors: Amounts falling due after more than one year	9	**6,304**	6,420
CREDITORS			
Amounts falling due within one year	10	**(502)**	(494)
NET CURRENT ASSETS		**6,304**	6,420
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,314**	6,430
CREDITORS			
Amounts falling due after more than one year	11	**(6,304)**	(6,420)
NET ASSETS		**10**	10
CAPITAL AND RESERVES			
Called up share capital	14	**10**	10
Retained earnings		**-**	-
SHAREHOLDERS' FUNDS		**10**	10

The financial statements were approved by the Board of Directors and authorised for issue on Aug 29, 2024 and were signed on its behalf by:

K Savjani
K Savjani (Aug 29, 2024 09:24 GMT+1)

K Savjani - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 31 March 2024

		Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Total equity £'000
Balance at 1 April 2022	Unaudited	10	147	(7,082)	(6,925)
Changes in equity					
Dividends (see note 8)		-	(320)	-	(320)
Total comprehensive income		-	363	5,419	5,782
Balance at 31 March 2023		10	190	(1,663)	(1,463)
Changes in equity					
Dividends (see note 8)		-	(330)	-	(330)
Total comprehensive income		-	527	508	1,035
Balance at 31 March 2024		**10**	**387**	**(1,155)**	**(758)**

Retained earnings
This reserve represents cumulative profits and losses of the group.

Cash flow hedging reserve
This reserve represents cumulative movements on the fair value of the interest rate swap.

The notes form part of these financial statements

Company Statement of Changes in Equity
for the year ended 31 March 2024

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2022	10	-	10
Changes in equity			
Total comprehensive income	-	320	320
Dividends (see note 8)	-	(320)	(320)
Balance at 31 March 2023	10	-	10
Changes in equity			
Total comprehensive income	-	330	330
Dividends (see note 8)	-	(330)	(330)
Balance at 31 March 2024	**10**	**-**	**10**

Retained earnings
This reserve represents cumulative profits and losses of the company.

The notes form part of these financial statements

Kent PFI Holdings Company 1 Limited

Consolidated Cash Flow Statement
for the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before tax		**702**	448
Deduct interest receivable and similar income	4	**(3,764)**	(3,812)
Add back interest payable and similar expenses	5	**3,543**	3,711
Dividend paid		**(330)**	(320)
Net cash generated from operations		**151**	27
Decrease in debtors		**2,882**	2,781
(Decrease)/Increase in creditors		**(116)**	757
Tax paid		**(175)**	(85)
Interest paid		**(3,502)**	(3,660)
Interest received		**3,764**	3,812
Net cash from operating activities		**3,004**	3,632
Cash flows from financing activities			
Repayment of bank borrowings	12	**(2,611)**	(2,581)
Movement in amounts owed to group undertakings	12	**(60)**	(80)
Movement in amounts owed to participating interests	12	**(44)**	(59)
Net cash from financing activities		**(2,715)**	(2,720)
Net increase in cash and cash equivalents		**289**	912
Cash and cash equivalents at 1 April		**3,696**	2,784
Cash and cash equivalents at 31 March		**3,985**	3,696

The notes form part of these financial statements

Kent PFI Holdings Company 1 Limited

Consolidated Analysis of Net Debt
for the year ended 31 March 2024

	1 April 2023 £'000	Cash flows £'000	Non cash movements	31 March 2024 £'000
Cash at bank and in hand	3,696	289	-	3,985
	3,696	**289**	-	**3,985**
Bank borrowings: Amounts falling due within one year	(2,568)	(205)	5	(2,768)
Bank borrowings: Amounts falling due after more than one year	(44,661)	2,816	(50)	(41,895)
Amounts owed to group undertakings: Amounts falling due within one year	(60)	(7)	-	(67)
Amounts owed to group undertakings: Amounts falling due after more than one year	(3,724)	68	-	(3,656)
Amounts owed to participating interests: Amounts falling due within one year	(44)	(5)	-	(49)
Amounts owed to participating interests: Amounts falling due after more than one year	(2,696)	48	-	(2,648)
Net debt	(50,057)	3,004	(45)	(47,098)

Loans stated here include both the bank loan and the shareholder loan.

Non cash movements include amortisation of capitalised costs in the period.

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Basis of preparing the financial statements
Kent PFI Holdings Company 1 Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 and the Companies Act 2006 for the year ended 31 March 2024. The presentation currency of these financial statements is sterling, which is the functional currency of the company. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of consolidation
The group accounts consolidate the accounts of Kent PFI Holdings Company 1 Limited and its subsidiary undertaking for the year ended 31 March 2024 using the acquisition method. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. All inter-company balances, transactions and profits are eliminated on consolidation. No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company's result for the year was £Nil, (2023: £Nil).

