

## Draft Statement of Accounts 2021-22

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03000 421447

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## 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 2021-22 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 2021-22.
- 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 and 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 and 24)
  - ~ 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 2022 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kent Holdco Group. (See pages 128 to 143)
- The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council, however, the Pension Fund has to be completely separate from the Council's own finances. (See pages 144 to 172)
- The Independent Auditor's Report to the Council - this is provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit. (See pages 173 to 181)
- 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 182 and 183 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 2021-22 are prepared on an IFRS basis.

There are no significant changes to accounting practice to report for 2021-22

**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:

<b>Directorates</b>	<b>Divisions</b>
Adult Social Care & Health (ASCH)	Strategic Management & Directorate Budgets Adult Social Care & Health Operations Public Health Business Delivery
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets Special Educational Needs and Disabilities Education Integrated Children's Services (East & West) Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets Economic Development Highways, Transportation & Waste Environment, Planning & Enforcement Libraries, Registration & Archives
Strategic & Corporate Services (SCS)	Strategic Management & Directorate Budgets People and Communication Finance Governance, Law & Democracy Infrastructure Corporate Landlord Strategic Commissioning Strategic, Policy, Relationships & Corporate Assurance
Non Attributable Costs	Non Attributable Costs including Corporately Held Budgets

**Strategic and Corporate Plans**

KCC produces a Strategic Statement every few years to set the strategic direction for the Council – this is our flagship strategy and shapes business and resource planning. In 2020, ‘Setting the Course’ KCC’s Interim Strategic Plan, was approved to set out how KCC will support the county through the Covid pandemic and recovery.

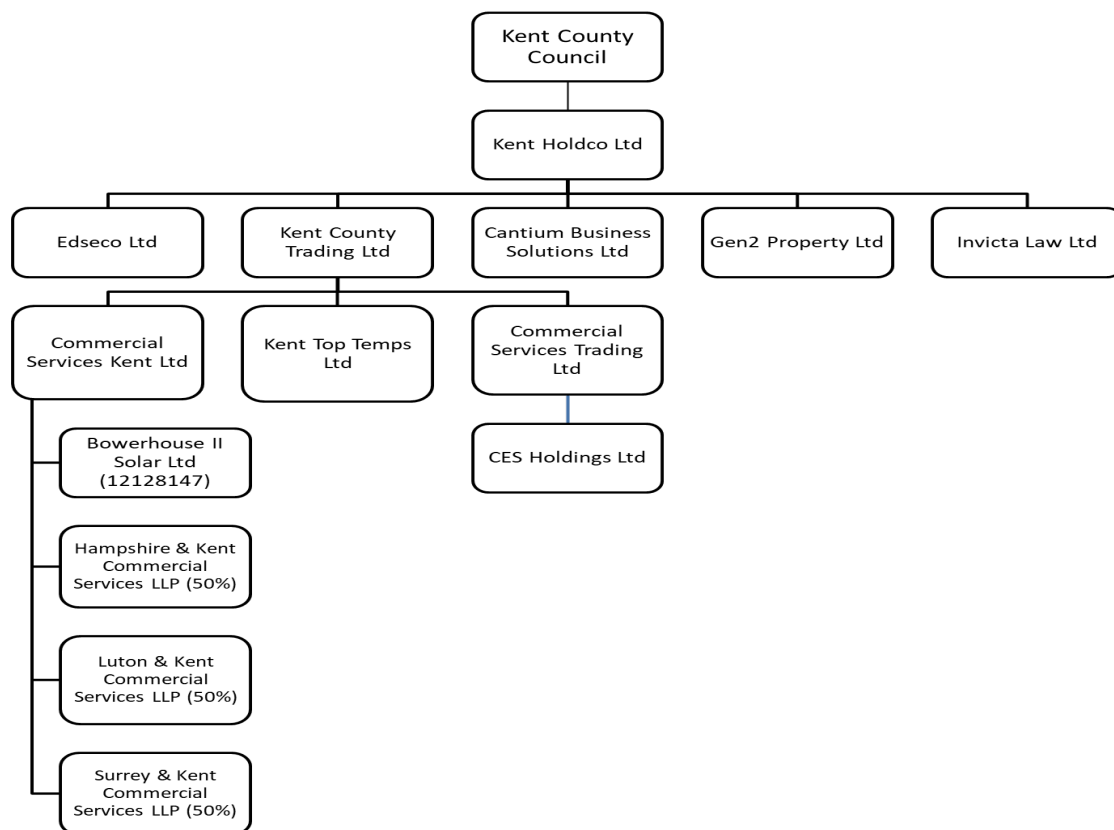
In May 2022, a new four-year Strategic Statement will be presented to County Council for approval. This will set out the most important priorities that KCC will aim to deliver for Kent up to 2026. It will be ambitious for Kent’s future while being realistic about the challenges and pressures we face. It will be shaped by national policy agendas and local needs.

A council-wide Annual Delivery Plan will be developed each year to set out the actions for the next 12 months towards delivering the Strategic Statement's priorities.

Sitting below the Annual Delivery Plan will be Directorate Business Planning. Directorates will be required to produce either a directorate business plan or divisional business plans on an annual basis to set out all the activity that the services will deliver during the year and how performance will be measured.

**Council's wholly-owned subsidiaries**

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



**Kent Holdco Ltd** - a wholly owned company of KCC established to provide KCC a single point of contact with a streamlined management and executive function. The intention is for Holdco to help generate efficiencies and consistency between the companies.

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

## Narrative

**GEN<sup>2</sup> Property Ltd** - to provide property services and property management consultancy.

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

**Cantium Business Solutions Ltd** - the company provides a range of services to KCC and other external clients. Services offered include integrated HR and payroll services, pensions, coaching and mentoring, 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. The finance element of the business includes accounts payable, social care payments, essential living allowance payments, cash handling and debt collection (and debt management).

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

## Financial Report

### Setting the Revenue Budget for 2021-22 - the budget strategy

The Council has a tremendous financial track record and has delivered a small net surplus on its revenue budget in each of the last 21 years up to 2020-21. This is built on a robust approach to budget setting and medium-term financial planning, combined with a rigorous budget management and monitoring regime. Together these are designed to ensure the budget reflects the Council's core strategic objectives but at the same time builds in financial prudence and resilience.

In previous years KCC has faced a significant and unprecedented financial challenge. This challenge arose from a combination of rising spending demands/costs, coupled with reductions in central government funding and freezes/limits on raising council tax. Combined, this has led the Council to make annual savings averaging around £72m each year since 2010 (totalling £713.3m over the 10 years between 2011-12 to 2020-21). The scale of savings has lessened in recent years with savings/income planned for 2018-19 of £50.2m, £38.6m in 2019-20 and £30.2m in 2020-21. In recent years there have been increases in the Council's budget in cash terms through council tax and increases in government grants for social care after a period of flat cash settlements or reductions. However, these cash increases should not be confused with real-terms increases and were not enough to fund rising demands and costs.

The Covid-19 pandemic has had a significant impact on the Council's financial planning. The budget for 2020-21 was approved by the County Council on 13th February 2020 before the pandemic was declared. The significant changes as a result of the pandemic resulted in a revised budget approved by County Council on 10th September to incorporate the additional Covid-19 emergency grants and impact on the Council's spending, savings delivery and income forecasts.

During the pandemic the Council agreed an interim Strategic Plan "Setting the Course" for the whole of 2021 and the first half of 2022. The interim plan identified the immediate challenges the Council faced, and the actions the Council was prioritising to lead the county through 2021 and into 2022 to emerge stronger and more sustainable, and to lay the foundations for positive change in the future. The budget for 2021-22 and for the medium term reflected the challenges and opportunities set out in the Interim Strategic Plan.

Over the course of the pandemic the Council has received £419m of additional support from central government including £127m of the general Covid-19 emergency grant; £74m compensation for local tax and income losses; £100m for social care relating to infection control, hospital discharges, workforce recruitment and retention, and rapid testing; £72m for public health including outbreak management and containment, asymptomatic testing, support for clinically extremely vulnerable, test and trace; £46m for other services such as home to school transport, bus services, household support fund, etc.

The 2021-22 budget saw further increases in the net revenue budget but still not enough to fully fund rising demands and costs. The budget was balanced with a further £39.5m of savings/income and net £1.8m drawdown from reserves. As in the previous two years the local government finance settlement was only confirmed for one-year with a rollover of some grants from the previous year; additional grants for social care; Covid-19 emergency grant; and compensation grants for tax losses; and council tax increases up to but not exceeding 2% referendum limit and a further 3% increase for adult social care.

One of the impacts of the pandemic was an unprecedented reduction in the estimated council tax base for 2021-22 primarily due to increases in the number of households claiming discounts under local council tax reduction schemes and lower collection rates, as well a deficit on collections in 2020-21. The reduction estimated by Kent collection authorities (district and borough councils) was amongst the highest of any county council area.

## Narrative

A high level presentation of the changes between the original approved revenue budget for 2020-21 and 2021-22 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.

<b>Change in Net Spending</b>	<b>£m</b>	<b>Change in Net Funding</b>	<b>£m</b>
Proposed additional spending	110.1	Changes in un-ringfenced government grants	51.2
Proposed savings from spending reductions	-34.4	Change in council tax base	-7.8
Proposed changes in income	-2.5	Proposed increase in council tax charge	37.1
Changes in specific government grants	-2.6	Change in retained business rates	-4.1
Proposed net changes in reserves	-1.8	Change in collection fund balances	-36.8
		Drawdown of S31 Covid related compensation grant from reserves	29.2
<b>Total change in Net Spending</b>	<b>68.8</b>	<b>Total change in Net Funding</b>	<b>68.8</b>

The one-year settlement from Government for 2021-22 meant that it was not appropriate to publish a detailed medium-term financial plan (MTFP). The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that while there is statutory requirement to set an annual budget, a longer-term perspective is also essential if local authorities are to demonstrate their financial sustainability. CIPFA recognises that while formal publication of the MTFP may only reflect government settlements, it is the responsibility of the leadership of the organisation to have a long-term financial view.

The published budget for 2021-22 included an appendix setting out three potential medium-term scenarios based on different trajectories for the Covid-19 pandemic. These scenarios were consistent with the approach adopted by the Office for Budget Responsibility (OBR) in the November 2020 Economic and Fiscal Outlook report. The scenarios were based on an upside (successful eradication of the virus and a full and speedy recovery), downside scenario (continuing need to take measures to tackle the virus and continued economic consequences), and a central case (partial recovery). In reality the 2022-23 budget has included aspects from all 3 scenarios e.g. business as usual spending growth closer to the downside but council tax recovery closer to the upside. This combination together with additional grants in the local government finance settlement has led to savings requirement towards the lower end of the medium-term projections for 2022-23, but still forecast to be closer to the central case over later years.

The final budget for 2021-22 was approved by full Council on 11th February 2021. This included a net revenue budget of £1,132.4m for 2021-22 and a capital programme of £1,061.9m over the three years 2021-22 to 2023-24. This represented the culmination of a long evolution process starting in May 2020 with Corporate Management Team (CMT) and Cabinet, and included public consultation in the autumn and cabinet committee scrutiny of the final draft proposals in January.

### Risk Strategy

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

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

### Revenue Strategy

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

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

**Funding Estimate**

The early funding estimates for 2021-22 were difficult to predict in the absence of an indicative settlement from government and consequently were based on a prudent approach. The forecasts included:

- Reduction in the council tax base compared to increases in previous years (the tax base estimate for 2020-21 had been 1.51% increase) due to the impact of recession on council tax reduction discounts and collection rates
- Council tax referendum limit allowing an increase in the household charge up to but not exceeding 2%
- The social care council tax levy that had been allowed in the previous settlements remaining unchanged at a further 2% increase in the household charge
- A council tax collection fund deficit from 2020-21 (due to recession) albeit spread over 3 years
- Retained business rates increasing in line with inflationary uplifts to the business rate multiplier with a small loss on collection from 2020-21
- Government grants would rollover at the same amounts as 2020-21

These assumptions resulted in an initial forecast reduction in available funding of around 2% (largely due to local taxation losses despite the planned increases in the household charges).

High level government spending plans for 2021-22) on 25th November 2020. The announcement included additional COVID-19 support through a further tranche of emergency grant for 2021-22, additional grant to help with increased council tax reduction discounts, 75% compensation for irrecoverable council tax and business rates losses in 2020-21 that would otherwise impact on 2021-22 budget, and a 3 month extension to the compensation grant for income losses on sales fees and charges due to the pandemic. The Spending Review also included increased grant funding for adult and children’s social care, an increase in the adult social care council tax levy to 3%, inflationary increase in revenue support grant and continuation of New Homes Bonus grant for a further year. The permitted general increase in council tax of up to but not exceeding 2% was confirmed. All other grants (including RSG) were assumed to be rolled over at the same amount as 2020-21 (excluding Covid-19 grants). This announcement enabled funding forecasts to be increased to approx. £1,075m (an increase of 1%) excluding the Covid-19 grants which could not be accurately estimated from the Spending Review announcement.

The provisional local government finance settlement was published on 17th December 2020 confirming the Spending Review allocations for individual grants and council tax referendum limits. KCC’s draft budget was published on 6th January 2021 and showed a total revenue funding estimate of £1,128.4m (an increase of £64.7m or 6.1% on the original approved budget for 2020-21). This improvement was largely due to a smaller reduction in estimated council tax base and collection fund deficit, and confirmation of Covid-19 grants.

The final local finance settlement was confirmed on 4th February 2020 and included some minor changes to the compensation for additional business rates reliefs and compensation for irrecoverable council tax losses due to the pandemic. KCC published the final draft budget for the County Council meeting the day before (3rd February) and so was not based on the final settlement or final notification of retained business from Kent districts. The impact of final settlement and retained business rates was covered by an amendment to the budget presented at the County Council meeting on 11th February.

The evolution of funding estimates from the Spending Review is shown below.

	Spending Review Estimate November 2021	Draft Budget 6th January 2022	County Council Papers 3rd February 2022	Final Budget 11 February 2022
	£m	£m	£m	£m
Council Tax	767.2	774.0	775.7	775.7
Retained Business Rates	48.3	48.1	48.1	51.3
General Government Grants	169.3	168.4	168.4	168.6
Social Care Grants	90.1	87.7	87.7	87.7
Covid-19 Grants		50.2	49.2	49.2
<b>Total Funding</b>	<b>1,074.9</b>	<b>1,128.4</b>	<b>1,129.1</b>	<b>1,132.5</b>



## Narrative

A full reconciliation of the funding changes between 2020-21 and 2021-22 is shown below.

	<b>2020-21</b>	<b>2021-22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Council Tax</b>		
Tax Base	683,654	676,550
General increase up to referendum level		14,819
Adult Social Care Levy	65,790	87,335
Collection Fund Balance	3,898	-3,042
Total Council Tax	<u>753,342</u>	<u>775,662</u>
<b>Local Share of Business Rates</b>		
Business Rates	55,938	51,845
Business Rates Collection Fund surplus/(deficit)	2,563	-558
	<u>58,501</u>	<u>51,287</u>
<b>Un-ring fenced grants</b>		
Revenue Support Grant	9,642	9,695
Business Rate Top-Up	138,429	138,429
Business Rate Compensation Grant for additional reliefs	12,662	13,917
New Homes Bonus	6,430	4,629
Other Grants	1,738	1,969
Social Care Support Grant	34,367	39,143
Improved Better Care Fund	48,544	48,544
Covid-19 emergency Grant		32,357
Covid-19 Council Tax Support Grant		14,281
Covid-19 Compensation for Irrecoverable Tax losses		2,512
	<u>251,812</u>	<u>305,476</u>
<b>Total Funding</b>	<b><u>1,063,655</u></b>	<b><u>1,132,425</u></b>

The council tax base notification from District Councils showed a 1.04% decrease from 2020-21. The tax base includes new dwellings and mandatory discounts as well as the impact of local decisions on the level of Council Tax discounts for working age tax payers in receipt of benefits/on low incomes through the Council Tax Reduction Scheme (CTRS) and other additional local discretion on Council Tax discounts and exemptions on empty properties permitted under the Local Government Finance Act 2012.

Households had an increase in the County Council's element of council tax of 1.998% plus the additional 2.997% for the Adult Social Care precept levy for 2021-22. This increased the charge for a band D household from £1,351.26 in 2020-21 to £1,418.76 in 2021-22.

### Spending, Changes in Reserves, Savings and Income

Forecasts for spending demands are based upon a combination of in-year monitoring of budgets and estimates for the impact of anticipated changes over the forthcoming year. The forecasts are regularly refreshed as part of developing the budget proposals over the summer and autumn. The 2021-22 budget included a separate amount for the recurring changes arising from the September amendment to the 2020-21 budget in response to Covid 19 pandemic and business as usual changes in prices, demographic demand, legislation, and service improvements. The impact of needing to replace one-off actions from reserves and underspends agreed as part of setting the 2020-21 budget is also shown as additional spending.

The final budget showed £110.1m of additional spending growth in 2021-22, the breakdown is as follows:

- £32.8m recurring base budget changes for September 2020 budget amendment
- £21.9m for staff pay awards, contractual price increases and negotiated contracts
- £16.0m for forecast increases in demand and demographic changes
- £13.9m for local service strategies and improvements
- £11.9m to replace one-offs used to fund base budget spending in 2019-20
- £8.5m for net budget realignments to reflect previous year activity/costs (realignments can reduce as well as increase spend reflecting past performance)
- £3.6m legislation
- £1.5m reduction in specific grant

### Changes in Reserves

The net movement in reserves comprises £20.4m additional contributions to reserves and £22.2m drawdown. The additional contributions include £14m to general reserves to increase the Council's financial resilience, £3m contribution to workforce reduction reserve, and £3.4m to local tax equalisation reserve in the final amendment to the budget at County Council following receipt of the final settlement and local share of business rates.

The £22.2m drawdown from reserves includes £18.5m from Covid-19 reserves and £3.7m from Public Health reserves.

### Savings and Income

Although the 2021-22 funding settlement represented an increase over previous years with additional funding both from government grants and local taxes, the total increase of £68.8m was not sufficient to fully fund the additional spending growth of £110.1m and net £1.8m drawdown from reserves. Additional savings and income of £39.5m were required in order to balance the budget:

- £10.8m from efficiency savings from staffing, contracts and managing premises (doing the same job for less money)
- £9.0m policy savings (service reductions)
- £8.7m from service transformation (improved outcomes at lower cost)
- £5.9m rephasing of capital financing
- £2.6m increases in specific grants
- £2.5m income generation

### Budget Consultation and Engagement

Consultation on the original budget strategy was launched on 14th October 2020 and was open for 6 weeks until 24th November 2020. The consultation sought views on council tax and spending priorities to help shape and balance the 2021-22 Budget. Responses were considered by elected Members (Councillors) at Cabinet Committee meetings during January 2020 in advance of the budget debate and approval by County Council on 11th February 2021.

Overall Social Care services were the areas where respondents were most uncomfortable with spending reductions, with over 65% indicating as such. Areas including Community Services (66%), Regeneration & Economic Development (63%), Libraries, Registration & Archives (62%), Transport (58%), Environment (52%) and Public Protection (51%) were the areas respondents identified as comfortable or partly comfortable for spending reductions.

In relation to Council Tax, 51% of respondents agreed with raising Council Tax to an assumed 2% referendum limit, whilst 45% did not agree with this percentage increase. 47% of respondents agreed with increasing the Adult Social Care Levy, while 41% disagreed and the remaining 12% selected 'Don't know/No opinion'.

There was a high level of support on questions relating to the Council's Strategic Reset Programme. 92% agreed that the Council should deliver more than one service from KCC buildings, 78% agreed "that the Council should reduce the number of buildings in the KCC estate, and 75% supported delivering more services using online technology.

## Narrative

### Revenue Budget and Outturn

In February 2021 the Council approved a net revenue budget for 2021-22 of £1,132.4m. In addition £12.558m of 2020-21 underspending was rolled forward and added to the budget. During the year, there were some adjustments to our funding levels, totalling an additional £1.157m, largely one-off, which were also added to the budget. The final outturn position for the year against the revised budget is set out in the table below, together with the sources of income from which the Council's net revenue expenditure was financed.

DIRECTORATE		Budget £000's	Outturn £000's	Variance £000's
Adult Social Care & Health including Public Health	<b>ASCH</b>	422,913	422,031	-882
Children, Young People & Education	<b>CYPE</b>	287,534	295,492	7,958
Growth, Environment & Transport	<b>GET</b>	182,755	176,826	-5,929
Strategic & Corporate Services	<b>S&amp;CS</b>	95,670	90,684	-4,986
Non-Attributable Costs including Corporately Held Budgets	<b>NAC</b>	157,243	154,182	-3,061
		<b>1,146,115</b>	<b>1,139,215</b>	<b>-6,900</b>
Schools' Delegated Budgets	<b>CYPE</b>	0	41,197	41,197
		<b>1,146,115</b>	<b>1,180,412</b>	<b>34,297</b>
FUNDED BY:				
Reserves (2020-21 revenue budget underspend)		-12,558	-12,558	0
Formula Grant		-9,695	-9,695	0
Council Tax Yield including Collection Fund		-775,447	-775,447	0
Local Share of Business Rates & Business Rate Collection Fund		-27,568	-27,610	-42
Business Rate Tariff		-138,429	-138,429	0
Business Rate Compensation Grant		-13,124	-13,124	0
New Homes Bonus (NHB)		-4,629	-4,629	0
Improved Better Care Fund (iBCF)		-48,544	-48,544	0
Social Care Support Grant		-39,143	-39,143	0
Covid-19 Emergency Grant		-32,357	-32,357	0
Sales, Fees and Charges Compensation Grant		759	759	0
Compensation for Covid-19 related Business Rate Reliefs Grant		-13,054	-16,513	-3,459
Compensation for Covid-19 related Business Rate Reliefs - Transfer to/from Reserves		-13,727	-10,268	3,459
Compensation for irrecoverable Local Taxation Losses Grant		-30	-30	0
Compensation for irrecoverable Local Taxation Losses - Transfer to/from Reserves		-2,318	-2,318	0
Covid 19 Local Council Tax Support Grant		-14,282	-14,289	-7
Other Un-ringfenced Grants		-1,969	-2,640	-671
Total Funding		<b>-1,146,115</b>	<b>-1,146,835</b>	<b>-720</b>
NET OUTTURN POSITION		<b>0</b>	<b>33,577</b>	<b>33,577</b>

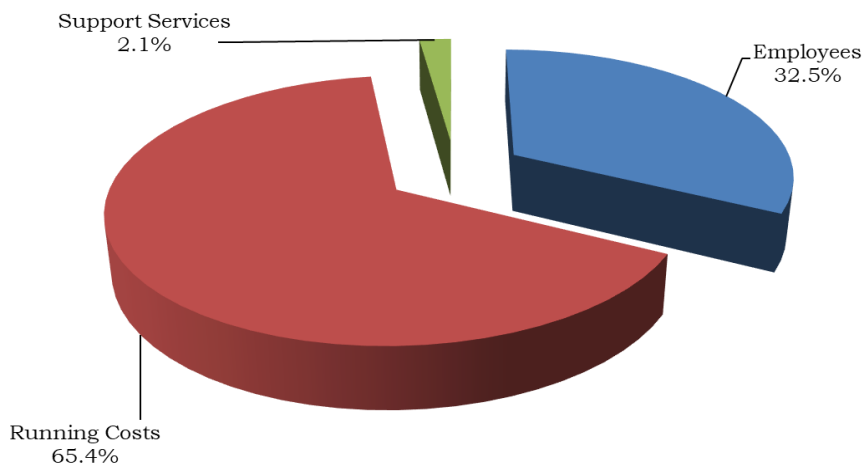
The net underspending within the directorates is £7.620m, being -£6.900m and -£0.720m funding variance (excluding £41.197m delegated schools overspend) of which £7.127m are roll forward requests and will be added to the 2022-23 budget to support the rescheduling of projects. This leaves an underlying underspend of £0.493m and is transferred into reserves to support resilience.