First time consolidation of accounts
As of 31st March 2024, the company has chosen to prepare consolidated financial statements for itself and its subsidiary undertaking.

Going concern
The group had net liabilities of £758,000 as at 31 March 2024 and generated a profit for the year then ended of £527,000. The net liabilities position is caused by the interest rate swap liability, which is a non cash item that does not affect the cashflows of the group and the liability will be unwound over the life of the project.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the group and company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by Kent County Council.

Turnover
Income received in respect of the service concession is allocated between revenue and capital repayment and interest income on the PFI financial asset using the effective interest rate method. Service revenue is recognised as on non-pass-through operating and maintenance costs plus a margin.

Revenue and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1. ACCOUNTING POLICIES - continued

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of the future payments discounted at a market rate of interest for a similar loan. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Short term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of comprehensive income in administrative expenses.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derivative instruments and hedging
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value.

Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cashflows based on observable yield curves.

The group used derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the floating rate bank loan. The interest rate swap transitioned from LIBOR to SONIA in the year ended 31 March 2023. Facility Agreements with loan providers were also amended simultaneously to transition from LIBOR to SONIA. As a result, the group is not exposed to any additional risk as a result of the interest rate reform and the loans will remain effectively hedged.

Service concession - financial assets
The group has taken advantage of the exemption contained within 35.10(i) of FRS 102 not to apply 34.12I - 34.16A to its PFI service concession arrangement (the finance debtor). Accordingly the service concession arrangement has continued to be accounted for using the same accounting policies that applied at the date of transition to FRS 102.

Specifically the finance debtor is accounted for as a financial asset at amortised cost using the effective interest rate method, whereby the asset related unitary charge is allocated between repayment of the finance debtor and finance income at the property specific rate.

Interest receivable and interest payable
Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Cash and Cash equivalents
Cash and Cash equivalents comprise cash balances.

The Group is obligated to keep a separate cash reserve in respect of future maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance , amounts to £3,465,000 at the year end (2023: £2,807,000).

Judgements and key sources of estimation uncertainty
The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are as follows:

1. ACCOUNTING POLICIES - continued

Key sources of estimation uncertainty
Income derived from the PFI contracts is allocated between the provision of the asset via finance income and the provision of subsequent services via revenue.

Financial Asset Interest Rate
The financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis.

Service Margin
Operating costs are recognised on an accruals basis and the revenue receivable is recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Fair value of interest rate swaps
The fair value of interest rate swaps is determined by reference to mark-to-market valuations provided periodically by the senior lender.

Critical judgements
Concession arrangements - The concession arrangements undertaken by the group are considered to fall within the scope of section 34 of FRS 102 "Specialised Activities", as described in the finance debtor and service income accounting note. This judgement has been based on a consideration of the nature and terms of the arrangement.

2. EMPLOYEES AND DIRECTORS

There were no employees during the year (2023: none). The directors have no contract of service with the group (2023: none).

3. OPERATING PROFIT

The following costs were incurred during the year:

	2024 £'000	2023 £'000
Auditor's remuneration - audit of these financial statements	14	11

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2024 £'000	2023 £'000
Deposit account interest	225	82
Finance debtor interest	3,539	3,730
	3,764	3,812

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2024 £'000	2023 £'000
Bank borrowings	2,767	2,924
Amounts owed to group undertakings	450	456
Amounts owed to participating interests	326	331
	3,543	3,711

6. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2024 £'000	2023 £'000
Current tax:		
UK corporation tax	175	85
Tax on profit	175	85

UK corporation tax was charged at 25% in 2024 (2023: 19%).

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is the same as (2023: the same as) the standard rate of corporation tax in the UK.

	2024 £'000	2023 £'000
Profit before tax	702	448
Profit multiplied by the standard rate of corporation tax in the UK of 25% (2023 – 19%)	175	85
Total tax charge	175	85

Tax effects relating to effects of other comprehensive income

	Gross £'000	2023 Tax £'000	Net £'000
Change in fair value of cash flow hedge	677	(169)	508

	Gross £'000	2022 Tax £'000	Net £'000
Change in fair value of cash flow hedge	7,226	(1,807)	5,419

Factors affecting the tax charges in future years
An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 March 2024 has been calculated based on this rate. This will have a consequential effect on the company's future tax charge.