It should be noted that the above position included the impact of Covid-19 and more information can be found on pages 13 to 14.

## Narrative

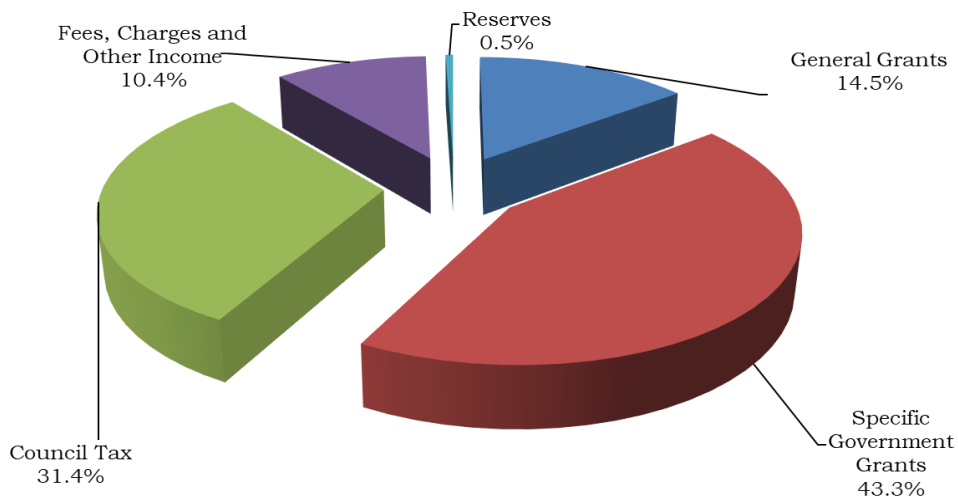
The charts below present a breakdown of the figures shown in the table above:

### What the money is spent on



Employees costs account for 32.5% (33.0% in 2020-21) of the Council's expenditure. Running costs including cost of premises, transport, supplies and services, and third party payments account for 65.4% (68.4% in 2020-21) of the expenditure.

### Where the money came from



43.3% of our income came from Specific Government Grants which includes the Dedicated Schools Grant (43.7% in 2020-21), 31.4% of our income came from residents through council tax (31.1% in 2020-21), 14.5% of our income came from general grants, including business rates (15.5% in 2020-21), and 10.4% of our income came from users of our services (9.7% in 2020-21).

**Impact of Covid-19**

**Expenditure and Income in response to Covid-19 Outbreak in 2021-22**

There was £71.718m held in the Covid-19 emergency grant reserve, comprising the £55.583m balance as at 31 March 2021 and £16.135m budget allocated to fund Covid-19 which has been transferred into the reserve at the end of the year.

During 2021-22 the net spend on the Covid-19 response and recovery was £17.990m and this has been funded from a drawdown from the reserve.

The balance held in the Covid-19 emergency grant reserve as at 31 March 2022 is £53.728m. There are £38.782m of commitments to be met from the reserve during 2022-23. This leaves £14.946m to support Covid-19 related costs during 2022-23. The table below sets out the 2021-22 Covid-19 position:

	<b>£'000</b>
<b>Covid-19 2021-22 Emergency Grant Reserve</b>	<b>-71,718</b>
<b>Categories</b>	
Real spend	21,673
Underspends	-18,959
Loss of income	4,160
Unrealised savings	2,205
Market sustainability - one off payments	118
Payments for undelivered services (variable fee)	8,793
	<b>-53,728</b>
<b>2022-23 Commitments against COVID-19 Emergency Grant Reserve:</b>	
Covid-19 related roll forwards	3,670
Helping Hands	8,293
Reconnect	6,820
Contain Outbreak Management Fund (COMF)	15,000
Market Sustainability	5,000
<b>Total 2022-23 Commitments</b>	<b>38,783</b>
<b>Balance available</b>	<b>-14,945</b>

The significant areas of additional Covid-19 related expenditure or income shortfall in 2021-22 includes:

- £4.595m actual real spend in ASCH due to the cost of supporting additional demand for services resulting from Covid-19, including a range of projects to tackle backlogs in addition to increased staffing requirements.
- £8.635m actual spend in CYPE relating to latent demand estimates for Children Social Services: increased complexity of both looked after children and children in need cases. Court delays resulting in higher legal costs due to protracted court proceedings & increased number of hearings. Delays in the basic need capital programme resulting in greater use of temporary accommodation to meet demand for school places and higher contractor costs.
- -£2.940m underspend in CYPE due to delays in recruitment in detached youth workers, in the commissioning of the SEND parenting programme. Savings from the phased re-opening of children centres, youth services, and adult learning services at the start year.
- £2.100m unrealised savings in CYPE mainly due to Children social care savings delayed due to COVID restrictions delaying or reducing the impact of new initiatives to increase the number of children supported in in-house foster care rather than more expensive alternatives. The demand for children’s social workers increasing during COVID, due to increased staff sickness and increased complexity of children in need cases therefore delaying the planned reduction in agency staff.
- £5.955m actual spend in GET Primarily relates to the sustained increase in kerbside tonnes being presented at Waste Transfer Stations (including increased cost of haulage) (£4.9m overall), Helping Hands schemes within Economic Development (0.3m), together with other minor costs within Highways, Libraries, and Economic Development.
- -£14.732m underspends in GET due to Public Transport costs eligible for Government grant and a reduction in English National Concessionary Travel Scheme (ENCTS) journeys are the primary elements. Other general underspends across the directorate due to reduced activity. Reduced activity levels have been reflected in the 2022-23 budget build, on the assumption that this will be the budgeted level of usage going forward. Waste Recycling Centres.
- £2.488m actual spend in S&CS mainly due to increased revenue contribution to capital because of delays to capital projects due to Covid-19; Members’ Local Covid Support Grants; Crowd funding match funding; Additional ICT cost for mobile handheld devices and call diversion costs on SIP exchange; early implementation of Microsoft E5 licences; New chairs for Hybrid working; Costs of social distancing in elections; Security at former county transport workshop for temporary place of rest.

**Specific Covid-19 Grants received in 2021-22**

As well as the MHCLG emergency grants we received specific grants amounting to £147.569m. These have been used to fund additional activity. We also received additional S31 compensation grants and these have been set aside to fund the collection fund deficit. The table below sets out the grant received and the accounting treatment:

<b>Grant Name</b>	<b>Amount Received</b>	<b>Principal/ Agent</b>
	<b>£'000</b>	
Covid-19 Test & Trace grant	2,711	Principal
Covid-19 Adult Social Care Infection Control grant - tranche 2	-92	Principal
Covid-19 Bus Services Support Grant Restart scheme	1,322	Principal
Covid-19 School & College Transport Capacity funding	2,403	Principal
Covid-19 Wellbeing for Education Return project	177	Principal
Covid-19 Contain Outbreak Management Fund	39,157	Principal
Covid-19 Compensation for Loss of Sales, Fees & Charges	-759	Principal
Covid-19 Winter Grant Scheme	1,600	Principal
Covid-19 Clinically Extremely Vulnerable	379	Principal
Covid-19 NHS Hospital Discharge claim Part 2	-45	Principal
Covid-19 Asymptomatic Community Testing	5,060	Principal
Covid-19 Adult Social Care Rapid Testing Fund	-71	Principal
Covid-19 Adult Social Care Workforce Capacity Fund	-103	Principal
Covid-19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	30	Principal
Covid 19 Local Council Tax Support Grant	14,289	Principal
Covid-19 Compensation for Covid related business rate reliefs	16,513	Principal
Covid 19 Adult Social Care Infection Prevention and Control Fund 2021	5,978	Principal
Covid 19 Adult Social Care Rapid Testing Fund 2021	3,851	Principal
Covid-19 Working in Partnership to support the vaccination delivery programme	5	Principal
Covid 19 Practical Support for those self isolating	3,673	Principal
Covid 19 Local Support Grant (Winter Support Grant extension 17 Apr to 20 Jun 21)	5,299	Principal
Covid 19 NHS Hospital Discharge claim Part 3	3,057	Principal
Covid 19 Adult Social Care Extended Infection Control grant (tranche 4)	4,393	Principal
Covid 19 Adult Social Care Extended Rapid Testing Fund (tranche 3)	3,330	Principal
Covid 19 Recovery Household Support Fund	9,162	Principal
Covid 19 Adult Social Care Infection Prevention & Control Fund (tranche 5)	7,275	Principal
Covid 19 Adult Social Care Testing fund (tranche 4)	3,852	Principal
Covid 19 Care Workers Access to Vaccines Fund	743	Principal
Covid 19 Adult Social Care Workforce Retention & Recruitment Fund	4,174	Principal
Covid 19 Local Transport Authority Bus Recovery Grant	960	Principal
Covid 19 Adult Social Care Workforce Recruitment & Retention Fund (Round 2)	7,705	Principal
Covid 19 Adult Social Care Omicron Support Fund (Infection Control)	1,541	Principal
	<b>147,569</b>	

£15.345m of the Compensation for Covid-19 related business rate reliefs grants has been transferred to earmarked reserves to fund the deficit on the Collection Fund Accounts. These reserves are not available to support services.

**Schools**

In total, schools' reserves have increased by £5.370m, this amount is made up of a decrease in the value of schools' deficit balances of £0.7m and an increase in schools' surplus balances of £4.6m

In addition, there was a £46.567m net overspend on the Central DSG Reserve made up of £39.8m overspend on High Needs budgets, £7.6m underspend relating to School Block related spend, £0.4m underspend on Early Years and an overspend on central DSG budgets of 0.4m.

Schools reserves, including the Central DSG reserve, have therefore reduced by £41.197m in 2021-22 (£5.370m schools reserves less £46.567m Central DSG). Schools now have £61.320m of revenue reserves as reflected in note 22 on page 87 and there is a deficit balance of £97.616m in the Central DSG Reserve as reflected in note 23 on page 89. The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit.

**Earmarked Reserves**

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

Revenue earmarked reserves are £350.654m and Note 24 on pages 96 to 97 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2022. The general reserve position as at 31 March 2022 is £56.621m, this is due to an injection of £19.408m to bring our general reserves up to 5% of our net revenue budget position.

At 31 March 2022 the Council has usable capital reserves of £107.474m as shown on page 87.

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 2022 totalled £30.538m, see Note 25 on page 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.

## Narrative

### 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 £354.732m. The expenditure analysed by portfolio was:

	Revised Budget £'000s	Outturn £'000s	Variance £'000s
PORTFOLIO			
Children, Young People & Education	166,800	82,349	-84,451
Adult Social Care & Health	4,597	1,388	-3,209
Growth, Environment & Transport	310,147	233,468	-76,679
Strategic & Corporate Services	25,181	21,770	-3,411
	506,725	338,975	-167,750
Devolved Capital to Schools	9,500	15,757	6,257
TOTAL	516,225	354,732	-161,493

Expenditure excluding that incurred by schools under devolved arrangements was £167.750m less than cash limits. Of this, -£169.505m reflected re-phasing of capital expenditure plans across all services and +£1.755m was due to real variations on a small number of projects. Rephased capital resources will be carried forward into 2022-23 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2021-22 was £15.757m.

Details of the financing of capital expenditure are on pages 90 and 91.

### 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 2022 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 98.

### 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 2021-22 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £1,559m. This is a decrease in the deficit of £76m in year.

**Current Borrowing & Capital Resources**

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2021-22, earlier years and for future years. The balance currently stands at £836m (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 2021-22 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.

**2021-22 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 2022-23 budget was launched earlier than in previous years on 28th July 2021 and was open for 7 weeks until 19th September 2021. The consultation recognised that the financial outlook for the Council is highly uncertain, but in all probability, as in previous years, there would be a budget gap between available funding and planned spending to be closed.

The 2022-23 budget was agreed by the County Council on 10th February 2022. The 2022-23 budget recognised that the Covid-19 pandemic has had a lasting impact and the Council is experiencing significant spending pressures associated with latent demand, increasing complexity, and changes in social and working lives. Spending growth pressures have been very volatile and increasing since the 2021-22 budget was approved. When the 2021-22 budget was agreed it was recognised that including one-off central government Covid-19 emergency grant funding would present an additional challenge in 2022-23 and subsequent years, especially where this grant supported recurring spending. We were aware of the risks associated with this but at the time we recognised the impact of the pandemic on spending demands and the ability to deliver savings remained highly uncertain. In particular the impact of the Government's tier 3/4 restrictions in December and third national lockdown in January could not be fully assessed in time for the 2021-22 budget.

Added to the changes in spending patterns, inflation had risen dramatically over the autumn with high rates likely to continue into 2022-23. At the time the 2021-22 budget was set it was noted that the Office for Budget Responsibility (OBR) forecast for inflation was expected to remain subdued over the next three years, primarily due to relatively weak average earnings growth, returning to the 2% target by the end of 2024. In the March 2021 Budget, the OBR forecast that over the remainder of 2021 and 2022, they expected CPI inflation to remain a little below the 2% target. In July 2021 CPI inflation was 2%, but in the subsequent months inflation rose sharply to 5.4% by December 2021.

Although a multi-year Spending Review was announced on 27th October 2021, the local government finance settlement provisionally released on 17th December 2021 was a further one-year settlement (effectively the 4th consecutive one-year settlement). Whilst 2022-23 settlement prioritised maintaining financial stability in the immediate term (with increased grants for social care and additional one-off grant to support the full range of council services) as in previous years it was not sufficient to fund all the spending growth and the loss of one-off grants used in 2021-22.

Although a multi-year Spending Review was announced on 27th October 2021, the local government finance settlement provisionally released on 17th December 2021 was a further one-year settlement (effectively the 4th consecutive one-year settlement). Whilst 2022-23 settlement prioritised maintaining financial stability in the immediate term (with increased grants for social care and additional one-off grant to support the full range of council services) as in previous years it was not sufficient to fund all the spending growth and the loss of one-off grants used in 2021-22.

## Narrative

A high level presentation of the changes between the approved revenue budget for 2021-22 and 2022-23 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.

<b>Change in Net Spending</b>	<b>£m</b>	<b>Change in Net Funding</b>	<b>£m</b>
Proposed additional spending	83.6	Removal of one-off grants in 2021-22	-46.6
Proposed savings from spending reductions	-25.6	Net increase in government grants	39.6
Proposed changes in income	-8.7	Change in council tax base	20.4
Changes in specific government grants	-3.6	Proposed increase in council tax charge	23.9
Proposed net change in reserves	4.5	Change in retained business rates	3.0
		Change in net collection fund balances/S31 compensation	9.9
<b>Total Change in Net Spending</b>	<b>50.2</b>	<b>Total Change in Net Funding</b>	<b>50.2</b>

The estimated council tax base for 2022-23 showed a strong recovery from the reductions in 2021-22 with 2.63% year on year growth. The estimated collection fund balance for 2021-22 also showed a significant surplus compared to the deficit from 2020-21 (which under special dispensation from government is to be written off over three years rather than the normal one year).

The council tax decisions resulted in the KCC element for a band D household increasing from £1,418.76 in 2021-22 to £1,461.24 in 2022-23. The increase was agreed as necessary to help to fund rising spending growth and to avoid the need to find further savings which would impact on front-line services. Increases up to the referendum level and for adult social care continue to be supported by more of the respondents to KCC's budget consultation than those opposed to council tax increases, however the levels of support for increases are reducing. The increases are also in line with the Government's published spending plans in the Core Spending power calculation.

The Council also needs to support a significant capital programme. This has included a longer term 10 year plan.

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

- Ongoing rises in demand to support children and young people with Special Educational Needs and Disability (SEND). This demand is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and is included in phase 2 of government's "Safety Valve" programme
- Inflation increases over and above estimated price levels included within capital and revenue budgets
- Demand increases over and above estimated levels included within the revenue budget
- Market sustainability of adult social providers
- Shortfalls in capital grants for highways asset management
- Reduced income from capital receipts and developer contributions
- Under or non-delivery of savings plans

The Spending Review revealed that any new money in subsequent years (other than funding to implement the reforms to social care charging) is likely to have to come from Council Tax. The one-year settlement for 2022-23 had the added uncertainty of how a new one-off Services Grant would be distributed in future years as well as the unknown impact of any changes to the current distribution of government grants from delayed reforms to local government funding. Within the MTFP we have included a prudent forecast for future settlements although there is scope for considerable variations once we have a clearer picture. The MTFP represents a balanced plan over the period 2022-23 to 2024-25 based upon the best estimates for funding and spending plans with some smoothing from reserves between individual years.

### **The Council's Stewardship, Responsibilities and Financial Management Policies**

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

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

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

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

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

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

### 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 28 February 2023 on behalf of Kent County Council.

**Councillor Rosalind Binks**  
**Chairman of the Governance and Audit Committee**

### The Corporate Director Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2022.

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 2022.

**Certificate of the Corporate Director Finance**

**Zena Cooke**  
**Corporate Director Finance**

## Comprehensive Income and Expenditure Statement

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

	Notes	Year ended 31 March 2022		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Adult Social Care & Health including Public Health	ASCH	767,130	322,757	444,373
Children, Young People & Education	CYPE	1,479,721	1,033,737	445,984
Growth, Environment & Transport	GET	407,817	165,970	241,847
Strategic & Corporate Services	S&CS	157,737	42,105	115,632
Non-Attributable Costs including Corporately Held Budgets	NAC	7,346	954	6,392
<b>Cost of Services</b>		<b>2,819,751</b>	<b>1,565,523</b>	<b>1,254,228</b>
Other operating Expenditure	12			70,398
Net Surplus on trading accounts	33			-3,553
Financing and Investment Income and Expenditure	13			67,290
Taxation and Non Specific Grant Income	14			-1,261,008
- S31 Business Rate Relief compensation grants	14			-15,345
<b>(Surplus) or deficit on Provision of Services</b>				<b>112,010</b>
(Surplus)/deficit arising on revaluation of non current assets				-174,076
Remeasurement of the net defined benefit liability				-239,211
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
<b>Other Comprehensive Income and Expenditure</b>				<b>-414,237</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>-302,227</b>

## Comprehensive Income and Expenditure Statement

	Notes	Restated		
		Year ended 31 March 2021		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Adult Social Care & Health	ASCH	640,735	211,602	429,133
Children, Young People & Education	CYPE	1,344,341	971,555	372,786
Growth, Environment & Transport	GET	422,029	159,682	262,347
Strategic & Corporate Services including Public Health	S&CS	227,697	119,104	108,593
Non-Attributable Costs including Corporately Held Budgets	NAC	5,201	13,926	-8,725
<b>Cost of Services</b>		<b>2,640,003</b>	<b>1,475,869</b>	<b>1,164,134</b>
Other operating Expenditure	12			45,242
Net Surplus on trading accounts	33			-2,993
Financing and Investment Income and Expenditure	13			62,408
Taxation and Non Specific Grant Income	14			-1,195,949
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	14			-32,626
<b>(Surplus) or deficit on Provision of Services</b>				<b>40,216</b>
(Surplus)/deficit arising on revaluation of non current assets				-169,605
Remeasurement of the net defined benefit liability				148,166
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
<b>Other Comprehensive Income and Expenditure</b>				<b>-22,389</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>17,827</b>

## 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.

	Restated Year ended 31 March 2021				
	General Fund Balance	Earmarked GF Reserves	S31 - 75% Tax Income Guarantee grant and Business Rates Relief Grant Reserves	Total GF incl. Earmarked Reserves	Capital Receipts Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>-37,183</b>	<b>-247,678</b>	<b>0</b>	<b>-284,861</b>	<b>-30,928</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020		-21,505		-21,505	
<b>Movement in reserves during 2020-21</b>					
<b>Total Comprehensive Expenditure &amp; Income</b>	<b>40,216</b>			<b>40,216</b>	
Adjustments between accounting basis & funding basis under regulations - Note 11	-187,375			-187,375	503
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-147,159</b>	<b>0</b>	<b>0</b>	<b>-147,159</b>	<b>503</b>
Transfer between Usable and Unusable Reserves				0	
Transfers to/from Earmarked Reserves (total of *s on Note 22)	147,267	-114,641	-32,626	0	
<b>Increase/Decrease (movement) in Year</b>	<b>108</b>	<b>-114,641</b>	<b>-32,626</b>	<b>-147,159</b>	<b>503</b>
	Year ended 31 March 2022				
<b>Balance at 31 March 2021 carried forward</b>	<b>-37,075</b>	<b>-383,824</b>	<b>-32,626</b>	<b>-453,525</b>	<b>-30,425</b>
<b>Movement in reserves during 2022-21</b>					
<b>Total Comprehensive Expenditure &amp; Income</b>	<b>112,010</b>			<b>112,010</b>	
Adjustments between accounting basis & funding basis under regulations - Note 11	-127,865			-127,865	-2,866
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-15,855</b>	<b>0</b>	<b>0</b>	<b>-15,855</b>	<b>-2,866</b>
Transfer between Usable and Unusable Reserves				0	
Transfers to/from Earmarked Reserves (total of *s on Note 22)	-3,258	-9,328	12,586	0	
<b>Increase/Decrease (movement) in Year</b>	<b>-19,113</b>	<b>-9,328</b>	<b>12,586</b>	<b>-15,855</b>	<b>-2,866</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-56,188</b>	<b>-393,152</b>	<b>-20,040</b>	<b>-469,380</b>	<b>-33,291</b>

## Movement in Reserves Statement

	Restated Year ended 31 March 2021			
	Capital Grants Unapplied	Total Usable Reserves	Unusable reserves	Total Council Reserves
	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>-77,238</b>	<b>-393,027</b>	<b>-582,135</b>	<b>-975,162</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020		-21,505	21,505	0
<b>Movement in Reserves during 2020-21</b>				
<b>Total Comprehensive Expenditure and Income</b>		<b>40,216</b>	<b>-22,389</b>	<b>17,827</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	27,455	-159,417	159,417	0
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>27,455</b>	<b>-119,201</b>	<b>137,028</b>	<b>17,827</b>
Transfer between Usable and Unusable Reserves		0	0	0
Transfers to/from Earmarked Reserves (total of *s on Note 22)		0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>27,455</b>	<b>-119,201</b>	<b>137,028</b>	<b>17,827</b>
	Year ended 31 March 2022			
<b>Balance at 31 March 2021 carried forward</b>	<b>-49,783</b>	<b>-533,733</b>	<b>-423,603</b>	<b>-957,336</b>
<b>Movement in reserves during 2021-22</b>				
<b>Total Comprehensive Expenditure &amp; Income</b>		<b>112,010</b>	<b>-414,237</b>	<b>-302,227</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	-24,400	-155,131	155,131	0
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-24,400</b>	<b>-43,121</b>	<b>-259,106</b>	<b>-302,227</b>
Transfer between Usable and Unusable Reserves		0	0	0
Transfers to/from Earmarked Reserves (total of *s on Note 22)		0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>-24,400</b>	<b>-43,121</b>	<b>-259,106</b>	<b>-302,227</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-74,183</b>	<b>-576,854</b>	<b>-682,709</b>	<b>-1,259,563</b>



## Balance Sheet

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

		31 March 2022		Restated 31 March 21	Restated 01 April 20
	Notes	£'000	£'000	£'000	£'000
Property Plant & Equipment	16	3,544,894		3,326,300	3,143,121
Heritage Assets	20	7,014		6,821	6,650
Investment Property	17	50,745		52,295	61,971
Intangible assets		3,067		4,809	6,311
Long-term investments	38	317,126		257,485	266,329
Long-term debtors	26	51,043		52,861	65,061
<b>Total long-term assets</b>			3,973,889	3,700,571	3,549,443
Inventories		4,467		4,225	4,389
Assets held for sale (<1yr)		2,175		1,546	1,491
Short-term debtors	26	318,675		287,894	209,518
Short-term investments	38	38,534		141,441	84,307
Cash and Cash equivalents	28	135,898		144,197	57,640
<b>Total current assets</b>			499,749	579,303	357,345
Temporary borrowing	38	-73,839		-128,759	-81,465
Short-term Lease Liability	38	-8,447		-8,149	-8,124
Short-term provisions	25	-19,911		-19,893	-18,786
Creditors	27	-378,754		-393,099	-316,612
Cash and Cash equivalents	28	-16,256		0	0
<b>Total Current liabilities</b>			-497,207	-549,900	-424,987
Creditors due after one year	27	-5,786		-11,536	-40
Provisions	25	-10,627		-9,325	-9,621
Long-term borrowing	38	-762,470		-735,969	-813,624
Other Long-Term Liabilities	37/38	-1,790,763		-1,870,688	-1,608,456
Capital Grants Receipts in Advance	15	-147,222		-145,120	-74,898
<b>Long-Term Liabilities</b>			-2,716,868	-2,772,638	-2,506,639
<b>Net Assets/(Liabilities)</b>			1,259,563	957,336	975,162
<b>Usable Reserves</b>	22	-576,854		-533,733	-393,027
<b>Unusable Reserves</b>	23	-682,709		-423,603	-582,135
<b>Total Reserves</b>			-1,259,563	-957,336	-975,162