7. FIXED ASSET INVESTMENTS

Company	Interest in subsidiary undertaking £'000
COST	
At 1 April 2023 and 31 March 2024	10
NET BOOK VALUE	
At 31 March 2024	10
At 31 March 2023	10

Shares in subsidiary undertaking represent a holding of 100% of the ordinary share capital of Kent PFI Company 1 Limited. This company is incorporated in the United Kingdom, registered at 3 More London Riverside, London, SE1 2AQ and its sole purpose is the design, build, maintenance and operation of a series of schools in the Kent area.

8. DIVIDENDS

	2024	2023
	£'000	£'000
Ordinary shares of £1 each		
Interim	330	320

9. DEBTORS

Amounts falling due within one year

	Group		Company	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertakings	-	-	502	494
Amounts receivable in respect of financial assets	3,300	3,096	-	-
Trade debtors	4	35	-	-
Corporation tax	-	3		
Prepayments and accrued income	1,152	1,007	-	-
	4,456	4,141	502	494

Amounts falling due after more than one year

	Group		Company	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertakings	-	-	6,304	6,420
Amounts receivable in respect of financial assets	49,980	53,177	-	-
Deferred tax	385	554	-	-
	50,365	53,731	6,304	6,420

Deferred tax asset consists of:

	Group	
	2024	2023
	£'000	£'000
Fair value of cash flow hedge	385	554

	2023
	£'000
Balance at 1 April 2023	554
Movement in other comprehensive income	(169)
As at 31 March 2024	385

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts (see note 12)	**2,768**	2,568	**-**	-
Amounts owed to group undertakings (see note 12)	**291**	287	**291**	287
Amounts owed to participating interests (see note 12)	**211**	207	**211**	207
Corporation tax	**47**	-	**-**	-
Trade creditors	**88**	740	**-**	-
Accruals and deferred income	**6,421**	5,932	**-**	-
	9,826	9,734	**502**	494

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Bank loans(see note 12)	**41,895**	44,661	**-**	-
Amounts owed to group undertakings (see note 12)	**3,656**	3,724	**3,656**	3,724
Amounts owed to participating interest (see note 12)	**2,648**	2,696	**2,648**	2,696
	48,199	51,081	**6,304**	6,420

12. LOANS

An analysis of the maturity of the bank loan is given below:

	Group		Company	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Repayment schedule of the bank loan:				
Wholly repayable within five years	**14,518**	14,101	**-**	-
Not wholly repayable within five years	**30,473**	33,501	**-**	-
	44,991	47,602	**-**	-

As at 31 March 2024, £44,991,000 (2023: £47,602,000) has been drawn, comprising the senior term loan. Loan issue costs in respect of this facility have been deducted from the gross proceeds of the bank borrowings and an effective interest rate is used to calculate finance costs in accordance with the provisions of Section 11 of FRS 102. There was an effective interest rate adjustment of £328,000 (2023: £373,000) on these loans outstanding at the year end.

The senior debt repayments commenced on the 31 March 2011 and the debt is repayable at six monthly intervals with the final repayment being due on the 2 February 2035. Interest is charged on amounts drawn under the facilities based on floating SONIA. The Group transitioned form LIBOR to SONIA during the year as a direct consequence of interest rate benchmark reform. The new basis for determining the contractual cashflows is economically equivalent to the basis immediately preceding the change The company has entered into interest hedging agreements to be applied to the expected future borrowings under the variable rate debt facilities. The hedging agreements in respect of these loans fix the interest rate at 4.585% until 2 February 2035. They are also secured by way of a floating charge over the whole of the charged assets being the whole of the property (including uncalled capital) which is or may be from time to time comprised in the property and undertaking of the charger.

12. **LOANS - continued**

Amounts owed to group undertakings consists of:

	Group		Company	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Wholly repayable within five years	**135**	334	**135**	334
Not wholly repayable within five years	**3,589**	3,450	**3,589**	3,450
	3,724	3,784	**3,724**	3,784

Amounts owed to group undertakings comprise loan stock of £3,724,000 (2023: £3,784,000) from Building Schools for the Future Limited. These borrowings bear interest at 12% per annum and are repayable in semi-annual instalments on or before 30 September 2035. There was £224,000 (2023: £227,000) of accrued interest on these loans outstanding at the year end.

Amounts owed to participating interests consists of:

	Group		Company	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Wholly repayable within five years	**98**	242	**98**	242
Not wholly repayable within five years	**2,598**	2,498	**2,598**	2,498
	2,696	2,740	**2,696**	2,740

Amounts owed to group undertakings comprise loan stock of £2,696,000 (2023: £2,740,000) from Kent County Council. These borrowings bear interest at 12% per annum and are repayable in semi-annual instalments on or before 30 September 2035. There was £162,000 (2023: £163,000) of accrued interest on these loans outstanding at the year end.