## 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.

	<b>Notes</b>	<b>2021-22 £'000</b>	<b>Restated 2020-21 £'000</b>
Net (Surplus) or deficit on the provision of services		112,010	40,216
Adjustments to net surplus or deficit on the provision of services for non cash movements	<b>29</b>	-428,230	-467,123
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>29</b>	304,990	262,702
<b>Net cash flows from operating activities</b>		-11,230	-164,205
Investing Activities	<b>30</b>	4,389	44,872
Financing Activities	<b>31</b>	31,396	32,776
<b>Net increase (-) or decrease in cash and cash equivalents</b>		24,555	-86,557
Cash and cash equivalents at the beginning of the reporting period		144,197	57,640
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>28</b>	<b>119,642</b>	<b>144,197</b>

## 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 2022				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	422,031	-2,770	419,261	25,112	<b>444,373</b>
Children, Young People & Education	295,492	6,581	302,073	143,911	<b>445,984</b>
Growth, Environment & Transport	176,826	5,831	182,657	59,190	<b>241,847</b>
Strategic & Corporate Services	90,684	3,920	94,604	21,028	<b>115,632</b>
Non-Attributable Costs including Corporately Held Budgets	154,182	-148,530	5,652	740	<b>6,392</b>
Schools' Delegated Budgets	41,197	-41,197	0	0	<b>0</b>
<b>Cost of Services</b>	<b>1,180,412</b>	<b>-176,165</b>	<b>1,004,247</b>	<b>249,981</b>	<b>1,254,228</b>
Other Income and Expenditure	-1,146,835	126,733	-1,020,102	-122,116	<b>-1,142,218</b>
<b>Surplus or Deficit</b>	<b>33,577</b>	<b>-49,432</b>	<b>-15,855</b>	<b>127,865</b>	<b>112,010</b>
<b>Opening General Fund Balance</b>			-453,525		
Less/Plus Surplus or (Deficit) on General Fund in Year			-15,855		
Transfers between Usable & Unusable Reserves			0		
<b>Closing General Fund Balance at 31 March 2022</b>			<b>-469,380</b>		

Note 9a on pages 48 to 51 provides a explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

## Note 1a - Expenditure and Funding Analysis

	Restated Year ended 31 March 2021				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	414,626	-2,396	412,230	16,903	<b>429,133</b>
Children, Young People & Education	260,046	-19,604	240,442	132,345	<b>372,787</b>
Growth, Environment & Transport	182,227	68	182,295	80,052	<b>262,347</b>
Strategic & Corporate Services including Public Health	93,562	-5,908	87,654	20,938	<b>108,592</b>
Non-Attributable Costs including Corporately Held Budgets	111,411	-119,832	-8,421	-304	<b>-8,725</b>
Schools' Delegated Budgets	8,937	-8,937	0	0	<b>0</b>
<b>Net Cost of Services</b>	<b>1,070,809</b>	<b>-156,609</b>	<b>914,200</b>	<b>249,934</b>	<b>1,164,134</b>
Other Income and Expenditure	-1,131,904	70,545	-1,061,359	-62,559	<b>-1,123,918</b>
<b>Surplus or Deficit</b>	<b>-61,095</b>	<b>-86,064</b>	<b>-147,159</b>	<b>187,375</b>	<b>40,216</b>
<b>Opening General Fund Balance</b>			-284,861		
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020			-21,505		
Less/Plus Surplus or (Deficit) on General Fund in Year			-147,159		
Transfers between Usable & Unusable Reserves			0		
<b>Closing General Fund Balance at 31 March 2021</b>			<b>-453,525</b>		

**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 2021-22 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

**Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

**Accounting for Schools**

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

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

**Intangible Assets**

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

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

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

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

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

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

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

## **Note 2 - Accounting Policies & Note 3 - Accounting Standards that have been issued but have not yet been adopted**

### **Joint Operations**

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

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

### **Accounting for Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **Inventories**

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

### **Interests in companies and other entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in the companies and other entities are recorded as financial assets held at fair value through profit and loss.

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

For 2021-22 there are the following amendments to accounting standards:

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

## **Note 4 - Critical Judgements in applying Accounting Policies**

### **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. £475m worth of assets in the balance sheet have not been revalued in 2021-22. 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 2021-22 is not materially different to their current value at the balance sheet date.

#### **Impairment and Expected Credit Losses**

IFRS 9 Financial Instruments requires certain classes of financial assets to be impaired based on expected credit losses. We annually review the level of expected credit losses and assess the material impact. Due to the type of financial assets held by the Council, the risk of impairment is low and would attract minimal losses. Based on this, we are not accounting for impairment losses except for Trade Receivables.

Trade Receivables are impaired on a simplified approach. The value of our Trade Receivables for 2021-22 is £102.1m and these are impaired by £11.4m.

#### **Related Parties - Interest in Companies**

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. A test of control on these companies shows they are outside of the scope for group accounts. This is because we have no overall control or influence over these companies, and our level of control is less than or equal to 50%. Payments made to any entity we have an interest in are shown in Note 36 on page 105. 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

### 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 2022 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	<p>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.</p> <p>Under component accounting the Authority has applied a de minimus threshold for each category of asset that is revalued in the current year. In 2021-22 the following de minimus thresholds were applied:</p> <p>Primary Schools: £2m Secondary Schools: £8m Special Schools: £2m</p> <p>Families &amp; Social Care establishments: £2m Highways &amp; Waste Depots: £2m County Offices: £2m Libraries: £2m Youth &amp; Community Centres: £2m</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.69m for every year that useful lives had to be reduced. Over a period of 3 years (before the next valuation takes place) this could result in an error of £5.07m - this is not material.</p> <p>If all assets had been componentised the difference between depreciation under componentisation and non componentisation is £4m. Over 3 years this would give a difference of £12m - this is not material.</p>
Pensions Liability	<p>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.</p>	<p>The decrease in pension deficit during the year has arisen principally due to the improved performance on asset returns and an increase in the discount rate. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Asset performance being better than expected over the year has led to a decrease in pension deficit. During 2021-22, the Council's actuaries advised that the net pensions liability had decreased by £76m attributable to the updating of financial assumptions.</p>

**Note 5 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty and Note 6 - Officers Remuneration**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurements	<p>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.</p> <p>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.</p>	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.

**Note 6. Officers Remuneration**

**Accounting Policy**

**Employee Benefits**

**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Service lines within the Comprehensive Income and Expenditure Statement, but is then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to Service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post Employment Benefits**

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

## Note 6 - Officers Remuneration

### - Teachers and former NHS Staff

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

### - Other employees

The liabilities of the Kent Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

#### **Service cost comprising:**

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (assets) during the period as a result of contribution and benefit payments.

#### **Remeasurement comprising:**

- net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve, as Other Comprehensive Income and Expenditure
- contributions paid to the Kent Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

#### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## Note 6 - Officers Remuneration

### Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2021 to 31 March 2022

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 2021-22, was £50,000 or more.

Remuneration includes:

- a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice. This includes all payments, regardless of whether or not they were due in the year e.g. advance payment of salary in lieu of notice
- b) expense allowances chargeable to tax i.e. the profit element of car allowances; and
- c) the money value of benefits such as leased cars and health insurance
- d) but excludes Employer's Pension contributions.

Senior Officer whose remuneration is disclosed on pages 38 to 45 are included in the remuneration bandings shown in the table below for completeness, even though there is a statutory provision that allows senior officers to be excluded from the banding analysis.

Remuneration (£)	Total number of employees			
	Non-Schools 31 March 2022	Schools 31 March 2022	Non-Schools 31 March 2021	Schools 31 March 2021
50,000 - 54,999	220	152	197	210
55,000 - 59,999	124	100	132	127
60,000 - 64,999	104	68	104	53
65,000 - 69,999	66	79	56	49
70,000 - 74,999	26	56	22	28
75,000 - 79,999	20	32	22	14
80,000 - 84,999	8	13	14	10
85,000 - 89,999	15	16	13	5
90,000 - 94,999	10	4	9	4
95,000 - 99,999	10	3	10	4
100,000 - 104,999	2	3	8	2
105,000 - 109,999	5	3	2	
110,000 - 114,999	5	3	2	1
115,000 - 119,999	2	1	1	
120,000 - 124,999	4	1	4	
125,000 - 129,999	1		2	
130,000 - 134,999	2			
135,000 - 139,999			1	
140,000 - 144,999				
145,000 - 149,999	2			
150,000 - 154,999	1		3	
155,000 - 159,999	1		1	
160,000 - 164,999				
165,000 - 169,999				
170,000 - 174,999	1			
175,000 - 179,999				

## Note 6 - Officers Remuneration

Remuneration	Total number of employees			
	Non-Schools 31 March 2022	Schools 31 March 2022	Non-Schools 31 March 2021	Schools 31 March 2021
(£)				
180,000 - 184,999				
185,000 - 189,999			1	
190,000 - 194,999				
195,000 - 199,999				
200,000 - 204,999	1		1	
205,000 - 209,999	1			
210,000 - 214,999				
215,000 - 219,999			1	
<b>Total</b>	<b>631</b>	<b>534</b>	<b>606</b>	<b>507</b>

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 than £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 2021-22 is as follows:

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

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

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

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

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

\* This includes all contractual entitlements.



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

**Notes**

- 1 The Director of Public Health on 31 May 2021. The annualised salary for this post is £117,432
- 2 An interim covered the role of Director of Public Health role between May 2021 and February 2022. The annualised salary for this post is £104,093
- 3 A new Director of Public Health was appointed on 16 February 2022. The annualised salary for this post is £117,432
- 4 The Director of Technology was appointed on 7 February 2022. The annualised salary for this post is £117,432

The remuneration paid to the Authority's senior employees for 2020-21 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remuneration excl pension Contributions £	Employer Pension Contributions £	Total Remuneration incl pension Contributions £
<b>Corporate Director Strategic &amp; Corporate Services -</b> David Cockburn		207,884				9,598	217,482	45,889	263,371
<b>Corporate Director Adult Social Care &amp; Health *</b>	1	41,813			6,600	7,659	56,072	720	56,792
<b>Corporate Director Adult Social Care &amp; Health</b>	2	7,997					7,997	1,687	9,684
<b>Corporate Director Children, Young People &amp; Education -</b> Matt Dunkley CBE		201,616				2,672	204,288	43,105	247,393
<b>Corporate Director Growth, Environment &amp; Transport -</b> Barbara Cooper		174,956				13,421	188,377	36,916	225,293
<b>Corporate Director Finance -</b> Zena Cooke		147,152		7,436		680	155,268	32,762	188,030

The remuneration paid to the Authority's senior employees for 2020-21 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remuneration excl pension Contributions £	Employer Pension Contributions £	Total Remuneration incl pension Contributions £
<b>Corporate Director Engagement, Organisation Design &amp; Development - Amanda Beer</b>		147,152				6,794	153,946	32,483	186,429
<b>General Counsel - Ben Watts</b>		117,432		14,475		3,692	135,599	28,611	164,210
<b>Director Public Health</b>		117,432				3,692	121,124	17,418	138,542
<b>Director of Infrastructure</b>		117,432				3,692	121,124	25,557	146,681
<b>Director of Strategy, Policy, Relationships &amp; Corporate Assurance</b>		110,471					110,471	23,309	133,780
<b>Strategic Commissioner</b>	3	132,516				4,547	137,063	0	137,063

The remuneration paid to the Authority's senior employees for 2020-21 is as follows:

Post Holder	Notes	Salary (including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun- eration excl pension Contributions £	Employer Pension Contributions £	Total Remun- eration incl pension Contributions £
Strategic Commissioner (Interim)	4	17,977				200	18,177	3,793	21,970

\* This includes all contractual entitlements.

*Notes* **The remuneration paid to the Authority's senior employees for 2020-21 is as follows:**

- 1 The Corporate Director Adult Social Care & Health left on 8th April 2020. The annualised salary for this post is £153,600.
- 2 A new Corporate Director Adult Social Care & Health was appointed 15 March 2021. The annualised salary for this post is £175,000
- 3 The Strategic Commissioner left on 25 January 2021. the annualised salary for this post is £147,152.
- 4 An interim Strategic Commissioner was appointed on 26 January 2021. The annualised salary for the interim post is £97,251.

## Note 6 - Officers Remuneration

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 45% 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 2021-22 of £0.5m includes schools and commitments in 2022-23.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £	2021/22 £
80,001 - 120,000	0	0	0	1	0	1	0	81,100
40,001 - 80,000	4	0	0	0	4	0	216,107	0
20,000 - 40,000	4	4	1	4	5	8	152,199	225,230
0 - 20,000	22	11	9	13	31	24	219,934	218,095
<b>Total</b>	<b>30</b>	<b>15</b>	<b>10</b>	<b>17</b>	<b>40</b>	<b>33</b>	<b>588,240</b>	<b>524,425</b>

## **Note 7 - Members Allowances, Note 8 - Material Items of Income and Expenditure**

### **Note 7. Members Allowances**

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

	<b>2021/22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	1,911	1,959
Expenses	21	10
<b>Total</b>	<b>1,932</b>	<b>1,969</b>

In 2021-22 the cost of the County Cars was £3.9k (£4.3k in 2020-21).

### **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 £68.0m includes a loss of £70.0m which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

## Note 9a - Note to the Expenditure and Funding Analysis

### Note 9a. Note to the Expenditure and Funding Analysis

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

2021-22	Drawdown to/from Reserves (Note 1) £'000	Investment Income reported at Directorate Level (Note 1) £'000	Strategic & Corporate Services 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	-2,809		39		
Children, Young People & Education	6,337	63	11	170	
Growth, Environment & Transport	5,282	364	140		45
Strategic & Corporate Services	3,241	1,968	-190		-1,099
Non-Attributable Costs including Corporately Held Budgets	-45,793	9,819		-112,556	
Schools' Delegated Budgets	-41,197				
<b>Net Cost of Services</b>	<b>-74,939</b>	<b>12,214</b>	<b>0</b>	<b>-112,386</b>	<b>-1,054</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>25,144</b>	<b>-12,214</b>		<b>112,386</b>	<b>1,417</b>
<b>Total</b>	<b>-49,795</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>363</b>

2021-22	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	-2,770	2,753	22,216	144	25,113
Children, Young People & Education	6,581	16,500	80,536	46,875	143,911
Growth, Environment & Transport	5,831	44,490	14,194	506	59,190
Strategic & Corporate Services	3,920	9,955	11,838	-765	21,028
Non-Attributable Costs including Corporately Held Budgets	-148,530		1,048	-308	740
Schools' Delegated Budgets	-41,197				0
<b>Net Cost of Services</b>	<b>-176,165</b>	<b>73,698</b>	<b>129,832</b>	<b>46,452</b>	<b>249,982</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>126,733</b>	<b>-117,039</b>	<b>33,180</b>	<b>-38,258</b>	<b>-122,117</b>
<b>Total</b>	<b>-49,432</b>	<b>-43,341</b>	<b>163,012</b>	<b>8,194</b>	<b>127,865</b>



## Note 9a - Note to the Expenditure and Funding Analysis

2020-21 - Restated	Drawdown to/from Reserves (Note 1) £'000	Investment Income reported at Directorate Level (Note 1) £'000	Strategic & Corporate Services 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	-2,760		364		
Children, Young People & Education	-22,335	2,407	189	135	
Growth, Environment & Transport	-1,791	481	1,543		-165
Strategic & Corporate Services including Public Health	-4,704	1,947	-2,096		-1,055
Non-Attributable Costs including Corporately Held Budgets	-13,212	9,979		-116,599	
Schools' Delegated Budgets	-8,937				
<b>Net Cost of Services</b>	<b>-53,739</b>	<b>14,814</b>	<b>0</b>	<b>-116,464</b>	<b>-1,220</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-32,626</b>	<b>-14,814</b>		<b>116,464</b>	<b>1,521</b>
<b>Total</b>	<b>-86,365</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>301</b>

2020-21 Restated	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	-2,396	823	16,116	-36	16,903
Children, Young People & Education	-19,604	50,203	53,503	28,639	132,345
Growth, Environment & Transport	68	70,089	10,059	-96	80,052
Strategic & Corporate Services including Public Health	-5,908	12,336	9,656	-1,053	20,939
Non-Attributable Costs including Corporately Held Budgets	-119,832		3	-308	-305
Schools' Delegated Budgets	-8,937				0
<b>Net Cost of Services</b>	<b>-156,609</b>	<b>133,451</b>	<b>89,337</b>	<b>27,146</b>	<b>249,934</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>70,545</b>	<b>-141,085</b>	<b>34,186</b>	<b>44,340</b>	<b>-62,559</b>
<b>Total</b>	<b>-86,064</b>	<b>-7,634</b>	<b>123,523</b>	<b>71,486</b>	<b>187,375</b>

## Note 9a - Note to the Expenditure and Funding Analysis

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

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

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

**Strategic & Corporate 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.

## Note 9a - Note to the Expenditure and Funding Analysis, Note 9b - Segmental Income and Note 10 - Expenditure and Income Analysed by Nature

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:

	2021-22 £000's	2020-21 £000's
Adult Social Care & Health	-89,553	-80,708
Children, Young People & Education	-85,537	-67,891
Growth, Environment & Transport	-38,828	-28,405
Strategic & Corporate Services	-23,887	-26,405
Non-Attributable Services	-3,604	-17,184
<b>Total Income analysed on a segmental basis</b>	<b>-241,409</b>	<b>-220,593</b>

### Note 10. Expenditure and Income Analysed by Nature

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

<b>Expenditure/Income</b>	2021-22 £000's	Restated 2020-21 £000's
<b>Expenditure</b>		
Employee benefits expenses	1,000,149	924,009
Other services expenses	1,769,306	1,653,541
Support service recharges	57,137	55,050
Depreciation, amortisation, impairment	80,303	85,042
Interest payments including interest on Defined Liability of the Pension Fund	92,241	94,738
Precepts and levies	2,061	2,015
Loss/(Gain) on the disposal of assets	67,951	43,163
<b>Total expenditure</b>	<b>3,069,148</b>	<b>2,857,558</b>
<b>Income</b>		
Fees, charges and other service income	-280,045	-256,165
Interest and investment income	-14,217	-13,565
Income from council tax and non-domestic rates	-840,236	-767,166
Government grants and contributions	-1,822,640	-1,778,810
<b>Total income</b>	<b>-2,957,138</b>	<b>-2,815,706</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>112,010</b>	<b>41,852</b>

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

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

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

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

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

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

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

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

31 March 2021 - Restated	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	-114,002			114,002
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	11,869			-11,869
Movements in the fair value of Investment Properties	-5,538			5,538
Amortisation of intangible assets	-2,134			2,134
Capital Grants and contributions applied	238,673			-238,673
Income in relation to donated assets	168			-168
In year revenue expenditure funded from capital under statute	-181,236			181,236
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	-11819			11,819
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	-45,742			45,742
Realised & unrealised gains/(losses) on financial assets held at FVPL	3,605			-3,605
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	59,096			-59,096
Capital expenditure charged against the General Fund	13,578			-13,578
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	21,850		-21,850	0
Application of grants to capital financing transferred to the Capital Adjustment Account			49,304	-49,304
Cessation of recyclable grant repaid to accountable body	-1,296	1,296		0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,562	-2,562		0

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	727	-727		0
Use of the Capital Receipts Reserve to finance new capital expenditure		10,308		-10,308
Loan repayments	17	-7,812		7,795
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	1,186			-1,186
<b>Adjustment primarily involving the Pooled Investment Adjustment Account:</b>				
Unrealised gains/(losses) on financial assets held at FVPL	17,256			-17,256
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-201,028			201,028
Employer's pensions contributions and direct payments to pensioners payable in the year	77,505			-77,505
<b>Adjustments primarily involving the DSG Adjustment Account:</b>				
Amount by which Schools Deficit has moved in year.	-29,544			29,544
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	-45,133			45,133
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	2,005			-2,005
<b>Total Adjustments</b>	<b>-187,375</b>	<b>503</b>	<b>27,454</b>	<b>159,418</b>

**Note 12. Other Operating Expenditure**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
Levies	2,061	2,015
Gains/Losses on the disposal of non-current assets	67,951	43,163
Assets held for Sale - revaluation movements	386	64
	<b>70,398</b>	<b>45,242</b>

**Note 13. Financing and investment income and expenditure**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
Interest payable and similar charges	58,647	61,585
Net interest on the net defined benefit liability	33,995	33,531
(Gain)/loss from settlements	-2,724	-1,384
Pensions - Administration expenses and curtailments	1,909	2,039
Interest receivable and similar income	-10,782	-13,480
Income & expenditure in relation to investment properties and changes in fair value	665	3,754
Changes in fair value of Financial Assets held at fair value through profit and loss	-11,779	-20,861
Other investment income	-2,641	-2,776
	<b>67,290</b>	<b>62,408</b>

**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 2022 the Council's estimated share of these liabilities is £10.4m.



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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
Income from Council Tax	-796,208	-739,401
Non-domestic rates income and expenditure	-44,028	-27,765
Non-ringfenced government grants	-318,696	-352,230
Capital Grants and Contributions	-117,421	-109,179
	<b>-1,276,353</b>	<b>-1,228,575</b>

KCC's share of surplus on the Council Tax is £11.9m (2020-21 deficit of £8.9m). For 2021-22 the Business Rate Collection Fund has a deficit of £12.4m (2020-21 a deficit of £28.8m). 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 2021-22:

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Council Tax Yield including Collection Fund	-796,208	-739,401
Local Share of Business Rates & Business Rate Collection Fund	-44,028	-27,765
Revenue Support Grant (RSG)	-9,695	-9,642
Social Care Support Grant	-39,143	-34,367
Business Rate Top-Up	-138,429	-138,429
Business Rate Compensation Grant	-13,124	-12,883
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-48,544	-48,544
New Homes Bonus (NHB) & NHB Adjustment Grants	-4,629	-6,430
Covid-19 Grant	-32,357	-55,947
Covid 19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	-30	-7,013
Covid 19 Compensation for Covid related business rate reliefs	-16,513	-25,613
Covid 19 Compensation for Loss of Sales, Fees & Charges	759	-11,256
Covid 19 Local Council Tax Support Grant	-14,289	
Other Un-ringfenced Grants	-2,702	-2,106
Capital Government Grants & Contributions	-117,421	-109,179
<b>Total</b>	<b>-1,276,353</b>	<b>-1,228,575</b>

£15.5m of the Compensation for irrecoverable local taxation losses and Compensation for Covid-19 related business rate relief grants have been transferred to earmarked reserves.

## Note 15 - Grant Income and Note 16 - Property, Plant and Equipment

	2021-22 £'000	2020-21 £'000
<b>Credited to Services</b>		
Dedicated Schools Grant	-757,840	-713,810
Education Funding Agency	-66,221	-87,917
Other DFES Grants	-56,884	-61,247
Department of Health Grants	-170,346	-145,946
Department for Transport	-81,751	-93,890
Asylum	-27,015	-24,095
Ministry of Housing, Communities & Local Government	-16,174	-16,661
Other	-41,118	-66,323
<b>Total</b>	<b>-1,217,350</b>	<b>-1,209,889</b>

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:

	2021-22 £'000	2020-21 £'000
<b>Capital Grants Receipts in Advance</b>		
Department for Education	-197	-197
Other Grants	-55,964	-76,755
Other Contributions	-91,061	-68,167
<b>Total</b>	<b>-147,222</b>	<b>-145,119</b>

## Note 16. Property, Plant and Equipment

### Accounting Policy

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

## Note 16 - Property, Plant and Equipment

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

### Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

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

The periods over which assets are depreciated are as follows:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Property will be split into five components:

Land  
Structure  
Mechanical and Electrical  
Fixtures and Furnishings  
Temporary Buildings.

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

In determining the extent to which we apply componentisation we have taken into consideration the material impact of not componentising assets within individual asset classes below a certain threshold. More detail on this can be found under the estimation techniques note on page 33.

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.

## **Note 16 - Property, Plant and Equipment**

### **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 £68.0m includes a loss of £70.0m which relates to schools transferring to academy status.

### **Capital receipts**

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

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

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

**Note 16 - Property, Plant and Equipment**

Movement on balances - Movements in 2021-22

	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
<b>Cost or Valuation</b> at 1 April 2021	2,299,494	108,790	10,505	89,340	117,147	2,625,276	410,820
Additions	39,330	5,220	300	45,421	2,104	92,375	2,970
Donations	20,056				5,977	26,033	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	129,639				5,492	135,131	15,297
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	10,416				-4,867	5,549	2,647
Derecognition - Disposals	-73,017	-2,101	-60		-5,652	-80,830	-33,647
Derecognition - Other						0	
Assets reclassified (to) / from Held for Sale					-1,016	-1,016	
Transfers from Assets Under Construction	40,123	47	36	-52,729	19	-12,504	
Other Movements in cost or valuation	1,207		-177	482	3,741	5,253	-1704
<b>At 31 March 2022</b>	<b>2,467,248</b>	<b>111,956</b>	<b>10,604</b>	<b>82,514</b>	<b>122,945</b>	<b>2,795,267</b>	<b>396,383</b>

**Note 16 - Property, Plant and Equipment**

Movement on balances - Movements in 2021-22

	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
<b>Accumulated Depreciation and Impairment at 1 April 2021</b>	-9,131	-89,455			-75	-98,661	-2,383
Depreciation Charge	-43,036	-5,220			-156	-48,412	-8,209
Depreciation written out to the Revaluation Reserve	38,836				32	38,868	6,968
Depreciation written out to Surplus / Deficit on the Provision of Services	3,721				48	3,769	474
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-132	-272		-330		-734	
Derecognition - Disposals	626	1,882			6	2,514	553
Derecognition - Other						0	
Other movements in Depreciation and Impairment	144	271		330	-12	733	
<b>At 31 March 2022</b>	<b>-8,972</b>	<b>-92,794</b>	<b>0</b>	<b>0</b>	<b>-157</b>	<b>-101,923</b>	<b>-2,597</b>
<b>Net Book Value At 31 March 2022</b>	<b>2,458,276</b>	<b>19,162</b>	<b>10,604</b>	<b>82,514</b>	<b>122,788</b>	<b>2,693,344</b>	<b>393,786</b>
<b>Net Book Value At 31 March 21</b>	<b>2,290,363</b>	<b>19,335</b>	<b>10,505</b>	<b>89,340</b>	<b>117,072</b>	<b>2,526,615</b>	<b>408,437</b>

**Note 16 - Property, Plant and Equipment**

Movement on balances - Comparative Movements in 2020-21 Restated

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
<b>Cost or Valuation</b> at 1 April 2020	2,229,038	103,644	10,477	89,687	65,418	2,498,264	400,965
Additions	24,714	6,686	2	47,998	2,804	82,204	2,497
Donations	4,208					4,208	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	72,050				49,381	121,431	3,786
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	5,144				-540	4,604	3,572
Derecognition - Disposals	-48,239	-1,738			-307	-50,284	
Derecognition - Other	-8,817					-8,817	
Assets reclassified (to) / from Held for Sale					-1,610	-1,610	
Transfers from Assets Under Construction	23,815	198	26	-52,557	100	-28,418	
Other Movements in cost or valuation	-2,419			4,212	1,901	3,694	
<b>At 31 March 2021</b>	<b>2,299,494</b>	<b>108,790</b>	<b>10,505</b>	<b>89,340</b>	<b>117,147</b>	<b>2,625,276</b>	<b>410,820</b>

**Note 16 - Property, Plant and Equipment**

Movement on balances - Comparative Movements in 2020-21 Restated

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment at 1 April 2020</b>	-25,633	-85,251	0	0	-401	-111,285	-7,640
Depreciation Charge	-47,555	-5,875			-493	-53,923	-11,046
Depreciation written out to the Revaluation Reserve	47,357				686	48,043	14,290
Depreciation written out to Surplus / Deficit on the Provision of Services	7,238				92	7,330	2,013
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	1,078	-8		-348	-4	718	
Derecognition - Disposals	193	1,671			14	1,878	
Derecognition - Other	8,817					8,817	
Other movements in Depreciation and Impairment	-626	8		348	31	-239	
<b>At 31 March 2021</b>	<b>-9,131</b>	<b>-89,455</b>	<b>0</b>	<b>0</b>	<b>-75</b>	<b>-98,661</b>	<b>-2,383</b>
<b>Net Book Value At 31 March 2021</b>	<b>2,290,363</b>	<b>19,335</b>	<b>10,505</b>	<b>89,340</b>	<b>117,072</b>	<b>2,526,615</b>	<b>408,437</b>
<b>Net Book Value At 31 March 2020</b>	<b>2,203,405</b>	<b>18,393</b>	<b>10,477</b>	<b>89,687</b>	<b>65,017</b>	<b>2,386,979</b>	<b>393,325</b>



## Note 16 - Property, Plant and Equipment

### 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.

	<b>2021-22</b> <b>£000's</b>	<b>Restated</b> <b>2020-21</b> <b>£000's</b>
Net Book Value as at 1 April	<b>799,685</b>	756,141
Additions	91,360	86,466
Derecognition		
Depreciation	-50,065	- 60,790
Impairment		- 6
Transfers from Assets Under Construction	<b>10,570</b>	17,868
Other movements in cost		6
<b>Net Book Value as at 31 March</b>	<b>851,550</b>	<b>799,685</b>

#### Reconciliation to Property, Plant and Equipment balance

	<b>2021-22</b> <b>£000's</b>	<b>Restated</b> <b>2020-21</b> <b>£000's</b>
Infrastructure Assets	851,550	799,685
Other PPE Assets	2,693,344	2,526,615
<b>Total PPE Assets</b>	<b>3,544,894</b>	<b>3,326,300</b>

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

## Note 16 - Property, Plant and Equipment

### Valuations of Property, Plant and Equipment carried at current value

The following statement shows an analysis of the Net Book Value of revalued assets by the year of valuation. The valuations as at 31 March 2022 were carried out by Wilks Head & Eve, overseen by Guy Harbord MRICS.

<b>Valuation date of revalued assets:</b>	<b>Land &amp; Buildings NBV £'000</b>	<b>Surplus Assets NBV £'000</b>	<b>Total NBV £'000</b>
31/03/2020	93,013		<b>93,013</b>
31/03/2021	277,375	105,130	<b>382,505</b>
31/03/2022	2,087,888	17,658	<b>2,105,546</b>
<b>TOTAL</b>	<b>2,458,276</b>	<b>122,788</b>	<b>2,581,064</b>

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 2021-22 all land and buildings which have not had a valuation within the last four years have been valued. All schools, libraries, household waste centres, highways depots and traveller sites have been revalued.

The following methods/assumptions have been applied in estimating the current values:

- Existing Use Value where the property is not specialised and is owner occupied, for example county offices;
- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools;
- Fair value for surplus assets.

We have considered and analysed the assets which have not been revalued in 2021-22 and are confident that the carrying amount of these assets as at 31 March 2022 is not materially different to their current value as at 31 March 2022.

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

## Note 16 - Property, Plant and Equipment

### Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 are shown below.

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

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2021 (excluding in year additions) are as follows:

<i>Recurring fair value measurements using:</i>	<b>Level 2 inputs</b>	<b>Level 3 inputs</b>	<b>Fair value as at 31 March 2021</b>	<b>Level 2 Valuation Technique</b>	<b>Level 3 Valuation Technique</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>		
Residential developments/conversions	4,065	86,077	90,142	<i>Market approach</i>	<i>Market approach</i>
Car Park	0	57	57		<i>Income approach</i>
Residential dwellings	504	1,740	2,244	<i>Market approach</i>	<i>Income &amp; Market approach</i>
Non-residential institutions	0	3,409	3,409		<i>Income approach</i>
Assembly & Leisure	0	276	276		<i>Income approach</i>
Amenity land / woodland/grazing land	0	3,702	3,702		<i>Market approach</i>
Educational land/agricultural land	0	776	776		<i>Income &amp; Market approach</i>
Industrial development/Commercial development/Mixed Development	0	13,071	13,071		<i>Market approach</i>
Commercial warehousing/units	0	534	534		<i>Income approach</i>
	<b>4,569</b>	<b>109,642</b>	<b>114,211</b>		

NB The Council does not have any Level 1 valuations

## Note 16 - Property, Plant and Equipment

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

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

	2021-22 £000's	2020-21 £000's
Opening balance	109,642	47,063
Transfers into Level 3	4,241	18,604
Transfers out of Level 3	1,575	-4,465
Additions	2,117	40
Donations	5,977	106
Derecognition	-2,265	
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-4,911	-452
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	5,369	49,226
Depreciation charge	-149	-480
Other changes	115	
Closing balance	121,711	109,642

£4.9m 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 £5.4m 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 31/03/22 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	93,227	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,550,000 - £5,050,000 per hectare reduced by 0% - 75% 2) £250,000 - £302,000 per unit less construction costs and fees	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	57	1) Estimated rent 2) Estimated yield	1) £100 per permit 2) 6%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Residential Dwellings	1,811	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and location discount	1) £1,400 - £9,000 per annum 2) Years Purchase in Perpetuity 4% 3) £180,000 - £375,000	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	3,530	1) Estimated rent 2) Estimated yield	1) £1,800 - £6,200 per annum and £85 - £90 per square metre 2) 6.5% - 8%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	272	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £45 per square metre 2) £150 per annum 3) 8% - 10%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

## Note 16 - Property, Plant and Equipment

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

	Fair Value as at 31/03/22 £000's	Unobservable input	Quantitative Information	Sensitivity
Amenity land / woodland/grazing land	3,702	1) Estimated land value	1) £19,760 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Educational land/agricultural land	8,843	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £750 - £4,500 per annum 2) 5% - 9% 3) £100,000 - £1,450,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/Commercial development/Mixed Development	10,009	1) Land value reduced to reflect uncertainty	1) £1,300,000 - £3,800,000 per hectare reduced by 15% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Commercial warehousing/units	260	1) Estimated rent 2) Estimated yield	1) £90 - £129 per square metre 2) 9% - 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
<b>Total</b>	<b>121,711</b>			

## Note 16 - Property, Plant and Equipment and Note 17 - Investment Property

### 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 36 of the 101 assets is their current use. Of the remaining 65 assets, 58 are vacant, and 7 have alternative uses as a result of existing lease arrangements.

### Contractual Commitments

The Council have contractual commitments to make payments of circa £72.7m in future years (£41.4m in 2020-21).

## 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:

	2021-22	2020-21
	£000's	£000's
Rental income from Investment Property	1,984	1963
Direct operating expenses arising from Investment Property	-1,099	-906
Net gain/(loss)	885	1,057

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

## Note 17 - Investment Property

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
Balance at start of the year	52,295	61,971
Additions:		
• Purchases		
• Construction		
• Subsequent expenditure		
Disposals		-384
Net gains/losses from fair value adjustments	-1,550	-5,154
Transfers:		
• to/from Inventories		
• to/from Property, Plant & Equipment		-4,162
Other Changes		24
Balance at end of the year	<b>50,745</b>	<b>52,295</b>

### Fair Value Hierarchy

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

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



## Note 17 - Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

Recurring fair value measurements using:	Level 2 inputs	Level 3 inputs	Fair value as at 31 March 2021	Level 2 Valuation Technique	Level 3 Valuation Technique
	£000's	£000's	£000's		
Residential developments	2,900	9,979	12,879	Market approach	Market approach
Offices	11,516	19,089	30,605	Income approach	Income approach
Industrial development/commercial development	57	995	1,052	Market approach	Market approach
Non-residential institutions		316	316		Income approach
Car Park		422	422		Income approach
Ransom Strip	3,500		3,500	Market approach	
Golf Course	340		340	Income approach	
Industrial units	1,598	503	2,101	Income approach	Income approach
Affordable housing		1,080	1,080		Income approach
	<b>19,911</b>	<b>32,384</b>	<b>52,295</b>		

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:

	2021-22 £000's	2020-21 £000's
Opening balance	32,384	21,824
Transfers into Level 3		3,919
Transfers out of Level 3		-3,653
Additions from prior year		15,451
Disposals		
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	2,635	-5,157
Other changes		
Closing balance	35,019	32,384

£2.6m of gains 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 31/03/22 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	13,795	1) Estimated revenue streams, costs, fees, profit margins 2) Estimated land value reduced to reflect uncertainty (hope value, costs and access)	1) £385,000 per unit less construction costs of £1,349 per square metre, 15% fees and 17.5% profit margins 2) £2,900,000 - £4,250,000 per hectare reduced by 15% - 65%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	17,208	1) Estimated rent 2) Estimated yield 3) Void period	1) £134 - £258 per square metre 2) 7.5% - 9.5% 3) 1.5 - 2 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development	1,095	1) Estimated land value 2) Discount for uncertainty	1) £1,200,000 - £1,550,000 per hectare 2) 15%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	415	1) Estimated rent 2) Estimated yield	1) £91 per square metre 2) 8% - 11%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	1,426	1) Estimated rent 2) Estimated yield	1) £250 - £663 per space; £30/sqm 2) 5% - 7.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

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

	Fair Value as at 31/03/22 £000's	Unobservable input	Quantitative Information	Sensitivity
Affordable Housing	1,080	1) Estimated rent 2) Estimated yield 3) Management and associated costs	1) £3,120 per annum per unit 2) 6.5% 3) 25% of gross income	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
<b>Total</b>	<b>35,019</b>			

**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 17 of the 27 properties is their current use. Of the remaining 10 properties, 7 are held for capital appreciation as investments, 1 has 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 table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

## Note 18 - Capital Expenditure and Financing and Note 19 - PFI and Similar Contracts

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
<b>Opening Capital financing requirement</b>	1,269,156	1,284,954
<b>Capital investment</b>		
Property, Plant and Equipment	183,541	167,618
Revenue expenditure funded from capital under statute	161,326	181,236
Long-Term Debtors	9,963	6,011
Other	379	297
	<b>1,624,365</b>	<b>1,640,116</b>
<b>Sources of finance</b>		
Capital receipts	-22,416	-10,308
Government grants and other contributions	-221,530	-287,977
Direct revenue contributions	-28,904	-13,578
(MRP/loans fund principal)	-57,431	-59,097
	<b>1,294,084</b>	<b>1,269,156</b>
<b>Movement</b>	<b>24,928</b>	<b>-15,798</b>
	<b>2021-22</b>	<b>2020-21</b>
	<b>£000's</b>	<b>£000's</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)		0
Increase in underlying need to borrow (unsupported by Government financial assistance)	24,928	-15,798
Assets acquired under PFI contracts		0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>24,928</b>	<b>-15,798</b>

## Note 19. PFI and Similar Contracts

### Accounting Policy

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

## Note 19. PFI and Similar Contracts

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as additions to Property, Plant and Equipment.

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

#### Value of assets

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL
							£'000
<b>As at 31 March 2021</b>	176,813	9,583	19,640	71,576	61,636	68,847	408,095
Additions	1,363	48	328	477	673	81	2,970
Transfers out	-34,797						-34,797
Transfers in							0
Revaluations	12,171	1,005	4,055	0	5,463	0	22,693
Depreciation	-3,597	-187	-491	-1,317	-1,324	-1,280	-8,196
<b>As at 31 March 2022</b>	151,953	10,448	23,533	70,736	66,447	67,647	390,764

NB The value of PFI assets in Note 17 includes £3,022k in relation to service concession arrangements (IFRIC 12) assets that are not included in this note.

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

#### Finance Lease Liability

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL
							£'000
<b>As at 31 March 2021</b>	60,579	6,729	11,428	48,083	50,885	32,081	209,784
Additions							0
Liability repaid	-2,288	-574	-521	-1,479	-1,827	-1,291	-7,980
<b>As at 31 March 2022</b>	58,291	6,155	10,907	46,604	49,058	30,790	201,805

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

## Note 19 - PFI and Similar Contracts

### Details of payments to be made under PFI contracts

#### 6 schools

	<b>Repayment of liability</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Lifecycle costs</b>	<b>TOTAL</b>
					£'000
Within 1 year	2,294	5,140	3,754	1,813	13,000
Within 2-5 years	10,562	18,511	15,977	8,855	53,904
Within 6-10 years	19,791	17,079	22,323	11,321	70,515
Within 11-15 years	25,644	6,095	19,953	5,287	56,979

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

	<b>Repayment of liability</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Lifecycle costs</b>	<b>TOTAL</b>
					£'000
Within 1 year	659	904	844	438	2,845
Within 2-5 years	4,492	2,348	3,631	1,186	11,658
Within 6-10 years	1,004	147	443	53	1,647

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

	<b>Repayment of liability</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Lifecycle costs</b>	<b>TOTAL</b>
					£'000
Within 1 year	584	844	1,795	297	3,520
Within 2-5 years	2,016	3,011	7,710	2,565	15,302
Within 6-10 years	4,683	2,566	10,953	1,547	19,749
Within 11-15 years	3,625	466	2,385	216	6,692

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

	<b>Repayment of liability</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Lifecycle costs</b>	<b>TOTAL</b>
					£'000
Within 1 year	1,272	3,310	0	789	5,371
Within 2-5 years	7,220	12,226	0	2,038	21,484
Within 6-10 years	12,446	11,885	0	2,524	26,855
Within 11-15 years	17,681	6,901	0	2,272	26,855
Within 16-20 years	7,984	805	0	163	8,952

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

## Note 19 - PFI and Similar Contracts

### 3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	2,158	4,559	2,383	639	9,738
Within 2-5 years	8,856	16,266	10,143	5,507	40,772
Within 6-10 years	15,416	15,180	14,172	9,055	53,823
Within 11-15 years	22,628	5,685	10,422	2,652	41,387

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	1,300	1,405	1,097	129	3,931
Within 2-5 years	5,173	5,029	4,387	1,135	15,724
Within 6-10 years	6,859	4,968	5,484	2,345	19,655
Within 11-15 years	8,500	3,250	5,484	2,421	19,655
Within 16-20 years	8,958	1,113	3,839	1,814	15,724

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

### TOTAL for all PFI Contracts

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year - short term	8,267	16,160	9,872	4,105	38,405
Within 2-5 years	38,319	57,391	41,848	21,286	158,844
Within 6-10 years	60,198	51,825	53,375	26,845	192,244
Within 11-15 years	78,078	22,398	38,243	12,849	151,568
Within 16-20 years	16,943	1,917	3,839	1,977	24,676
<b>Total</b>	<b>201,805</b>	<b>149,691</b>	<b>147,177</b>	<b>67,062</b>	<b>565,736</b>

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

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



## **Note 19 - PFI and Similar Contracts**

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School, 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 North School became an Academy in January 2022.

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 2021-22 the Council made payments of £4.5m 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 £4.6m for 2022-23 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 2022-23 the Council is committed to making payments estimated at £3.9m per year under a contract with NHS Property Services, of which an estimated £3.3m 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, and is also dependent on the performance of Land Securities in delivering the services under the contract (£3.7m was invoiced in 2021-22, of which £3.1m 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 2021-22 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 2021-22 the Council made unitary charge payments of £3.9m to the contractor and is committed to paying the same amount each year, although this will depend on the performance of the Kent EHFA Projectco Limited delivering the services under the contract. The contract runs until 2040-41.

## Note 20 - Heritage Assets

### Note 20. Heritage Assets

#### Accounting Policy

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

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

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

	Historic Buildings £000s	Artwork - Paintings & Sculptures £000s	Archives £000s	Historical & Archaeological Artefacts £000s	Civic Regalia £000s	Total Heritage Assets £000s
<u>Cost or Valuation</u>						
<b>At 1 April 2020</b>	<b>1,298</b>	<b>2,368</b>	<b>2,778</b>	<b>188</b>	<b>18</b>	<b>6,650</b>
Additions	129					129
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		21	20		1	42
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
<b>At 31 March 2021</b>	<b>1,427</b>	<b>2,389</b>	<b>2,798</b>	<b>188</b>	<b>19</b>	<b>6,821</b>
<u>Cost or Valuation</u>						
<b>At 1 April 2021</b>	<b>1,427</b>	<b>2,389</b>	<b>2,798</b>	<b>188</b>	<b>19</b>	<b>6,821</b>
Additions	123					123
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		36	34			70
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
<b>At 31 March 2022</b>	<b>1,550</b>	<b>2,425</b>	<b>2,832</b>	<b>188</b>	<b>19</b>	<b>7,014</b>

## Note 20 - Heritage Assets

### Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £1.439m, which represents spend on these assets including £123k capital expenditure added to these assets in 2021-22. 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 £663k.

**The Antony Gormley Boulders Sculpture**, the sculptors' first professional commission, valued at £780k. 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 of 7 collections) in storage in Sessions House, valued at £304k.

**KCC Sessions House collection**, valued at £75k.

**Glass Screen by Chris Ofili** valued at £446k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

**Kent History Tree & Leaves** valued at £157k. The "History Tree" at the Kent History and Library Centre was installed in September 2013, created by Anne Schwegmann-Fielding in collaboration with Michael Condron. It is an 8 metre stainless steel tree, adorning the front of the building, with translucent mosaic at its base and 17 steel and mosaic leaves changing from green to red blowing along the pillars.

## Note 20 - Heritage Assets

### Archive Collections

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

**General archive collections** - £786k

**Knatchbull/Brabourne Manuscripts.** £1,523k. 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.

**Folkestone library museum** collection includes around 10,000 artefacts and archival material relating to the history of Folkestone. It includes around 500 artworks housed at Folkestone library, one at Sandgate Library, and up to 10 at Sessions House. The museum includes archaeology, social, military, and civil history and includes collections in store and on display in the History Resource Centre. This has been moved permanently to Folkestone Town Council (FTC) and will be insured by FTC but will remain in KCC ownership until the gifting requirements are met.

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

### Civic Regalia

KCC's silver collection is valued at £19k. This includes The Chairman's Plate, The Silver Salver, The Silver Gilt Cup, and The 500 Squadron Silver collection.

**Note 21. Leases****Accounting Policy****Leasing**

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

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

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

**The Council as Lessee****Finance Leases**

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

Lease payments are apportioned between:

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

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

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

**Operating Leases**

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

**The Council as Lessor****Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense on the same basis as rental income.

## Note 21 - Leases

### The Council as Lessee

#### Operating Leases

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

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

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

	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	9,159	8,900
Later than one year and not later than five years	15,237	15,292
Later than five years	14,981	15,810
	<b>39,376</b>	<b>40,002</b>

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 £12.5m 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:

	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	10,457	9,975
Contingent rents	785	498
Sublease payments receivable	-807	-807
	<b>10,436</b>	<b>9,666</b>

## Note 22 - Usable Reserves

### 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.

<b>Reserve</b>	<b>Balance 1 April 2021 £'000</b>	<b>Net Movement in year £'000</b>	<b>Balance 31 March 2022 £'000</b>	<b>Purpose of Reserve</b>
Usable Capital Receipts	-30,425	-2,866	-33,291	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-37,213	-19,408	-56,621	Resources available to meet future unforeseen events
General Fund - Commercial Services	138	295	433	
Capital Grants unapplied	-49,783	-24,400	-74,183	See note below
Earmarked Reserves*	-359,786	9,132	-350,654	See Note 24
Schools Reserve*	-55,950	-5,370	-61,320	See over page
Surplus on Trading Accounts*	-714	-504	-1,218	Commercial Services
<b>Total</b>	<b>-533,733</b>	<b>-43,121</b>	<b>-576,854</b>	

Capital grants unapplied of £74.2m as at 31 March 2022 includes the schools capital reserves of £0.4m. This has decreased from the surplus of £0.6m held by schools as at 31 March 2021. The remainder reflects Government grants and contributions received in year for projects in progress.