13. **OTHER FINANCIAL LIABILITIES**

	2024	2023
	£'000	£'000
Swap liability	**1,539**	2,216

	Swap Liability
	£'000
Balance at 1 April 2023	**2,216**
Gain to Statement of Comprehensive Income during the year	**(677)**
Balance at 31 March 2024	**1,539**

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The interest rate swap settles on a bi-annual basis ending on 2 February 2035. The floating rate on the interest rate swap is six months SONIA. The project will settle the difference between the fixed and floating interest rate on a net basis.

The fair value of these financial instruments at 31 March 2024 was a liability of £1,539,000 (2023: £2,216,000). A gain of £667,000 (2023: gain of £7,226,000) was recognised in other comprehensive income and gains of £nil (2023: gains of £nil) in excess of the fair value of the hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss. £nil (2023: £nil) was reclassified to profit or loss for the period.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2024**	2023
			£	£
10,000	Ordinary	1	**10,000**	10,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

15. ULTIMATE CONTROLLING PARTY

The directors regard Building Schools for the Future Investments LLP, an entity incorporated in England and Wales as the immediate parent undertaking and controlling party and International Public Partnerships Limited a company registered in Guernsey as the ultimate parent undertaking and controlling party.

16. RELATED PARTIES

The Group has a loan of £3,724,000 (2023: £3,784,000) due to Building Schools for the Future LLP, a entity owning 58% of the group. The details of this loan has been detailed in Note 12.

The Group has a loan of £2,696,000 (2023: £2,740,000) due to Kent County Council, a entity owning 42% of the group. The details of this loan has been detailed in Note 12.

By:	Deputy Leader and Cabinet Member for Finance and Traded Services, Interim Corporate Director Finance
To:	Governance and Audit Committee
Subject:	Changes to scheme of delegation limits
Classification:	Unrestricted

Summary: This report asks members to endorse the proposed changes in the levels of approval following go live of the Oracle Cloud Programme.

FOR COMMENT

1. INTRODUCTION/BACKGROUND

1.1 As part of the development and design of the Oracle Cloud Programme, the existing scheme of delegations have been reviewed in light of the premise that the system follows the “Adopt not Adapt” approach.

1.2 In designing the new system, we want to ensure there is alignment between the HR hierarchies and approvals within other systems

1.3 The new system does not allow for additional approvers and follows the strict hierarchies and responsibilities as set out. The new design has two more job levels than the current system and will require these roles to meet the approval hierarchy requirements based on cost centre and supervisor hierarchies.

1.4 The changes are shown in the 2 tables below:

Current Scheme of Delegation	
Requisition or budget expenditure approval	**Approval Limit**
Corporate Director	Unlimited
Director	£1m
Head of Service	£500k
Responsible Budget Manager	£50k

New Scheme of Delegation	
Requisition or budget expenditure approval	**Approval Limit**
Corporate Director	Unlimited
Director	£1m
Head of Service	£500k
Management Level 1	£250k
Management Level 2	£150k
Cost Centre Manager	£50k

1.5 The two new levels are "Management Team 1 and Management Team 2". The system will move up the hierarchy automatically to require approval from the Manager with the appropriate limit. These changes will alter the line on the delegation matrix, shown below. The current full scheme of delegation matrix can be found on KNet, here Delegation Matrix

	Members		Officers			
Stage or Transaction Approval	**The Leader or Cabinet**	**Cabinet Member**	**CMT Director**	**Service Director**	**Service Head**	**Budget Manager**
Requisition or budget expenditure approval			Unlimited where previously approved as designated signatory and where relevant authority is in place	Up to £1m•	Up to £500k	Up to £50k

1.6 Practically, this will mean that approval for all expenditure greater than £250 (self-approval limit) within Oracle Cloud will align to Budget Manager responsibility for approving expenditure against budgets. This will then align to the RAS (Resource Accountability Statement) which all Budget Managers are required to sign.

1.7 This will provide more exposure and control to the two new levels, removing the current practice of delegating responsibility to staff who do not have authorised budget responsibility.

1.8 These changes are being used in the testing of Oracle Cloud, prior to going live and will not be used in real circumstances until they are signed off following testing and the system is live.

2. RECOMMENDATION

The Governance and Audit Committee is asked to:

2.1 Endorse the new scheme of delegation structure and limits in principle and note that these will be used in the design and testing of the Oracle Cloud Programme.

2.2 Agree that, following the trial, the proposed permanent changes to the matrix (and financial regulations) are recommended to County Council prior to the go live date of August.

Cath Head
Head of Finance Operations
Ext: 03000 416934

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