## Note 22 - Usable Reserves and Note 23 - Unusable Reserves

### School Reserves

At 31 March 2022 funds held in school revenue reserves stood at £61.320k. These reserves are detailed in the table below.

	Balance at 1 April 2021 £'000	Movement £'000	Balance at 31 Mar 2022 £'000
School delegated revenue budget reserves - committed	-21,865	24	-21,841
School delegated revenue budget reserves - uncommitted	-33,937	-5,345	-39,282
Unallocated Schools budget	0	0	0
Community Focused Extended School Reserves	-148	-49	-197
	-55,950	-5,370	-61,320

### 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 2021 £'000	Net Movement in year £'000	Balance 31 March 2022 £'000	Purpose of Reserve
Revaluation Reserve	-1,350,379	-114,212	-1,464,591	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-836,639	-61,742	-898,381	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	23,133	-1,779	21,354	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	37,736	-37,179	557	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves				
- KCC	1,633,665	-76,202	1,557,463	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
- DSO	1,227	3	1,230	
Pooled Investment Adjustment Account	4,832	-14,197	-9,365	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	8,844	410	9,254	This absorbs the differences on the General Fund from accruing for untaken annual leave



## Note 23 - Unusable Reserves

Reserve	Balance 1 April 2021 £'000	Net Movement in year £'000	Balance 31 March 2022 £'000	Purpose of Reserve
Post Employment Account	2,929	-775	2,154	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	51,049	46,567	97,616	Recognition of deficits in respect of the schools budget
<b>Total</b>	<b>-423,603</b>	<b>-259,106</b>	<b>-682,709</b>	

### 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.

	2021-22 £'000	2020-21 £'000
<b>Balance as at 1st April</b>	-1,350,379	-1,217,897
Upward revaluation of assets	-202,248	-207,484
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	28,172	37,878
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-174,076	-169,606
Difference between fair value depreciation and historical cost depreciation	20,952	20,626
Accumulated gains on assets sold or scrapped	38,912	16,498
Amount written off to the Capital Adjustment Account	59,864	37,124
<b>Balance at 31 March</b>	<b>-1,464,591</b>	<b>-1,350,379</b>

## Note 23 - Unusable Reserves

### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	<b>2021-22</b> <b>£'000</b>	<b>Restated</b> <b>2020-21</b> <b>£'000</b>
<b>Balance at 1 April</b>	-836,639	-781,179
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	99,210	114,002
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	-8,932	-11,869
- Income in relation to donated assets	-20,056	-168
- Amortisation of intangible assets	1,803	2,134
- Revenue expenditure funded from capital under statute	157,052	193,055
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	78,274	45,742
- Realised and unrealised gains/losses on financial assets held at FVPL	2,717	-3,606
	310,068	339,290
Adjusting amounts written out of the Revaluation Reserve	-59,864	-37,124
Net written out amount of the cost of non-current assets consumed in the year	-586,435	-479,013

**Note 23 - Unusable Reserves**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	-22,416	-10,308
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-198,757	-238,673
- Application of grants to capital financing from the Capital Grants Unapplied Account	-22,773	-49,304
- Statutory provision for the financing of capital investment charged against the General Fund	-57,431	-59,096
- Capital expenditure charged against the General Fund	-28,904	-13,578
	<hr/> -330,281	<hr/> -370,959
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,550	5,538
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		
Write down of long-term debtors	16,785	7,795
<b>Balance at 31 March</b>	<hr/> -898,381	<hr/> -836,639

## Note 23 - Unusable Reserves

### Financial Instruments Adjustment Account

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	23,132	25,268
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-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	-950	-950
	-828	-1,186
<b>Balance at 31 March</b>	<b>21,354</b>	<b>23,132</b>

## Note 23 - Unusable Reserves

### 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.

	2021-22	2020-21
	£'000	£'000
<b>Balance at 1 April</b>	1,634,892	1,363,203
Remeasurement of the net defined liability/(asset)	-239,211	148,166
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	244,391	201,028
Employer's pension contributions and direct payments to pensioners payable in the year	-81,379	-77,505
<b>Balance at 31 March</b>	<b>1,558,693</b>	<b>1,634,892</b>

### 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.

	2021-22	2020-21
	£'000	£'000
<b>Balance at 1 April</b>	37,736	-7,397
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	-37,179	45,133
<b>Balance at 31 March</b>	<b>557</b>	<b>37,736</b>

## Note 23 - Unusable Reserves

### Accumulated Absences Account

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	8,844	9,448
Settlement or cancellation of accrual made at the end of the preceding year	-8,844	-9,448
Amounts accrued at the end of the current year	9,254	8,844
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	410	-604
<b>Balance at 31 March</b>	<b>9,254</b>	<b>8,844</b>

### 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.

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	2,929	4,330
Settlement or cancellation of accrual made at the end of the preceding year	-1,542	-2,213
Amounts accrued at the end of the current year	767	812
Amount by which post employment costs are charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from costs chargeable in the year in accordance with statutory requirements	-775	-1,401
<b>Balance at 31 March</b>	<b>2,154</b>	<b>2,929</b>

## Note 23 - Unusable Reserves

### Pooled Investment Adjustment Account

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

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	4,832	22,088
Upward revaluation of investments	-14,771	-17,256
Downward revaluation of investments	574	
Change in impairment loss allowances		
	<hr/>	<hr/>
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	-14,197	-17,256
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		
<b>Balance at 31 March</b>	<hr/> -9,365	<hr/> 4,832

### DSG Adjustment Account

The DSG Adjustment Account manages the deficit on Schools Budgets that would otherwise impact on the Earmarked Schools Reserves. Statutory arrangements require that the impact on the General Fund Balances is neutralised by transfers to or from the Account.

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	51,049	21,505
In year Schools budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Accounts in accordance with statutory requirements	46,567	29,544
<b>Balance at 31 March</b>	<hr/> 97,616	<hr/> 51,049

### Note 24. Earmarked Reserves

Our reserves were reviewed as part of the 2021-22 budget setting process and as a result a further draw down of reserves was planned for 2021-22. Our Corporate Director Finance, who is responsible for setting the level of Reserves, has deemed the level to be 'adequate' given the level of risk that we face. A thorough review of our reserves took place in 2020-21 which included recategorising the reserves in line with the Local Authority Accounting Practice guidance.

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2021 or 31 March 2022 in the tables on page 97.

#### **Vehicles, plant and equipment (VPE)**

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

#### **Smoothing Reserves**

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

#### **Major Projects**

These reserves are for future spending on projects.

#### **Partnerships**

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

#### **Grants and External Funds**

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

#### **Departmental Under/Overspends**

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

#### **Insurance Reserve**

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

#### **Public Health reserve**

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

#### **Special funds**

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



## Note 24 - Earmarked Reserves

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

Other Earmarked Reserves	Balance at	Movement	Balance at
	1 April 2020		31 Mar 2021
	£'000	£'000	£'000
VPE reserve	-17,171	-446	-17,617
Smoothing Reserves	-114,994	-40,899	-155,893
Major Projects	-17,245	-4,453	-21,698
Partnerships	-16,331	-14,609	-30,940
Grant and External Funds	-38,298	-52,386	-90,684
Departmental Under/Overspends	-6,227	-8,223	-14,450
Insurance Reserve	-16,119	-661	-16,780
Public Health Reserve	-5,877	-5,249	-11,126
Special Funds	-522	-76	-598
<b>Total Earmarked Reserves</b>	<b>-232,784</b>	<b>-127,002</b>	<b>-359,786</b>

## Note 25 - Provisions

### 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	Accumulat- ed Absences £'000	Other Provisions £'000	Total £'000
<b>Short Term</b>					
<b>Balance at 1 April 2021</b>	-3,397	-1,615	-8,844	-6,037	-19,893
Additional Provisions made in 2021-22	-3,227	-1,210	-5,986	-3,787	-14,210
Amounts used in 2021-22	3,322	1,570	5,577	3,383	13,852
Unused amounts reversed in 2021-22	0	45	0	295	340
<b>Balance at 31 March 2022</b>	<b>-3,302</b>	<b>-1,210</b>	<b>-9,253</b>	<b>-6,146</b>	<b>-19,911</b>
<b>Long Term</b>					
<b>Balance at 1 April 2021</b>	-7,938	-1,387	0	0	-9,325
Additional/Reduction in Provisions made in 2021-22	206	0	0	-1,951	-1,745
Amounts used in 2021-22	0	443	0	0	443
Unused amounts reversed in 2021-22	0	0	0	0	0
<b>Balance at 31 March 2022</b>	<b>-7,732</b>	<b>-944</b>	<b>0</b>	<b>-1,951</b>	<b>-10,627</b>
<b>Total Provisions at 31 March 2022</b>	<b>-11,034</b>	<b>-2,154</b>	<b>-9,253</b>	<b>-8,097</b>	<b>-30,538</b>

## Note 25 - Provisions and Note 26 - Debtors

### 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 2022. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

### Other Provisions

All other provisions are individually insignificant.

## Note 26 - Amounts owed to the Council by debtors

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

<b>31 March 2021</b>	<b>Short Term</b>	<b>Long Term</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Medway Council (transferred debtor)		31,402	<b>31,402</b>
Recoverable VAT	36,773		<b>36,773</b>
Trade Receivables	72,670		<b>72,670</b>
Payments in Advance	35,491		<b>35,491</b>
General Debtors	142,960	21,459	<b>164,419</b>
<b>Total</b>	<b>287,894</b>	<b>52,861</b>	<b>340,755</b>

Capital short term debtors amounting to £10.2m are included in the Accounts at 31 March 2022 (£11.4m in 2020-21). These relate to grants and external funding towards capital expenditure incurred in 2021-22 which had not been received by 31 March 2022 along with loan repayments funded from capital falling due in 2021-22.

## Note 27 - Creditors and Note 28 - Cash and Cash Equivalents

### Note 27. Amounts owed by the Council to creditors

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

31 March 2021	Short Term	Long Term	Total
	£'000	£'000	£'000
Receipts in Advance	83,834		83,834
Contract Liabilities	2,372		2,372
Deferred Income	18,488		18,488
General Creditors	288,405	11,536	299,941
<b>Total</b>	<b>393,099</b>	<b>11,536</b>	<b>404,635</b>

Capital creditors amounting to £21.5m are included in the Accounts at 31 March 2022 (£21.7m in 2020-21).

### 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	At 31 March
	2022	2021
	£000's	£000's
Bank current accounts	-16,256	9,232
Call accounts (same day access funds)	135,898	134,965
<b>Total Cash and Cash Equivalents</b>	<b>119,642</b>	<b>144,197</b>

## Notes 29 Operating Activities

### Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2021-22 £'000	2020-21 £'000
Interest received	-10,793	-13,750
Interest paid	58,904	61,474
Employee Costs	866,399	838,922
Income from Council Tax	-840,236	-767,166
Government Grants	-1,653,466	-1,722,484
		<b>Restated</b>
	2021-22 £'000	2020-21 £'000
<b>The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements</b>		
Movement in pension liability	-163,012	-123,523
Carrying amount of non-current assets sold	-78,274	-45,742
Carrying amount of Financial Assets held at FVPL	11,480	20,861
Amortisation of fixed assets	-1,803	-2,134
Depreciation of fixed assets	-99,211	-114,002
Impairment and downward valuations	8,932	11,869
Increase/(decrease) debtors	20,102	86,896
(Increase)/decrease creditors	-5,416	-57,830
Increase/(decrease) stock	241	-164
Movement on investment properties	-1,550	-5,538
REFCUS	-157,052	-193,055
Other non-cash items charged to the net surplus/deficit on the Provision of Services	37,333	-44,761
	-428,230	-467,123
<b>The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities</b>		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	10,621	3,306
Capital grants applied	263,862	259,396
Payment of Collection Fund Deficit	30,507	0
	304,990	262,702

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

**Note 30. Cash Flow Statement - Investing Activities**

	2021-22 £'000	2020-21 £'000
Purchase of property, plant and equipment, investment property, and intangible assets	354,920	362,158
Purchase of short-term and long-term investments	1,308,574	1,641,439
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-10,600	-3,289
Proceeds from short-term and long-term investments	-1,372,176	-1,614,661
Other receipts from investing activities	-276,329	-340,775
<b>Net cash flows from investing activities</b>	<b>4,389</b>	<b>44,872</b>

**Note 31. Cash Flow Statement - Financing Activities**

	2021-22 £'000	2020-21 £'000
Cash receipts of short- and long-term borrowing	0	-145
Relating to finance leases and on-balance sheet PFI contracts	3,635	2,682
Repayments of short- and long-term borrowing	27,761	30,239
<b>Net cash flows from financing activities</b>	<b>31,396</b>	<b>32,776</b>

**Note 32. Reconciliation of Liabilities arising from Financing Activities**

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

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

	2020-21 1 April	Financing cash flows	Non-cash changes		2020-21 31 March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	-813,624	77,655			-735,969
Short-term borrowings	-81,465	-36,295		-10,999	-128,759
• IFRIC 12	-2,428	134			-2,294
• Lease Liabilities	-491	26			-465
• On balance sheet PFI liabilities	-217,748	7,964			-209,784
<b>Total liabilities from financing activities</b>	<b>-1,115,756</b>	<b>49,484</b>	<b>0</b>	<b>-10,999</b>	<b>-1,077,271</b>

**Note 33. Trading Operations**

The results of the various trading operations for 2021-22 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover £'000	Expenditure £'000	Surplus/ Deficit(-) 2021-22 £'000	Surplus/ Deficit(-) 2020-21 £'000
<b>Kent County Supplies and Furniture</b> Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly and professional services	29,589	27,884	1,705	1,519
<b>Brokerage Services</b> Procurement and distribution of Services, including Laser energy buying group	11,218	9,368	1,850	1,471
<b>Transport Services</b> Provision of lease cars, minibuses and lorries, plus vehicle maintenance and repairs	880	882	-2	3
<b>Total surplus</b>	<b>41,687</b>	<b>38,134</b>	<b>3,553</b>	<b>2,993</b>

**Note 34. Audit Costs**

In 2021-22 the following fees were paid relating to external audit and inspection:

	2021-22 £'000	2020-21 £'000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	211	191
Fees payable in respect of other services provided by the appointed auditor	113	27
	<b>324</b>	<b>218</b>

The 2021-22 fee payable for external audit services represents the audit fee of £211k includes £19.2k proposed increased to be agreed. The 2021-22 £103k fee payable for other services relates to the CFO insights services, Teachers' Pensions end of year certificate and Regional Growth Fund grant assurance.

The 2020-21 £27k fee payable for other services relates to the CFO insights services, Teachers' Pensions end of year certificate and Kent Sport Active Partnership audit.

## Note 35 - Dedicated Schools Grant

### 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 2021. 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 2021-22 are as follows:

	<b>Central Expenditure £'000</b>	<b>Individual Schools Budget £'000</b>	<b>Total £'000</b>
Final DSG for 2021-22 before academy and high needs recoupment			1,428,708
Academy and high needs figure recouped for 2021-22			-670,934
Total DSG after academy and high needs recoupment for 2021-22			757,774
Brought forward from 2020-21			0
Carry-forward to 2022-23 agreed in advance			0
Agreed initial budget distribution in 2021-22	214,456	543,318	757,774
In-year adjustments	-6,951	8,065	1,114
Final budgeted distribution for 2021-22	207,505	551,383	758,888
Less actual central expenditure	254,071		254,071
Less Actual ISB deployed to schools		551,384	551,384
Plus Local Council contribution for 2021-22			0
Carry Forward to 2021-22	-46,566	-1	-46,567
Plus Carry-forward to 2022-23 agreed in advance			0
Carry-forward to 2022-23			-46,567
DSG unusable reserve at the end of 2020-21			-51,049
Addition to DSG unusable reserve at the end of 2021-22			-46,567
Total of DSG unusable reserve at the end of 2021-22			-97,616
<b>Net DSG position at the end of 2021-22</b>			<b>-97,616</b>

The Department for Education (DfE) has invited the Council to take part in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery, this may include further funding from the DfE to pay off historic deficits but only if the Council can demonstrate a credible plan. This deficit is offset in the DSG Adjustment Account in Note 23 on pages 88 to 995.



## Note 36 - Related Party Transactions

### 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 2021-22 is shown in Note 7 on page 47. During 2021-22 works and services to the value of £1.004m (£0.708m in 2020-21) were commissioned from companies which five 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 106 to 112 of these Accounts.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £3.910m and cash held by the Pension Fund on behalf of KCC is £6.181m.

Payments to other local authorities and health bodies, excluding precepts, totalled £92.8m.  
Receipts from other local authorities and health bodies totalled £92.6m.

#### Director of Adult Social Care & Health

£197.2k was paid by KCC in 2020-21 via an agency for the post of Director of Adult Social Care & Health, which is held by Richard Smith. This amount includes the agency fees.

#### Entities Controlled or Significantly Influenced by the Council:

The Council has one active subsidiary company, the largest of which is Kent Holdco Ltd. During the year the total values of payments made to and received from Kent Holdco Ltd, were £77.7m and £7.2m respectively (£65.2m and £7.3m respectively in 2020-21)

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

	<b>Payments made in 2021-22</b>
<i>Active companies with less than or equal to 50% control</i>	<b>£</b>
Visit Kent Ltd	628,929
Locate in Kent Ltd	919,567
Trading Standards South East Ltd	70,383
Kent PFI Holdings Company 1 Ltd	11,382,864
TRICS Consortium Ltd	3,450
Aylesham & District Community Workshop Trust	0
Discovery Park Technology Investments (GP) Ltd	263
Coomtech Ltd	100,000
Viramal Ltd	50,000
 <i>Active companies with more than 50% control</i>	
Produced in Kent (PINK) Ltd	49,701

**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 2021-22 Kent County Council paid £54.6m (£53.2m in 2020-21), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 23.7% (23.7% in 2020-21) of teachers' pensionable pay. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2021-22 these amounted to £4.5m (£4.7m in 2020-21), representing 2.0% (2.1% in 2020-21) 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 2021-22 Kent County Council paid £0.07m (£0.10m in 2020-21), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2020-21) 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 (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

## Note 37 - Pension Costs

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

	<b>Local Government Pension Scheme</b>	
	<b>2021-22</b>	<b>2020-21</b>
	£000's	£000's
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
• Current service cost	-208,252	-165,602
• Past service costs	-2,959	-1,240
	-211,211	-166,842
<b>Financing and Investment Income and Expenditure</b>		
• Net interest expenses	-33,995	-33,531
• (Gain)/loss from settlements	2,724	1,384
• Administration expenses	-1,909	-2,039
	-244,391	-201,028
<b>Total Charged to the Surplus or Deficit on the Provision of Services</b>	<b>-244,391</b>	<b>-201,028</b>
	<b>2021-22</b>	<b>2020-21</b>
	£000's	£000's
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		
• Return on plan assets (excluding the amount included in the net interest expenses)	8,272	697,848
• Actuarial gains and losses arising on changes in demographic assumptions	0	44,352
• Actuarial gains and losses arising on changes in financial assumptions	238,555	-950,491
• Experience loss/(gain) on defined benefit obligation	-12,222	55,519
• Other	4,606	4,606
	239,211	-148,166
<b>Total Charged to the Comprehensive Income and Expenditure</b>	<b>239,211</b>	<b>-148,166</b>
<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>-5,180</b>	<b>-349,194</b>
<b>Movement in Reserves statement</b>		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	244,391	201,028
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
• Employers' contributions payable to scheme	-81,379	-77,505
<b>Total Movement in Reserves statement</b>	<b>163,012</b>	<b>123,523</b>

### 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 2021-22, Kent County Council paid an employer's contribution of £81.4m (£77.5m in 2020-21) into the Pension Fund, representing 21% (21% in 2020-21) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2021-22 was based on the review carried out as at 31 March 2019. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

## Note 37 - Pension Costs

### Pension Assets and Liabilities in the Balance Sheet

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

	<b>Local Government Pension Scheme £'000</b>	
	<b>2021-22</b>	<b>2020-21</b>
Present value of the defined benefit obligation	4,777,212	4,797,827
Fair value of plan assets	-3,262,803	-3,211,663
Sub total	1,514,409	1,586,164
Other movements in the liability/(asset)	44,284	48,728
<b>Net liability arising from defined benefit obligation</b>	<b>1,558,693</b>	<b>1,634,892</b>

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

	<b>Local Government Pension Scheme £'000</b>	
	<b>2021-22</b>	<b>2020-21</b>
Opening fair value of scheme assets	3,211,663	2,483,660
Interest on assets	58,922	46,071
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)	8,272	697,848
• Other		
Contributions from employer	85,985	82,111
Contributions from employees into the scheme	28,233	27,355
Benefits paid	-125,920	-123,370
Other	-4,352	-2,012
<b>Closing fair value of scheme assets</b>	<b>3,262,803</b>	<b>3,211,663</b>

The actual return on scheme assets in the year was £67,194k (2020-21: £743,919k)

## Note 37 - Pension Costs

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

	<b>Liabilities: Local Government Pension Scheme</b>	
	<b>£'000</b>	
	<b>2021-22</b>	<b>2020-21</b>
Opening balance at 1 April	4,846,555	3,846,863
Current service cost	208,252	165,602
Interest cost	92,917	79,602
Contribution from scheme participants	28,233	27,355
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	0	-44,352
• Actuarial gains and losses arising on changes in financial assumptions	-238,555	950,491
• Experience loss/(gain) on defined benefit obligation	12,222	-55,519
• Other	-4,606	-4,606
Past service costs	2,959	1,240
Benefits paid	-121,314	-118,764
Liabilities extinguished on settlements	-5,167	-1,357
<b>Closing balance at 31 March</b>	<b>4,821,496</b>	<b>4,846,555</b>

### Local Government Pension Scheme assets comprised:

	<b>2021-22</b>		<b>2020-21</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	2,100,325	64.4%	2,068,088	64.4%
Gilts	19,918	0.6%	19,085	0.6%
Other Bonds	450,495	13.8%	401,089	12.5%
Property	383,251	11.7%	332,391	10.3%
Cash	67,415	2.1%	159,250	5.0%
Absolute return fund	241,399	7.4%	231,760	7.2%
<b>Total assets</b>	<b>3,262,803</b>	<b>100%</b>	<b>3,211,663</b>	<b>100%</b>

## Note 37 - Pension Costs

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

		2021-22		2020-21	
		% Quoted	% Unquoted	% Quoted	% Unquoted
<b>Fixed Interest Government Securities</b>					
	UK				
	Overseas	1.0%		0.6%	
<b>Corporate Bonds</b>					
	UK	4.0%		3.9%	
	Overseas	10.0%		8.6%	
<b>Equities</b>					
	UK	16.0%		14.3%	
	Overseas	43.0%		38.6%	8.1%
<b>Property</b>					
	All		12.0%		10.3%
<b>Others</b>					
	Absolute return portfolio	7.0%		7.2%	
	Private Equity		4.0%		2.4%
	Infrastructure		2.0%		1.0%
	Derivatives		0.0%		0.0%
	Cash/Temporary Investments		2.0%		4.7%
<b>Net Current Assets</b>					
	Debtors				0.5%
	Creditors				-0.3%
<b>Total assets</b>		<b>81.0%</b>	<b>20.0%</b>	<b>73.2%</b>	<b>26.7%</b>

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 2021 levels then the pensions deficit would have been £238,555k higher at £1,797,248k.

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 2023 is £74,875k, this is in line with the revised IAS19 Standard.

## Note 37 - Pension Costs

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The County Council Fund liability has been assessed by Barnett Waddingham.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021-22	2020-21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.6 years
Women	23.7 years	23.6 years
Longevity at 65 for future pensioners:		
Men	23.0 years	22.9 years
Women	25.1 years	25.1 years
Rate of inflation	n/a	3.20%
Rate of increase in Consumer Price Index	3.20%	2.80%
Rate of increase in salaries	4.20%	3.80%
Rate of increase in pensions	3.20%	2.80%
Rate for discounting scheme liabilities	2.60%	2.00%
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%)	4,728,795	4,916,108
Adjustment to long-term salary increase (increase or decrease by 0.1%)	4,828,875	4,814,178
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	4,908,082	4,736,558
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	5,033,012	4,619,397

### Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £1.2m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2022 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.



## Note 38 - Financial Instruments

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

## Note 38 - Financial Instruments

### Categories of Financial Instruments

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

#### Financial Assets

	31 March 2022		31 March 2021	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
<b>Investments</b>				
- Fair value through profit or loss	216,418	130,898	204,114	134,965
- Amortised cost	100,708	43,534	53,371	141,441
	<b>317,126</b>	<b>174,432</b>	<b>257,485</b>	<b>276,406</b>
<b>Debtors</b>				
- Amortised cost	51,043	263,019	52,861	217,577
- Non financial assets		55,656		70,317
	<b>51,043</b>	<b>318,675</b>	<b>52,861</b>	<b>287,894</b>
Cash & Cash Equivalents				9,232
<b>Total</b>	<b>368,169</b>	<b>493,107</b>	<b>310,346</b>	<b>573,532</b>

#### Financial Liabilities

	31 March 2022		31 March 2021	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
<b>Borrowing</b>				
- Amortised cost	762,470	73,839	735,969	128,759
- Non financial liabilities	195,947	8,447	204,395	8,149
	<b>958,417</b>	<b>82,286</b>	<b>940,364</b>	<b>136,908</b>
<b>Creditors</b>				
- Amortised cost	5,786	325,979	11,536	290,817
- Non financial liabilities		52,775		102,282
	<b>5,786</b>	<b>378,754</b>	<b>11,536</b>	<b>393,099</b>
Cash & Cash Equivalents		16,256		
<b>Total</b>	<b>964,203</b>	<b>477,296</b>	<b>951,900</b>	<b>530,007</b>

#### 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 117.

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 117.

## Note 38 - Financial Instruments

### Income, Expense Gains / Losses

	2021-22		2020-21	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
<b>Net gains/losses on:</b>				
Financial assets measured at fair value through the profit or loss	-11,779	-	-20,861	-
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
<b>Total net gain/losses</b>	<b>-12,729</b>	<b>-950</b>	<b>-21,811</b>	<b>-950</b>
<b>Interest revenue</b>				
Financial assets measured at amortised cost	691	-	724	-
Financial Assets measured at fair value through profit or loss	7,681		7,699	
<b>Total interest revenue</b>	<b>8,372</b>	<b>0</b>	<b>8,423</b>	<b>0</b>
<b>Interest expenses</b>	<b>-37,925</b>	<b>-</b>	<b>-40,145</b>	<b>-</b>
<b>Fee income</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss		-		-
Trust and other fiduciary activities		-		-
<b>Total fee income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fee expense</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	-19,371	-	-20,113	-
Trust and other fiduciary activities		-		-
<b>Total fee expense</b>	<b>-19,371</b>	<b>0</b>	<b>-20,113</b>	<b>0</b>

## Note 38 - Financial Instruments

### Fair Value of Financial Assets

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

#### Financial assets measured at fair value

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2022 £'000	As at 31 Mar 2021 £'000
<b>Fair value through Profit and Loss</b>				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	130,899	134,965
Equity Shares	Level 1	Unadjusted quoted prices in active markets for identical shares	0	1
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	189,489	174,717
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	10,298	11,734
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	16,632	17,662
			<b>347,318</b>	<b>339,079</b>

#### 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:

	2021-22 £'000	2020-21 £'000
Opening balance	17,662	12,566
Transfers into Level 3		
Transfers out of Level 3		
Additions		276
Derecognition	-27	
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	-1,003	4,820
Included in Other Comprehensive Income and Expenditure		
Closing Balance	16,632	17,662

## Note 38 - Financial Instruments

### The Fair Values of Financial Assets and Financial Liabilities that are not measured 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 2022		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities held at amortised cost				
PWLB loans	433,123	502,796	456,437	588,753
Long-term LOBO and Market Loans	403,186	563,900	408,291	654,687
Cash and cash equivalents	-16,256	-16,256		
Other long-term loans				
PFI and finance lease liabilities	204,394	253,570	212,544	265,263
<b>Total</b>	<b>1,024,447</b>	<b>1,304,010</b>	<b>1,077,272</b>	<b>1,508,703</b>

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 2022) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2022		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets held at amortised cost				
- long-term investments	100,708	100,479	53,371	53,894
- short-term investments	174,433	174,597	141,441	141,633
- cash and cash equivalents			9,232	9,232
Long-term debtors	51,043	48,037	52,862	49,125
<b>Total</b>	<b>326,184</b>	<b>323,113</b>	<b>256,906</b>	<b>253,884</b>

Short-term debtors and long- and short-term creditors are carried at cost as this is a fair approximation of their value.

## Note 38 - Financial Instruments

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

	31 March 2022			
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un- observable inputs (Level 3) £'000	Total £'000
<i>Recurring fair value measurements using:</i>				
<b>Financial Liabilities</b>				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		502,796		<b>502,796</b>
• Long-term LOBO and Market Loans		563,900		<b>563,900</b>
PFI and finance lease liabilities			253,570	<b>253,570</b>
<b>Total</b>	<b>0</b>	<b>1,066,696</b>	<b>253,570</b>	<b>1,320,266</b>
<b>Financial Assets</b>				
Financial assets held at amortised cost:				
• Soft loans to third parties			16,459	<b>16,459</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>16,459</b>	<b>16,459</b>
	31 March 2021			
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant un- observable inputs (Level 3) £'000	Total £'000
<i>Recurring fair value measurements using:</i>				
<b>Financial Liabilities</b>				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		588,753		<b>588,753</b>
• Long-term LOBO and Market Loans		654,687		<b>654,687</b>
PFI and finance lease liabilities			265,263	<b>265,263</b>
<b>Total</b>	<b>0</b>	<b>1,243,440</b>	<b>265,263</b>	<b>1,508,703</b>
<b>Financial Assets</b>				
Financial assets held at amortised cost:				
• Soft loans to third parties			19,366	<b>19,366</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>19,366</b>	<b>19,366</b>

## Note 38 - Financial Instruments and Note 39 - Nature and Extent of Risks Arising from Financial Instruments

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 2022 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 appropriate 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 2022 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2022 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 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measurables as interest rates and stock market movements.



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

### Credit Risk: Treasury Investments

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

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

The credit quality of the £90.99m 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 2022	31 Mar 2021
	£000's	£000's
AAA	221,851	214,635
AA-	31,476	9,400
A+	0	10,000
A	5,000	35,000
A-	0	0
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	206,491	174,717
Equity	29,279	29,396
Other Local Authorities	0	51,000
<b>Total Investments</b>	<b>494,097</b>	<b>524,148</b>

All deposits outstanding as at 31 March 2022 met the Council's credit rating criteria on 31 March 2022.

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 2022 was £2.9m.

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

### Liquidity risk

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

<b>Time to maturity</b>	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
<b>Years</b>	<b>£000's</b>	<b>£000's</b>
Not over 1	23,499	27,761
Over 1 but not over 2	25,530	23,499
Over 2 but not over 5	71,639	76,992
Over 5 but not over 10	15,889	32,890
Over 10 but not over 20	181,811	184,988
Over 20 but not over 30	130,800	130,800
Over 30 but not over 40	155,700	135,700
Over 40	181,100	151,100
Uncertain date *	40,000	90,000
<b>Total</b>	<b>825,968</b>	<b>853,730</b>

\* 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 2022-23. Due to current low 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 Other Comprehensive Income and Expenditure or the Provision of Services as appropriate. 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 2022, £294m (2021: £230m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £40m (2021: £90m) to variable rates.

## Note 39 - Nature and Extent of Risks Arising from Financial Instruments and Note 40 - Contingent Liabilities

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

	<u>£000's</u>
Increase in interest payable on variable rate borrowings	400
Increase in interest receivable on variable rate investments	706
Decrease in fair value of investments held at FVPL	<u>-1,596</u>
<b>Impact on Provision of Services (surplus)</b>	<b>-490</b>
Decrease in fair value of fixed rate investment assets	<u>-278</u>
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>-278</b>
Decrease in fair value of loans and investments at amortised cost*	<u><b>-138,096</b></u>

\*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.

	<u>£000's</u>
5% fall in commercial property prices	<u>-4,104</u>
5% fall in equity prices	<u>-3,212</u>

### 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 currently has no material contingent liabilities.

## **Note 41 - Subsidiary Note, Note 42 - Events after the Balance Sheet and Note 43 - Other Notes**

### **Note 41. Subsidiary Undertakings**

#### **Accounting Policy**

#### **Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of wholly owned subsidiaries and jointly controlled entities. An assessment of the transactions between the Council and the subsidiaries and the jointly controlled entities is conducted each year.

#### **Subsidiary Undertakings**

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Park. A Member Agreement was signed on 22 August 2008 and a joint arrangement vehicle was set up, the East Kent Opportunities LLP (EKOLLP), which was incorporated on 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint arrangement. KCC and TDC contributed 38 acres of land each to EKOLLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution).

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2021-22, in the final, audited EKOLLP accounts, the net assets of the joint operation are £9.4m with an operating loss before members remuneration and profit shares available for discretionary division among members of £0.1m.

### **Note 42. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Six schools on the balance sheet as at 31 March 2022 are due to convert to academy status by 1 September 2022. The net book value of these assets as at 31 March 2022 is £90.3m.

There have been no events since 31 March 2022, 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 144 to 172.

## Prior Period Adjustments

The following pages provide details of prior period adjustments relating to accounting treatments.

### Accounting treatment relating to Infrastructure Assets

We have adjusted the accumulated depreciation on Infrastructure Assets by £132m to correct the Net Book Value of Infrastructure Assets which was found to be understated as at 31.3.20. The overall impact of the change has been an increase in the value of Property, Plant & Equipment on the balance sheet and a corresponding movement in the Capital Adjustment Account.

A further adjustment of £33m has been made in 2021-22 to correct the accumulated depreciation and Net Book Value of Infrastructure Assets as at 31.3.21. This has increased the Property, Plant & Equipment balance and there is a corresponding movement on the Capital Adjustment Account as at 31.3.21.

On the Comprehensive Income and Expenditure Statement a reduction of £33m has been made to depreciation charged to the Growth, Environment & Transport line in 2021-22.

<b>2020-21 Restated Comprehensive Income and Expenditure Statement</b>		<b>Original Net Expenditure</b>		<b>Restated</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Service				
Adult Social Care & Health	<b>ASCH</b>	429,133		429,133
Children, Young People & Education	<b>CYPE</b>	372,786		372,786
Growth, Environment & Transport	<b>GET</b>	295,319	-32,972	262,347
Strategic & Corporate Services including Public Health	<b>S&amp;CS</b>	108,593		108,593
Non-Attributable Costs including Corporately Held Budgets	<b>NAC</b>	-8,725		-8,725
<b>Net Cost of Service</b>		<b>1,197,106</b>	<b>-32,972</b>	<b>1,164,134</b>
Other operating Expenditure		45,242		45,242
Net Surplus on trading accounts		-2,993		-2,993
Financing and Investment Income and Expenditure		62,408		62,408
Taxation and Non Specific Grant Income		-1,195,949		-1,195,949
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants		-32,626		-32,626
		<b>73,188</b>	<b>-32,972</b>	<b>40,216</b>
(Surplus)/deficit arising on revaluation of non current assets		-169,605		-169,605
Remeasurement of the net defined benefit liability		148,166		148,166
(Surplus)/deficit on revaluation of available for sale financial assets		-950		-950
Other Comprehensive Income and Expenditure		<b>-22,389</b>	<b>0</b>	<b>-22,389</b>
<b>Net General Fund Surplus(-)/Deficit</b>		<b>50,799</b>	<b>-32,972</b>	<b>17,827</b>

## Prior Period Adjustments

### 2019-20 Restated Balance Sheet

	<b>31 March 2020</b>		
	<b>Original £'000</b>	<b>Changes £'000</b>	<b>Restated £'000</b>
Property Plant & Equipment	3,010,836	132,285	3,143,121
Heritage Assets	6,650		6,650
Investment Property	61,971		61,971
Intangible assets	6,311		6,311
Long-term investments	266,329		266,329
Long-term debtors	65,061		65,061
<b>Total long-term assets</b>	<b>3,417,158</b>	<b>132,285</b>	<b>3,549,443</b>
Inventories	4,389		4,389
Assets held for sale (>1yr)	1,491		1,491
Short-term debtors	209,518		209,518
Short-term investments	84,307		84,307
Cash and Cash equivalents	57,640		57,640
<b>Total current assets</b>	<b>357,345</b>	<b>0</b>	<b>357,345</b>
Temporary borrowing	-81,465		-81,465
Short-term Lease Liability	-8,124		-8,124
Short-term provisions	-18,786		-18,786
Creditors	-316,612		-316,612
<b>Total current liabilities</b>	<b>-424,987</b>	<b>0</b>	<b>-424,987</b>
Creditors due after one year	-40		-40
Provisions	-9,621		-9,621
Long-term borrowing	-813,624		-813,624
Other Long-Term Liabilities	-1,608,456		-1,608,456
Capital Grants Receipts in Advance	-74,898		-74,898
<b>Long-Term Liabilities</b>	<b>-2,506,639</b>	<b>132,285</b>	<b>-2,506,639</b>
<b>Net Assets / (Liabilities)</b>	<b>842,877</b>	<b>132,285</b>	<b>975,162</b>
<b>Usable Reserves</b>	<b>-393,027</b>		<b>-393,027</b>
<b>Unusable Reserves</b>	<b>-449,850</b>	<b>-132,285</b>	<b>-582,135</b>
<b>Total Reserves</b>	<b>-842,877</b>	<b>-132,285</b>	<b>-975,162</b>

## Prior Period Adjustments

### 2020-21 Restated Balance Sheet

<b>31 March 2021</b>			
	<b>Original £'000</b>	<b>Changes £'000</b>	<b>Restated £'000</b>
Property Plant & Equipment	3,161,042	165,257	3,326,300
Heritage Assets	6,821		6,821
Investment Property	52,295		52,295
Intangible assets	4,809		4,809
Long-term investments	257,485		257,485
Long-term debtors	52,861		52,861
<b>Total long-term assets</b>	<b>3,535,313</b>	<b>165,257</b>	<b>3,700,571</b>
Inventories	4,225		4,225
Assets held for sale (>1yr)	1,546		1,546
Short-term debtors	287,894		287,894
Short-term investments	141,441		141,441
Cash and Cash equivalents	144,197		144,197
<b>Total current assets</b>	<b>579,303</b>	<b>0</b>	<b>579,303</b>
Temporary borrowing	-128,759		-128,759
Short-term Lease Liability	-8,149		-8,149
Short-term provisions	-19,893		-19,893
Creditors	-393,099		-393,099
<b>Total current liabilities</b>	<b>-549,900</b>	<b>0</b>	<b>-549,900</b>
Creditors due after one year	-11,536		-11,536
Provisions	-9,325		-9,325
Long-term borrowing	-735,969		-735,969
Other Long-Term Liabilities	-1,870,688		-1,870,688
Capital Grants Receipts in Advance	-145,120		-145,120
<b>Long-Term Liabilities</b>	<b>-2,772,638</b>	<b>0</b>	<b>-2,772,638</b>
<b>Net Assets / (Liabilities)</b>	<b>792,078</b>	<b>165,257</b>	<b>957,336</b>
			<b>0</b>
<b>Usable Reserves</b>	<b>-533,733</b>		<b>-533,733</b>
<b>Unusable Reserves</b>	<b>-258,346</b>	<b>-165,257</b>	<b>-423,603</b>
<b>Total Reserves</b>	<b>-792,079</b>	<b>-165,257</b>	<b>-957,336</b>

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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

### Group Accounts Introduction

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

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Kent Holdco Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

### Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Kent Holdco Ltd	100% Subsidiary	Consolidated
Kent County Trading Ltd (Holding)	100% Subsidiary	Consolidated
Includes:	100% Subsidiary	Consolidated
Commercial Services Kent Ltd	100% Subsidiary	Consolidated
Commercial Services Trading Ltd	100% Subsidiary	Consolidated
Kent Top Temps Ltd	100% Subsidiary	Consolidated
CES Holdings Ltd	100% Subsidiary	Consolidated
Bowerhouse II Solar Farm Ltd	100% Subsidiary	Consolidated
Hampshire & Kent Commercial Services LLP	Joint Venture	Consolidated
Luton & Kent Commercial Services LLP	Joint Venture	Consolidated
Surrey & Kent Commercial Services LLP	Joint Venture	Consolidated
Cantium Business Solutions Ltd	100% Subsidiary	Consolidated
EDSECO Ltd (trading as The Education People)	100% Subsidiary	Consolidated
Invicta Law Ltd	100% Subsidiary	Consolidated
Gen2 Property Ltd	100% Subsidiary	Consolidated

## **Group Accounts Introduction**

### **Basis of the Preparation of Group Financial Statements**

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

- adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee;
- including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

### **Kent Holdco Ltd (11735631)**

Kent Holdco Ltd (Holdco) is a company limited by shares and wholly owned by KCC. It was incorporated on 19 December 2018 and on 1 October 2019 the shareholding for Kent County Trading Ltd, Gen2 Property Ltd, Cantium Business Solutions Ltd and the guarantor for EDSECO Ltd have been transferred from KCC to Holdco.

Holdco's principal activity is that of a holding company. It was established as part of a move to a group structure giving KCC a single point of contact with a streamlined management and executive function. The intention is for Holdco to help generate efficiencies and consistency between the companies.

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

#### **Kent County Trading Limited (5242899)**

Kent County Trading Ltd was incorporated in 2004 and is the holding company for Commercial Services Kent Limited (5858177), Commercial Services Trading Limited (5858178) and Kent Top Temps Ltd (5242900). Commercial Services Kent Limited has a 50% stake in Hampshire & Kent Commercial Services LLP (OC424699), Luton & Kent Commercial Services LLP (OC431629), Surrey & Kent Commercial Services LLP (OC439317) and Bowerhouse II Solar Limited (12128147). On 6 January 2020, Commercial Services Trading limited acquired the entire share capital of CES Holdings Limited (01702231). All companies are limited by shares and Kent County Trading Ltd is now part of the group of companies which sit under Kent Holdco Ltd.

Kent County Trading Limited and subsidiaries provide a broad range of services covering different industry sectors. This includes energy switching services (Lumina), solar farm (Bowerhouse II), international educational supplies (CES Holdings), temporary and permanent staff recruitment (Connect2Kent, Connect2Staff, Connect2Hampshire, Connect2Luton and Connect2Surrey), managed services in relation to procurement solutions and frameworks (energy and education supplies), landscape services, fleet services, vehicle maintenance services, pallet storage and waste management.

#### **GEN<sup>2</sup> Property Ltd (9834851)**

Gen2 was incorporated on 21 October 2015, it is a company limited by shares. Its principal activity is property services and property management consultancy. It was established to provide services to Kent County Council and the wider public sector in London and the South East.

#### **Invicta Law Ltd (10079679)**

Invicta Law was incorporated on 23 March 2016, it is a company limited by shares and regulated by the Solicitors Regulation Authority. It was established to provide legal advice to Kent County Council and other public sector clients. Legal services offered by the company cover areas such as public procurement, child protection, asylum, adult services and community care, dispute resolution and employment, commercial property transactions, commercial contracts and planning and highways law.

## **Group Accounts Introduction**

### **Cantium Business Solutions Ltd (11242115)**

Cantium Business Solutions is a company limited by shares; it was incorporated on 8 March 2018 and began trading on 2 July 2018 having operated as an inhouse trading unit prior to this. Cantium offers back office support services, covering IT, HR and Finance.

The services offered include integrated HR and payroll services, pensions, coaching and mentoring. The company also offers IT solutions as a “one stop shop” from the provision of hardware to support. It also provides professional management IT services such as project and programme management, General Data Protection Regulation (GDPR) management and IT service management consultancy. The finance element of the business includes accounts payable, social care payments, essential living allowance payments, cash handling and debt collection (and debt management).

### **EDSECO Ltd (10970974)**

EDSECO Ltd was incorporated on 19 September 2017 and began trading on 3 September 2018. The company operates under the trading name of “The Education People” or “TEP”. It is a company limited by guarantee.

The principal trading activities are the provision of resources and services to educational establishments from early years to young adults. The main clients are schools within Kent.

TEP services cover early years and childcare, outdoor learning, safeguarding, school governor services, professional development, performance and school improvement, financial management services and secondary school improvement

### **Group Accounting Policies**

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Kent County Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 2 to the Core Accounts.

## Group Comprehensive Income and Expenditure Statement

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

	Notes	Year ended 31 March 2022		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Adult Social Care & Health	ASCH	758,969	322,756	436,213
Children, Young People & Education	CYPE	1,449,340	1,028,031	421,309
Growth, Environment & Transport	GET	400,401	165,213	235,188
Strategic & Corporate Services including Public Health	S&CS	141,879	35,866	106,013
Non-Attributable Costs including Corporately Held Budgets	NAC	7,346	954	6,392
Groups - Holdco Ltd		100,270	38,091	62,179
<b>Group Cost of Services</b>		<b>2,858,205</b>	<b>1,590,911</b>	<b>1,267,294</b>
Other operating Income and Expenditure	12			70,398
Net Surplus on trading accounts	G2			-20,590
Financing and Investment Income and Expenditure	13			67,334
Taxation and Non Specific Grant Income	14			-1,261,008
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	14			-15,345
<b>(Surplus) or deficit on Provision of Services</b>				<b>108,083</b>
Share of (surplus)/Deficit of associate or subsidiary				-329
Taxation of Group Entities	G3			823
<b>Group (Surplus)/Deficit</b>	<b>G2</b>			<b>108,577</b>
(Surplus)/deficit arising on revaluation of non current assets				-174,076
Remeasurement of the net defined benefit liability				-239,211
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
<b>Other Comprehensive Income and Expenditure</b>				<b>-414,237</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>-305,660</b>

## Group Comprehensive Income and Expenditure Statement

	Notes	Restated		
		Year ended 31 March 2021		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Service				
Adult Social Care & Health	ASCH	631,137	211,602	419,535
Children, Young People & Education	CYPE	1,332,768	966,665	366,103
Growth, Environment & Transport	GET	414,377	159,669	254,708
Strategic & Corporate Services including Public Health	S&CS	208,014	111,667	96,347
Non-Attributable Costs including Corporately Held Budgets	NAC	5,201	13,926	-8,725
Groups - Holdco Ltd		86,900	40,951	45,949
<b>Group Cost of Services</b>		<b>2,678,397</b>	<b>1,504,480</b>	<b>1,173,917</b>
Other operating Income and Expenditure	12			45,242
Net Surplus on trading accounts	G2			-16,588
Financing and Investment Income and Expenditure	13			69,140
Taxation and Non Specific Grant Income	14			-1,195,949
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	14			-32,626
<b>(Surplus) or deficit on Provision of Services</b>				<b>43,136</b>
Share of (surplus)/Deficit of associate or subsidiary				-177
Taxation of Group Entities	G3			793
<b>Group (Surplus)/Deficit</b>	<b>G2</b>			<b>43,752</b>
(Surplus)/deficit arising on revaluation of non current assets				-169,605
Remeasurement of the net defined benefit liability				148,166
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
<b>Other Comprehensive Income and Expenditure</b>				<b>-22,389</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>21,363</b>

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves

	Restated Year ended 31 March 2021			
	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Reserve
	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>-284,861</b>	<b>-30,928</b>	<b>-77,238</b>	<b>-3,242</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-21,505			
<b>Movement in reserves during 2020-21</b>				
Total Comprehensive Expenditure & Income	-34,791			78,543
Adjustments between group accounts and Kent County Council accounts	79,839			-79,839
<b>Net increase or decrease before transfers</b>	<b>45,048</b>	<b>0</b>	<b>0</b>	<b>-1,296</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	-192,207	503	27,455	
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-147,159</b>	<b>503</b>	<b>27,455</b>	<b>-1,296</b>
Transfer between Usable and Unusable Reserves				
<b>Increase/Decrease (movement) in Year</b>	<b>-147,159</b>	<b>503</b>	<b>27,455</b>	<b>-1,296</b>
	Year ended 31 March 2022			
<b>Balance at 31 March 2021 carried forward</b>	<b>-453,525</b>	<b>-30,425</b>	<b>-49,783</b>	<b>-4,538</b>
<b>Movement in reserves during 2021-22</b>				
Total Comprehensive Expenditure & Income	13,405			95,173
Adjustments between group accounts and Kent County Council accounts	97,566			-97,566
<b>Net increase or decrease before transfers</b>	<b>110,971</b>	<b>0</b>	<b>0</b>	<b>-2,393</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	-126,826	-2,866	-24,400	
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-15,855</b>	<b>-2,866</b>	<b>-24,400</b>	<b>-2,393</b>
Transfer between Usable and Unusable Reserves				
<b>Increase/Decrease (movement) in Year</b>	<b>-15,855</b>	<b>-2,866</b>	<b>-24,400</b>	<b>-2,393</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-469,380</b>	<b>-33,291</b>	<b>-74,183</b>	<b>-6,931</b>

## Group Movement in Reserves Statement

	Restated Year ended 31 March 2021		
	Total Usable Reserves	Unusable reserves	Total Group Reserves
	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>-396,269</b>	<b>-579,137</b>	<b>-975,406</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-21,505	21,505	0
<b>Movement in Reserves during 2020-21</b>			
Total Comprehensive Expenditure and Income	43,752	-22,389	21,363
Adjustments between group accounts and Kent County Council accounts	0		0
<b>Net increase or decrease before transfers</b>	<b>43,752</b>	<b>-22,389</b>	<b>21,363</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	-164,249	164,249	0
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-120,497</b>	<b>141,860</b>	<b>21,363</b>
Transfers between Usable and Unusable Reserves	0		0
<b>Increase/Decrease (movement) in Year</b>	<b>-120,497</b>	<b>141,860</b>	<b>21,363</b>
	Year ended 31 March 2022		
<b>Balance at 31 March 2021 carried forward</b>	<b>-538,271</b>	<b>-415,774</b>	<b>-954,045</b>
<b>Movement in reserves during 2021-22</b>			
Total Comprehensive Expenditure & Income	108,578	-414,237	-305,659
Adjustments between group accounts and authority accounts	0		0
<b>Net increase or decrease before transfers</b>	<b>108,578</b>	<b>-414,237</b>	<b>-305,659</b>
Adjustments between accounting basis & funding basis under regulations - Note 11	-154,092	154,092	0
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-45,514</b>	<b>-260,145</b>	<b>-305,659</b>
Transfer between Usable and Unusable Reserves	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>-45,514</b>	<b>-260,145</b>	<b>-305,659</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>-583,785</b>	<b>-675,919</b>	<b>-1,259,704</b>

## Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2022. The net assets of the Group are matched by Group reserves.

	Notes	31 March 2022		Restated
		£'000	£'000	31 March 2021
				£'000
Property Plant & Equipment	16	3,560,092		3,330,494
Heritage Assets	20	7,014		6,821
Investment Property	17	50,745		52,295
Intangible assets		11,626		9,341
Long-term investments	G8	302,775		241,943
Long-term debtors	G4	51,043		51,212
Deferred tax asset		19		24
<b>Total Long-Term Assets</b>			3,983,314	3,692,130
Inventories		4,750		4,988
Assets held for sale (<1yr)		2,175		1,546
Short-term debtors	G4	326,780		299,022
Short-term investments	G8	36,334		137,941
Cash and Cash equivalents	G6	155,148		163,176
Current tax asset	G4	0		119
<b>Total Current Assets</b>			525,187	606,792
Temporary borrowing	G8	-73,839		-128,759
Short-term Lease Liability	38	-8,460		-8,164
Short-term provisions	25	-19,911		-19,893
Creditors	G5	-412,089		-414,033
Current tax liability	G5	-337		-582
Cash & Cash Equivalents	G6	-16,256		
<b>Total Current liabilities</b>			-530,892	-571,431
Creditors due after one year	G5	-5,786		-11,536
Provisions	25	-10,932		-9,524
Long-term borrowing	G8	-762,470		-735,969
Other Long-Term Liabilities	G8/37	-1,790,767		-1,870,703
Deferred tax liability		-728		-594
Capital Grants Receipts in Advance	15	-147,222		-145,120
<b>Total Long-Term Liabilities</b>			-2,717,905	-2,773,446
<b>Net Assets/(Liabilities)</b>			1,259,704	954,045
<b>Usable Reserves</b>	G7/22	-583,785		-538,271
<b>Unusable Reserves</b>	23	-675,919		-415,774
<b>Total Reserves</b>			-1,259,704	-954,045



## Group Cash Flow Statement

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

	<b>Notes</b>	<b>2021-22 £'000</b>	<b>Restated 2020-21 £'000</b>
Net (Surplus) or deficit on the provision of services		108,083	43,136
Adjustments to net surplus or deficit on the provision of services for non cash movements	<b>G9</b>	-442,628	-473,876
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>G9</b>	304,981	262,398
Taxation		811	1131
<b>Net cash flows from operating activities</b>		-28,753	-167,211
Investing Activities	<b>G10</b>	20,085	46,377
Financing Activities	<b>G11</b>	32,952	39,104
<b>Net increase (-) or decrease in cash and cash equivalents</b>		24,284	-81,730
Cash and cash equivalents at the beginning of the reporting period		163,176	81,446
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>G6</b>	<b>138,892</b>	<b>163,176</b>

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 page 33 of the single entity accounts.

**Use of unaudited accounts for Group Accounts consolidation**

The company accounts used for the Group Accounts consolidation is based on their unaudited draft accounts. This is due to the statutory timetable for completing local authority accounts means that company audited accounts would not be available and it is not unusual practice for unaudited accounts to be used. Consideration has been given whether the audited accounts would be materially different and the conclusion is that the risk is low.

**Consideration of IFRS 15 - Revenue from Contracts with Customers**

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. To understand the differences in the accounting policies between KCC and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

**Elimination of Income and Expenditure**

Income and expenditure between KCC and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

**Supporting the Comprehensive Income and Expenditure Statement**

**Note G2 - Reconciliation of Group CIES**

The income and expenses of the Council's subsidiary companies are consolidated in the Statement on a line by line basis.

	<b>2021-22 £'000</b>	<b>2020-21 £'000s</b>
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	112,010	40,216
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	-1,040	4,832
(Surplus) or deficit attributable to subsidiaries	-2,393	-1,296
<b>Total Group (Surplus) or Deficit</b>	<b>108,578</b>	<b>43,752</b>

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

	<b>2021-22 £'000</b>	<b>2020-21 £'000s</b>
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-3,553	-2,993
KCS and Laser expenditure with Subsidiaries	-17,574	-14,603
KCS and Laser income generated through sales to Subsidiaries	537	1,008
	<b>-20,590</b>	<b>-16,588</b>

## Note G3 - Tax Expenses of Group Entities, Note G4 - Debtors and Note G5 - Creditors

### Note G3 - Tax Expenses of Group Entities

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

	2020-21 £'000	2021-22 £'000s
Tax in respect of the current year	785	845
Adjustment in respect of prior years	-8	-112
Deferred tax in respect of the current year	-114	-39
Deferred tax on actuarial loss/(gain) for the year	0	99
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	160	0
<b>Total Taxation Expenses</b>	<b>823</b>	<b>793</b>

### Supporting the Balance Sheet

#### Note G4 - Debtors

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

	Short-Term Debtors		Long-Term Debtors		Total Debtors	
	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2022 £'000s	31 March 2021 £'000s
Medway Council	0		30,146	31,402	30,146	31,402
Recoverable VAT	30,782	36,817	-	-	30,782	36,817
Trade Receivables	104,389	83,723	-	-	104,389	83,723
Payments in Advance	31,616	40,103	-	-	31,616	40,103
General Debtors	159,993	138,379	20,897	19,810	180,890	158,189
	<b>326,780</b>	<b>299,022</b>	<b>51,043</b>	<b>51,212</b>	<b>377,823</b>	<b>350,234</b>

#### Note G5 - Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

	Short-Term Creditors		Long-Term Creditors		Total Creditors	
	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2022 £'000s	31 March 2021 £'000s
Receipts in Advance	50,865	83,834	-	-	50,865	83,834
VAT Payable	4,202	7,026	-	-	4,202	7,026
Contract Liabilities	7,467	5,284	-	-	7,467	5,284
Other HMRC Liabilities	2,020	2,163	-	-	2,020	2,163
Deferred Income	22,279	30,661	-	-	22,279	30,661
General Creditors	325,593	285,647	5,786	11,536	331,379	297,183
	<b>412,426</b>	<b>414,615</b>	<b>5,786</b>	<b>11,536</b>	<b>418,212</b>	<b>426,151</b>

## Note G6 - Cash & Cash Equivalents and Note G7 - Reserves

### Note G6 - Cash & Cash Equivalents

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

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000s</b>	<b>£'000s</b>
Single Entity Cash and Bank balances	-16,256	9,232
Subsidiary cash and bank balances	19,250	18,979
Short term deposits with the Money Market	135,898	134,965
<b>Total Group Cash and Cash Equivalents</b>	<b>138,892</b>	<b>163,176</b>

### Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on pages 134 to 135. The reserves of the subsidiaries include:

	<b>2020-21</b>		<b>2021-22</b>
	<b>Usable Reserves</b>		<b>Usable Reserves</b>
	<b>Retained Earnings</b>		<b>Retained Earnings</b>
	<b>£'000s</b>		<b>£'000s</b>
<b>Balance at 1 April 2020</b>	<b>3,242</b>	<b>Balance at 1 April 2021</b>	<b>4,538</b>
Profit/(Loss) for the year	2,662		3,014
Share of Other Comprehensive Income & Expenditure of associates and joint ventures	177		329
Dividends paid/declared	-1,543		-950
<b>Balance at 31 March 2021</b>	<b>4,538</b>	<b>Balance at 31 March 2022</b>	<b>6,931</b>

## Note G8 - Financial Instruments

### 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 2022		31 March 2021	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
<b>Investments</b>				
- Fair value through profit or loss	202,067	130,898	188,395	134,965
- Amortised cost	100,708	41,334	53,371	137,942
	<b>302,775</b>	<b>172,232</b>	<b>241,766</b>	<b>272,907</b>
<b>Debtors</b>				
- Amortised cost	51,043	266,480	51,212	224,049
- Non financial assets		60,300		74,973
	<b>51,043</b>	<b>326,780</b>	<b>51,212</b>	<b>299,022</b>
Cash & Cash Equivalents		19,250		28,211
<b>Total</b>	<b>353,818</b>	<b>518,262</b>	<b>292,978</b>	<b>600,140</b>

#### Financial Liabilities

	31 March 2022		31 March 2021	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
<b>Borrowing</b>				
- Amortised cost	762,470	73,839	735,969	128,759
- Non financial liabilities	195,947	8,447	204,395	8,149
	<b>958,417</b>	<b>82,286</b>	<b>940,364</b>	<b>136,908</b>
<b>Creditors</b>				
- Amortised cost	5,786	333,060	11,536	290,931
- Non financial assets		79,366		123,684
	<b>5,786</b>	<b>412,426</b>	<b>11,536</b>	<b>414,615</b>
Cash & Cash Equivalents		16,256		
<b>Total</b>	<b>964,203</b>	<b>510,968</b>	<b>951,900</b>	<b>551,523</b>

## Note G9 Cash Flow - Group Operating Activities

### Supporting the Cash Flow

#### Note G9. Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2021-22 £'000	2020-21 £'000
Interest received	-10,837	-13,750
Interest paid	58,991	61,782
Employee Costs	938,879	906,392
Income from Council Tax	-840,236	-767,166
Government Grants	-1,653,466	-1,722,484
		<b>Restated</b>
	2021-22 £'000	2020-21 £'000
<b>The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements</b>		
Movement in pension liability	-163,012	-124,719
Carrying amount of non-current assets sold	-78,290	-45,849
Carrying amount of Financial Assets held at FVPL	11,480	20,861
Amortisation of fixed assets	-2,882	-2,134
Depreciation of fixed assets	-99,738	-114,602
Impairment and downward valuations	8,932	11,869
Income from shares in group undertakings	0	
Increase/(decrease) debtors	21,241	89,494
(Increase)/decrease creditors	-18,744	-59,173
Increase/(decrease) stock	-239	27
Change in provisions	-106	79
Movement on investment properties	-1,550	-5,538
REFCUS	-157,052	-193,055
Other non-cash items charged to the net surplus/deficit on the Provision of Services	37,332	-51,136
Taxation		
	-442,628	-473,876
<b>The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities</b>		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	10,612	3,359
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities		-357
Capital grants applied	263,862	259,396
Payment of Collection Fund Deficit	30,507	
	304,981	262,398

**Note G10 and G11 - Cash Flow - Investing and Financing Activities****Note G10 - Group Cash Flow Statement - Investing Activities**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment, investment property, and intangible assets	355,652	363,380
Purchase of short-term and long-term investments	1,322,415	1,641,439
Other payments for investing activities	0	136
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-10,600	-3,342
Proceeds from short-term and long-term investments	-1,370,876	-1,614,461
Other receipts from investing activities	-276,506	-340,775
<b>Net cash flows from investing activities</b>	<b>20,085</b>	<b>46,377</b>

**Note G11 - Group Cash Flow Statement - Financing Activities**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
Cash receipts of short- and long-term borrowing	0	-145
Relating to finance leases and on-balance sheet PFI contracts	3,648	2,697
Repayments of short- and long-term borrowing	27,761	34,484
Other payments from financing activities	1,543	2,068
<b>Net cash flows from financing activities</b>	<b>32,952</b>	<b>39,104</b>

## Pension Fund Accounts

The following financial statements are included in the Kent County Council Pension Fund's Annual Report and Accounts 2022 available from the Fund's website at [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk).

### Fund Account for the year ended 31 March

	Notes	2021-22 £000's	2020-21 £000's
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	280,431	267,955
Transfers in from other pension funds	8	10,636	5,017
		291,067	272,972
Benefits	9	-257,277	-247,448
Payments to and on account of leavers	10	-28,114	-10,057
		-285,391	-257,505
<b>Net additions from dealings with Members</b>		<b>5,676</b>	<b>15,467</b>
Management Expenses	11	-34,840	-27,277
<b>Net withdrawals including fund management expenses</b>		<b>-29,164</b>	<b>-11,810</b>
<b>Returns on Investments</b>			
Investment Income	13	133,600	111,339
Taxes on Income		-157	-93
Profits and losses on disposal of investments and changes in the market value of investments	15a	84,514	1,697,318
<b>Net Return on Investments</b>		<b>217,957</b>	<b>1,808,564</b>
<b>Net increase in the Net Assets available for benefits during the year</b>		<b>188,793</b>	<b>1,796,754</b>

### Net Assets Statement as at 31 March

	Notes	2021-22 £000's	2020-21 £000's
Investment Assets		7,711,217	7,512,982
Investment Liabilities		-14,178	-8,806
<b>Net Investment Assets</b>	15	<b>7,697,039</b>	<b>7,504,176</b>
Current Assets	21	32,036	34,422
Current Liabilities	22	-26,650	-24,966
<b>Net Assets available to fund benefits at the period end</b>		<b>7,702,425</b>	<b>7,513,632</b>



**1. Description of the Fund**

**General**

The Kent County Council Pension 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 Pension 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 County Council Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

**Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 304 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council		Other Employers		Total	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
Contributors	21,041	21,510	31,788	31,215	52,829	52,725
Pensioners	24,090	22,959	22,616	21,879	46,706	44,838
Deferred Pensioners	25,024	24,077	24,553	23,320	49,577	47,397
Total	70,155	68,546	78,957	76,414	149,112	144,960

**Funding**

Benefits are funded by contributions and investment earnings. The 2019 triennial valuation certified a common contribution rate of 18.4% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2021-22. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

## Pension Fund Accounts

### Benefits

Pension benefits under the LGPS are based on the following:

	<b>Service pre April 2008</b>	<b>Membership from 1 April 2008 to 31 March 2014</b>	<b>Membership from 1 April 2014</b>
<b>Pension</b>	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
<b>Lump sum</b>	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](http://www.kentpensionfund.co.uk)

### 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position at 31 March 2022.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 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.

### 3. Summary of Significant Accounting Policies

#### Fund Account - revenue recognition

##### a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

##### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

##### c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

#### Fund Account - expense items

##### d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

##### e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of Kent County Council 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 Kent County Council staff involved in the administration, governance and oversight of the Fund, and overheads incurred by the County Council 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 interest securities are recorded at net market value based on their current yields
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash 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 2021. 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 2022. 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 Kent County Council 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 ie 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.

## Notes to the Pension Fund Accounts

### 4. Critical judgements in applying accounting policy

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

### 5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits  (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £235m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £21m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £501m.
Private Equity and Infrastructure and other level 3 investments  (Note 17)	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £473m. Potential change in valuation due to change 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 affect 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 £90m on a fair value of £902m. Details of potential factors affecting the valuation are in Note 17.

### 6. Events after the Balance Sheet date

There have been no events since 31 March 2022, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

### 7. Contributions Receivable

	2021-22 £000's	2020-21 £000's
<b>By Category</b>		
Employees' contributions	63,125	59,348
Employers' contributions		
- normal contributions	182,404	172,479
- deficit recovery contributions	30,445	32,533
- augmentation contributions	4,457	3,595
Total Employers' contributions	217,306	208,607
<b>Total contributions receivable</b>	<b>280,431</b>	<b>267,955</b>
<b>By type of employer</b>		
Kent County Council	104,902	98,024
Scheduled Bodies	161,935	151,255
Admission Bodies	13,594	18,676
	<b>280,431</b>	<b>267,955</b>

## Notes to the Pension Fund Accounts

### 8. Transfers in from other pension funds

	2021-22 £000's	2020-21 £000's
Individual	10,636	5,017
Group	0	0
	<b>10,636</b>	<b>5,017</b>

### 9. Benefits Payable

	2021-22 £000's	2020-21 £000's
<b>By Category</b>		
Pensions	216,199	210,886
Retirement Commutation and lump sum benefits	34,572	30,202
Death benefits	6,506	6,360
	<b>257,277</b>	<b>247,448</b>

#### By type of employer

Kent County Council	115,210	112,653
Scheduled Bodies	126,398	119,813
Admission Bodies	15,669	14,982
	<b>257,277</b>	<b>247,448</b>

### 10. Payments to and on account of leavers

	2021-22 £000's	2020-21 £000's
Group transfers	11,320	0
Individual transfers	15,364	8,736
Payments/refunds for members joining state scheme	0	0
Refunds of contributions	1,430	1,321
	<b>28,114</b>	<b>10,057</b>

### 11. Management Expenses

	Notes	2021-22 £000's	2020-21 £000's
Administration costs		3,645	3,361
Governance and oversight costs		843	820
Investment management expenses	12	30,220	22,973
Audit Fees		41	41
Pooling Expenses		91	82
		<b>34,840</b>	<b>27,277</b>

### 12. Investment Management Expenses

	Notes	2021-22 £000's	2020-21 £000's
Investment Managers Fees	12a	29,525	22,207
Transaction Costs		652	710
Custody fees		43	56
<b>Total</b>		<b>30,220</b>	<b>22,973</b>

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

## Notes to the Pension Fund Accounts

### 12a. Investment Management Fees

	2021-22	2020-21
	£000's	£000's
Fixed Income	4,004	3,457
Equities	14,755	12,577
Private Equity / Infrastructure	7,243	2,807
Property	3,523	3,366
<b>Total</b>	<b>29,525</b>	<b>22,207</b>

### 13. Summary of Income from Investments

	Notes	2021-22		2020-21	
		£000's	%	£000's	%
Bonds		14,423	10.8	15,279	13.8
Equities		4,682	3.5	4,277	3.9
Pooled Investments		84,048	62.9	68,023	61.1
Private Equity / Infrastructure		9,190	6.9	9,879	8.9
Property	14	14,533	10.9	8,228	7.4
Pooled Property Investments		6,449	4.8	5,465	4.9
Cash and cash equivalents		217	0.2	155	0.0
Stock Lending		58	0.0	33	0.0
<b>Total</b>		<b>133,600</b>	<b>100.0</b>	<b>111,339</b>	<b>100.0</b>

Income levels have recovered this year after falling last year due to the effects of the pandemic on rent collection and dividend income.

### 14. Property Income and Expenditure

	2021-22	2020-21
	£000's	£000's
Rental Income from Investment Properties	20,799	12,427
Direct Operating Expenses	-6,266	-4,199
<b>Net operating income from Property</b>	<b>14,533</b>	<b>8,228</b>

Rental income for 2021-22 is net of provision for doubtful debts of £4.5m, (2020-21 £6.3m).



**15. Investments**

	Market Value as at 31 March 22 £000's	Market Value as at 31 March 21 £000's
<b>Investment Assets</b>		
Bonds	379,028	401,001
Equities	371,946	348,033
Pooled Investments		
Fixed Income	721,635	575,551
Equities	4,125,358	4,227,065
Absolute Return	567,162	541,108
Private Equity/Infrastructure Funds	464,955	274,023
Property	577,934	493,314
Pooled Property Investments	324,285	281,718
Derivatives-Forward Currency contracts	472	2,920
Investment Cash and cash equivalents	155,306	201,228
Cash held with fund managers pending issue of units	0	150,000
Investment Income due	13,800	15,996
Amounts receivable for sales	788	0
Margin cash	8,548	1,025
<b>Total Investment Assets</b>	<b>7,711,217</b>	<b>7,512,982</b>
<b>Investment Liabilities</b>		
Amounts payable for purchases	-800	-561
Margin cash liability	0	0
Provision for Doubtful Debts	-4,544	-6,287
Derivatives-Forward Currency contracts	-8,834	-1,958
<b>Total Investment Liabilities</b>	<b>-14,178</b>	<b>-8,806</b>
<b>Net Investment Assets</b>	<b>7,697,039</b>	<b>7,504,176</b>

Investment income due (debtors) includes a sum of £7.3m for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.5m has therefore been made for doubtful rent debts.

## Notes to the Pension Fund Accounts

### 15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 21 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 22 £000's
Bonds	401,001	98,117	-99,920	-20,171	379,027
Equities	348,033	100,464	-100,596	24,045	371,946
Pooled Investments	5,343,724	565,122	-347,421	-147,270	5,414,155
Private Equity/Infrastructure	274,023	141,701	-57,219	106,450	464,955
Property	493,314			84,620	577,934
Pooled Property Investments	281,718	2,031	-6,264	46,802	324,287
	<b>7,141,813</b>	<b>907,435</b>	<b>-611,420</b>	<b>94,476</b>	<b>7,532,304</b>
Derivative contracts					
- Forward Currency contracts	962	3,098,406	-3,097,674	-10,056	-8,362
	<b>7,142,775</b>	<b>4,005,841</b>	<b>-3,709,094</b>	<b>84,420</b>	<b>7,523,942</b>
Other Investment balances					
- Investment Cash and cash equivalents	201,228			96	155,305
- Cash pending issue of units	150,000				0
- Amounts receivable for sales					788
- Amounts payable for purchases	-561				-800
- Margin cash liability	1,025				8,548
- Investment Income due	15,996				13,800
- Provision for doubtful debt	-6,287				-4,544
<b>Net Investment Assets</b>	<b>7,504,176</b>			<b>84,516</b>	<b>7,697,039</b>

	Market Value as at 31 March 20 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 21 £000's
Bonds	339,054	134,314	-73,777	1,410	401,001
Equities	236,536	155,000	-146,114	102,611	348,033
Pooled Investments	4,028,528	1,147,986	-1,344,347	1,511,557	5,343,724
Private Equity/Infrastructure	189,864	72,544	-29,734	41,349	274,023
Property	478,105	0	0	15,209	493,314
Pooled Property Investments	287,008	2,007	-1,503	-5,794	281,718
	<b>5,559,095</b>	<b>1,511,851</b>	<b>-1,595,475</b>	<b>1,666,342</b>	<b>7,141,813</b>
Derivative contracts					
- Forward Currency contracts	-17,082	3,512,898	-3,526,105	31,251	962
	<b>5,542,013</b>	<b>5,024,749</b>	<b>-5,121,580</b>	<b>1,697,593</b>	<b>7,142,775</b>
Other Investment balances					
- Investment Cash and cash equivalents	131,959			-275	201,228
- Cash pending issue of units					150,000
- Amounts receivable for sales	724				
- Amounts payable for purchases	-324				-561
- Margin cash liability	16,803				1,025
- Investment Income due	11,975				15,996
- Provision for doubtful debt					-6,287
<b>Net Investment Assets</b>	<b>5,703,150</b>			<b>1,697,318</b>	<b>7,504,176</b>

**15b. Analysis of Derivative Contracts**
**Objectives and policy for holding derivatives**

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

**Open forward currency contracts**

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £000's	Liability value £000's
Up to one month	GBP	88	USD	-116	0	0
Up to one month	GBP	825	EUR	-975	1	0
Up to one month	GBP	55	EUR	-65	0	0
Up to one month	GBP	38	USD	-50	0	0
Up to one month	GBP	932	USD	-1,225	2	0
Up to one month	USD	116	GBP	-88	0	0
Up to one month	GBP	442	USD	-579	3	0
Up to one month	USD	64	GBP	-49	0	0
Up to one month	USD	1,155	GBP	-875	2	0
Up to one month	GBP	652	USD	-859	0	-1
Up to one month	USD	3,856	GBP	-2,918	10	0
Up to one month	GBP	1,802	USD	-2,370	2	0
Up to one month	USD	2,163	GBP	-1,645	0	-2
Up to one month	GBP	2,092	USD	-2,759	0	-4
Up to one month	GBP	658	USD	-859	5	0
Up to one month	USD	1,761	GBP	-1,343	0	-6
Up to one month	USD	1,188	GBP	-912	0	-9
Up to one month	USD	2,448	GBP	-1,879	0	-20
Up to one month	USD	1,500	GBP	-1,146	0	-7
Up to one month	USD	3,949	GBP	-3,014	0	-15
Up to one month	USD	2,132	GBP	-1,626	0	-7
Up to one month	GBP	2,504	USD	-3,336	0	-30
Up to one month	USD	1,440	GBP	-1,074	20	0
Up to one month	USD	3,067	GBP	-2,291	39	0
Up to one month	USD	481	GBP	-359	6	0
Up to one month	USD	5,549	GBP	-4,141	73	0
Up to one month	USD	3,303	GBP	-2,428	81	0
Up to one month	USD	1,733	GBP	-1,278	38	0
Up to one month	GBP	2,882	USD	-3,907	0	-85
Up to one month	USD	2,232	GBP	-1,646	50	0
Up to one month	USD	1,393	GBP	-1,040	18	0
Up to one month	USD	371	GBP	-277	5	0
Up to one month	USD	388	GBP	-290	5	0
Up to one month	GBP	510	USD	-689	0	-14
Up to one month	USD	1,236	GBP	-918	21	0
Up to one month	USD	3,116	GBP	-2,313	53	0
Up to one month	GBP	122,231	USD	-166,629	0	-4,325
Up to one month	GBP	122,273	USD	-166,629	0	-4,283

## Notes to the Pension Fund Accounts

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £000's	Liability value £000's
Up to two months	EUR	975	GBP	-826	0	-1
Up to two months	EUR	29	GBP	-25	0	0
Up to two months	EUR	38	GBP	-32	0	0
Up to two months	EUR	2,568	GBP	-2,135	38	0
Up to two months	GBP	1,605	EUR	-1,922	0	-21
Up to two months	GBP	81,363	EUR	-96,179	0	-4
					472	-8,834
<b>Net forward currency contracts at 31 March 2022</b>						<b>-8,362</b>
Prior year comparative						
Open forward currency contracts at 31 March 2021					2,921	-1,957
<b>Net forward currency contracts at 31 March 2021</b>						<b>964</b>

### 15c. Property Holdings

	Year ending 31 March 22 £000's	Year ending 31 March 21 £000's
<b>Opening Balance</b>	493,314	478,105
Additions	0	0
Disposals	0	0
Net increase in market value	84,620	15,209
<b>Closing Balance</b>	<b>577,934</b>	<b>493,314</b>

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties.

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

	Year ending 31 March 22 £000's	Year ending 31 March 21 £000's
Within one year	16,584	16,161
Between one and five years	42,579	36,708
Later than five years	33,268	33,610
	<b>92,431</b>	<b>86,479</b>

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.

## Notes to the Pension Fund Accounts

### 15d. Investments analysed by Fund Manager

	Market Value as at 31 March 2022		Market Value as at 31 March 2021	
	£000's	%	£000's	%
<b>Investments managed in the ACCESS Pool</b>				
Baillie Gifford	1,190,077	15.5	1,709,000	22.8
M&G	517,812	6.7	443,546	5.9
Ruffer	191,066	2.5	134,026	1.8
Schroders	1,543,993	20.1	1,384,541	18.5
	<b>3,442,948</b>	<b>45</b>	<b>3,671,113</b>	<b>49</b>
<b>Investments managed outside the ACCESS Pool</b>				
CQS	238,310	3.1	157,732	2.1
DTZ	633,444	8.2	538,729	7.2
Fidelity	163,219	2.1	133,795	1.8
Goldman Sachs	400,917	5.2	416,621	5.6
HarbourVest	233,070	3.0	149,608	2.0
Impax	74,516	1.0	70,886	0.9
Insight	791,269	10.3	610,989	8.1
Kames	43,723	0.6	43,566	0.6
Kent County Council Investment Team	126,483	1.6	336,574	4.5
M&G	308,336	4.0	227,169	3.0
Partners Group	174,936	2.3	77,133	1.0
Pyrford	376,095	4.9	407,083	5.4
Sarasin	381,253	5.0	352,812	4.7
Schroders	243,353	3.2	254,982	3.4
YFM	56,948	0.7	47,282	0.6
Link Fund Solutions (previously Woodford)	8,219	0.1	8,102	0.1
	<b>4,254,091</b>	<b>55.3</b>	<b>3,833,063</b>	<b>51.0</b>
<b>Total</b>	<b>7,697,039</b>	<b>100</b>	<b>7,504,176</b>	<b>100</b>

All the external fund managers above are registered in the United Kingdom. Movements during the year include:

- Redemption of £300m of units in fund managed by Baillie Gifford to fund the Equity Protection Program
- Reallocation of £47m from Pyrford to Ruffer absolute return funds
- £75m each invested into CQS and M&G Alpha Opportunities Fund

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

Investments	31 March 2022	
	£000's	% of net assets
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
LF ACCESS Global Dividend Fund	517,812	6.7

## Notes to the Pension Fund Accounts

Investments	31 March 2021	
	£000's	% of net assets
	<hr/>	
LF ACCESS Global Equity Core Fund	1,709,000	22.8
LF ACCESS UK Equity Fund	1,031,581	13.8
LDI Solutions Plus ICAV Active (Insight)	610,989	8.2
LF ACCESS Global Dividend Fund	443,546	5.9
Pyrford Global Total Return Fund	407,083	5.4

### 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.

Loan Type	31 March 2022		Collateral type
	Market Value	Collateral Value	
	£000's	£000's	
Equities	2,762	2,881	Treasury Notes and other Government debt
Bonds	33,144	34,560	Treasury Notes and other Government debt
	<b>35,906</b>	<b>37,441</b>	

Loan Type	31 March 2021		Collateral type
	Market Value	Collateral Value	
	£000's	£000's	
Equities	8,099	8,458	Treasury Notes and other Government debt
Bonds	11,004	11,492	Treasury Notes and other Government debt
	<b>19,103</b>	<b>19,950</b>	

## Notes to the Pension Fund Accounts

### 16. Financial Instruments

#### 16a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2022			31 March 2021		
	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Financial Assets</b>						
Bonds	379,027			401,001		
Equities	371,946			348,033		
Pooled Investments	5,414,154			5,343,724		
Property Pooled Investments	324,285			281,718		
Private Equity/Infrastructure	464,955			274,023		
Derivative contracts	472			2,921		
Cash & Cash equivalents	144,833	13,151		191,737	164,087	
Other Investment Balances		23,137			17,021	
Debtors/ Receivables		7,942			12,579	
	<b>7,099,672</b>	<b>44,230</b>	<b>0</b>	<b>6,843,157</b>	<b>193,687</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivative contracts	-8,834			-1,957		
Other Investment balances			-5,344			-6,848
Creditors			-26,650			-24,966
	<b>-8,834</b>	<b>0</b>	<b>-31,994</b>	<b>-1,957</b>	<b>0</b>	<b>-31,814</b>
<b>Total</b>	<b>7,090,838</b>	<b>44,230</b>	<b>-31,994</b>	<b>6,841,200</b>	<b>193,687</b>	<b>-31,814</b>

#### 16b. Net Gains and Losses on Financial Instruments

	31 March 22 £000's	31 March 21 £000's
<b>Financial assets</b>		
Fair value through profit and loss	-203	1,682,384
Assets at amortised cost	96	(275)
<b>Total</b>	<b>-107</b>	<b>1,682,109</b>

## Notes to the Pension Fund Accounts

### 17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Cash and Cash Equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted Pooled Investments including pooled property	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted Funds in administration	3	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values /or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net Asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note:

Quoted Fund in administration refers to the UK equities Fund managed by Link (earlier Woodford)

Bespoke Fund for Equity Protection programme assets is managed by Insight.



## Notes to the Pension Fund Accounts

### 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 2022.

	Assessed valuation range (+/-)	Value as at 31 March 2022 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	23.3%	290,018	357,592	222,444
Infrastructure	11.9%	174,936	195,754	154,119
Other Level 3 investments	23.3%	8,219	10,135	6,304
Total		473,173	563,481	382,867

	Assessed valuation range (+/-)	Value as at 31 March 2021 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	23.3%	196,890	242,765	151,015
Infrastructure	11.9%	77,133	86,312	67,954
Other Level 3 investments	23.3%	8,101	9,989	6,213
		282,124	339,066	225,182

### 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 2022 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.

## Notes to the Pension Fund Accounts

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 2022	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	inputs	unobservable	
	£000's	Level 2	Level 3	£000's
		£000's	£000's	
<b>Financial assets at fair value through profit and loss</b>				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash Deposits	157,984			157,984
Other Investment balances	23,137			23,137
<b>Non- Financial assets at fair value through profit and loss</b>				
Property		577,934		577,934
<b>Financial liabilities at fair value through profit and loss</b>				
Derivatives		(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
<b>Net Investment Assets</b>	<b>1,620,697</b>	<b>5,605,846</b>	<b>473,174</b>	<b>7,699,717</b>

Values at 31 March 2021	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	inputs	unobservable	
	£000's	Level 2	Level 3	£000's
		£000's	£000's	
<b>Financial assets at fair value through profit and loss</b>				
Bonds	401,002			401,002
Equities	348,033			348,033
Pooled investments	732,934	4,602,688	8,101	5,343,723
Pooled property investments		281,717		281,717
Private equity and infrastructure			274,023	274,023
Derivatives		2,921		2,921
Cash Deposits	355,824			355,824
Other Investment balances	17,021			17,021
<b>Non- Financial assets at fair value through profit and loss</b>				
Property		493,314		493,314
<b>Financial liabilities at fair value through profit and loss</b>				
Derivatives	0	(1,957)		(1,957)
Other investment liabilities	(6,848)			(6,848)
<b>Net Investment Assets</b>	<b>1,847,966</b>	<b>5,378,683</b>	<b>282,124</b>	<b>7,508,773</b>

## Notes to the Pension Fund Accounts

### 17b. Reconciliation of Fair Value Measurements within Level 3

	Pvt Equity	Infrastruc- ture	Other	£000's Total
Market Value 1 April 2021	196,890	77,133	8,102	282,125
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	52,198	89,503		141,701
Sales during the year	(54,148)	(3,071)		(57,219)
Unrealised gains/ losses	59,592	10,974	118	70,684
Realised gains/losses	35,486	397		35,883
Market Value 31 March 2022	<b>290,018</b>	<b>174,936</b>	<b>8,220</b>	<b>473,174</b>

### 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 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 Investment Strategy.

## Notes to the Pension Fund Accounts

### 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 2021-22 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	16.7
Overseas Equities	16.2
Global Pooled Equities inc UK	16.0
Bonds	7.2
Property	9.2
Infrastructure	11.9
Private Equity	23.3

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 22 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
<b>Cash and cash equivalents</b>	157,984	0.00	157,984	157,984
<b>Investment portfolio assets:</b>				
UK Equities	40,908	16.70	47,739	34,076
Overseas Equities	331,038	16.20	384,666	277,410
Global Pooled Equities inc UK	4,692,519	16.00	5,443,322	3,941,716
Bonds incl Bond Funds	1,100,662	7.20	1,179,910	1,021,415
Property Pooled Funds	324,285	9.20	354,193	294,512
Private Equity	290,018	11.90	324,531	255,506
Infrastructure Funds	174,936	23.30	215,697	134,176
<b>Total</b>	<b>7,112,350</b>		<b>8,108,042</b>	<b>6,116,795</b>

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to the actuary's expected return objective of 6.5% for equities over the full valuation cycle. The current programme will run until March 2023.

## Notes to the Pension Fund Accounts

Asset Type	Value as at	Percentage	Value on	Value on
	31 March 21	change	increase	decrease
	£000's	%	£000's	£000's
<b>Cash and cash equivalents</b>	351,228	0.00	351,228	351,228
<b>Investment portfolio assets:</b>				
UK Equities	29,621	16.70	34,568	24,674
Overseas Equities	318,412	16.20	369,995	266,829
Global Pooled Equities inc UK	4,768,171	16.00	5,531,078	4,005,264
Bonds incl Bond Funds	976,553	7.20	1,046,865	906,241
Property Pooled Funds	281,718	9.20	307,636	255,800
Private Equity	196,890	11.90	230,320	173,460
Infrastructure Funds	77,133	23.30	95,105	59,161
<b>Total</b>	<b>6,999,726</b>		<b>7,966,795</b>	<b>6,042,657</b>

### 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 2022 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 22	31 March 21
	£'000s	£'000s
Cash and cash equivalents	155,309	351,228
Cash Balances	2,679	4,596
Bonds		
- Directly held securities	379,027	401,001
- Pooled Funds	721,635	575,551
<b>Total</b>	<b>1,258,650</b>	<b>1,332,376</b>

### Interest rate risk - sensitivity analysis

The Council 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:

## Notes to the Pension Fund Accounts

Asset Type	Carrying amount as at 31 March 22	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	155,309	0	0
Cash Balances	2,679	0	0
Bonds			
- Directly held securities	379,027	-3,790	3,790
- Pooled Funds	721,635	-7,216	7,216
<b>Total change in assets available</b>	<b>1,258,650</b>	<b>-11,007</b>	<b>11,007</b>

Asset Type	Carrying amount as at 31 March 21	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	351,228	0	0
Cash Balances	4,596	0	0
Bonds			
- Directly held securities	401,001	-4,010	4,010
- Pooled Funds	575,551	-5,756	5,756
<b>Total change in assets available</b>	<b>1,332,376</b>	<b>-9,766</b>	<b>9,766</b>

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 2022 and 2021:

Currency exposure - asset type	Asset value as at 31 March 22	Asset value as at 31 March 21
	£000's	£000's
Overseas Equities	331,088	318,412
Overseas Pooled Funds	3,781,449	3,891,344
Overseas Bonds	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	226,885
Non GBP Cash	2,640	9,981
<b>Total overseas assets</b>	<b>4,523,184</b>	<b>4,446,622</b>

## Notes to the Pension Fund Accounts

### 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 Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2021-22 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	Change to	Change to
	as at	net assets	net assets
	31 March 22	available to	available to
		pay benefits	pay benefits
		+6.6%	-6.6%
	£000's	£000's	£000's
Overseas Equities	331,038	352,887	309,190
Overseas Pooled Funds	3,781,449	4,031,025	3,531,874
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	434,935	381,078
Non GBP Cash	2,640	2,814	2,466
<b>Total change in assets available</b>	<b>4,523,134</b>	<b>4,821,661</b>	<b>4,224,608</b>

Currency exposure - asset type	Asset value	Change to	Change to
	as at	net assets	net assets
	31 March 21	available to	available to
		pay benefits	pay benefits
		+6.6%	-6.6%
	£000's	£000's	£000's
Overseas Equities	318,412	339,427	297,397
Overseas Pooled Funds	3,891,344	4,148,173	3,634,515
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	226,885	241,859	211,911
Non GBP Cash	9,981	10,640	9,322
<b>Total change in assets available</b>	<b>4,446,622</b>	<b>4,740,099</b>	<b>4,153,145</b>

### 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.

## Notes to the Pension Fund Accounts

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council 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 22 £000's	Balance as at 31 March 21 £000's
<b>Money Market Funds</b>			
Northern Trust Sterling Fund	AAAm	8,615	8,004
SSGA Liquidity Fund	AAAm		0
Blackrock ICS	AAAm	2,072	7
Blackrock USD Government Liquidity Fund	AAAm	0	3,417
Aberdeen Sterling Liquidity Fund	AAAm	33,097	74,998
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,246	2,358
Aviva Investors Sterling Liquidity Fund	AAAm	56,926	49,994
Federated (PR) Short-term GBP Prime Fund	AAAm	0	9,998
Deutsche Managed Sterling Fund	AAAm	7	1,184
HSBC Global Liquidity Fund	AAAm	23	2
LGIM Liquidity Fund	AAAm	32,847	41,775
Insight Sterling Liquidity Fund	AAAm	0	0
		<b>144,833</b>	<b>191,737</b>
<b>Bank Deposit Accounts</b>			
NatWest SIBA	A-	1,513	4,627
		<b>1,513</b>	<b>4,627</b>
<b>Bank Current Accounts</b>			
NatWest Current Account	A-	50	50
NatWest Current Account - Euro	A-	192	814
NatWest Current Account - USD	A-	10	468
Northern Trust - Current Accounts	AA-	8,825	6,694
Barclays - DTZ client monies account	A**	2,561	1,433
		<b>11,638</b>	<b>9,459</b>
<b>Cash with fund managers</b>			
	n/a	<b>0</b>	<b>150,000</b>
<b>Total cash and cash equivalents</b>			
		<b>157,984</b>	<b>355,823</b>

Previous year cash held with fund managers comprised of application money transferred to M&G and CQS for subscription of units in their credit funds. The units were subsequently acquired on 1 April 2021.

### 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 2022 are due within one year.



**Refinancing risk**

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

**19. Funding Arrangements**

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

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 2019 valuation a maximum deficit recovery period of 14 years (2016-17 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 2019 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £6,193m and the liabilities were £6,322m. The assets therefore, represented 98% (2016 - 89%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

**The 2019 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)	4.7% p.a.
Rate of general pay increases: Long term	3.6% p.a.
Short Term	n/a
Assumed pension increases	2.6% 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.

## Notes to the Pension Fund Accounts

### Actuarial present value of promised retirement benefits

	31 March 22	31 March 21
	£m	£m
Present value of promised retirement benefits	-11,778.8	-11,789.8
Fair value of scheme assets at bid value	7,702.4	7,513.6
Net liability	-4,076.4	-4,276.2

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 65% 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 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

### Assumptions used: % p.a.

Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	2.00%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. Although the case only relates directly to these two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. Whilst there is uncertainty of how this judgement may affect LGPS members' past or future service benefits CIPFA has suggested that local authorities should consider the materiality of the impact. Our actuaries have used GAD's analysis to calculate the likely additional costs and have based it on all members who were active at 31 March 2012 until their retirement. This exercise has estimated the additional costs to be 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund.

### 21. Current Assets

	31 March 22	31 March 21
	£000's	£000's
<b>Debtors</b>		
- Contributions due - Employees	5,039	4,067
- Contributions due - Employers	16,376	13,180
	21,415	17,247
Sundry debtors	7,942	12,579
<b>Total Debtors</b>	<b>29,357</b>	<b>29,826</b>
<b>Cash</b>	2,679	4,596
<b>Total Current Assets</b>	<b>32,036</b>	<b>34,422</b>

### 22. Current Liabilities

	31 March 22	31 March 21
	£000's	£000's
<b>Creditors</b>		
- Benefits Payable	15,631	14,178
- Sundry Creditors	11,019	10,788
<b>Total Current Liabilities</b>	<b>26,650</b>	<b>24,966</b>

**23. Additional Voluntary Contributions**

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Utmost Life	
	2021-22 £000's	2020-21 £000's	2021-22 £000's	2020-21 £000's	2021-22 £000's	2020-21 £000's
Value at 1 April	8,416	8,416	2,032	1,736	404	423
Value at 31 March	9,711	9,711	2,043	2,032	330	404
Contributions paid	1,345	1,345	120	108	1	1

Prudential were unable to provide us with updated figures for 2021-22 because figures are not yet available, therefore 2020-21 figures have been used.

**24. Related Party Transactions**

The Kent Pension 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 County Council 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 Kent Pension Fund.

	2021-22 £000's	2020-21 £000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	79,585	75,522
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	3,910	3,797
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-6,181	-6,089

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

**Key management personnel**

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2021-22 was the Director of Finance

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

	31 March 22 £000's	31 March 21 £000's
Salary	164	147
Allowances	9	7
Other	0	1
Employer's pension contributions	37	33
Total	210	188

### 25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2022 totalled £495.41m (31 March 2021: £514.92m).

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.

### 26. Contingent Assets

46 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

**Report on the Audit of the Financial Statements**

**Opinion on financial statements**

**Basis for opinion**

**Conclusions relating to going concern**

**Other information**

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

**Opinion on other matters required by the Code of Audit Practice**

**Matters on which we are required to report by exception**

**Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements**

## **Independent Auditor's Report to the Members of Kent County Council**

**Auditor's responsibilities for the audit of the financial statements**

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

**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**

**Responsibilities of the Authority**

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



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

**Use of our report**

Signature:

**for and on behalf of Grant Thornton UK LLP, Appointed Auditor**

**London**

**Independent auditor's report to the members of Kent County Council on the pension fund financial statements of the Kent Superannuation Fund**

**Opinion**

**Basis for opinion**

**Conclusions relating to going concern**

**Other information**

**Independent auditor's report to the members of Kent County Council on the pension fund financial statements of the Kent Superannuation Fund**

**Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

**Matters on which we are required to report by exception**

**Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements**

**Auditor's responsibilities for the audit of the financial statements**

**Independent auditor's report to the Members of Kent County Council on the pension fund financial statements of Kent County Council Superannuation Fund**

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

**Independent auditor's report to the Members of Kent County Council on the pension fund financial statements of Kent County Council Superannuation Fund**

**Use of our report**

**for and on behalf of Grant Thornton UK LLP, Appointed Auditor**

**London**

## **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 33 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.

## Glossary of terms

### **Non Delegated**

Spend on Education Services which is not delegated to schools.

### **Precept**

The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district councils collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

### **Public Works Loans Board**

A government controlled agency that provides a source of borrowing for public authorities.

### **Related party transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

### **Revenue expenditure**

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

### **Revenue expenditure funded from capital under statute (Refcus)**

Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

### **Specific grants**

See 'government grants'.

### **Support service costs**

The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

### **Unusable reserves**

Those reserves that the Council is not able to utilise to provide a service.

### **Usable capital receipts**

The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.