

By: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford
Interim Corporate Director Finance – John Betts

To: Governance and Audit Committee – 12 December 2024

Subject: DRAFT STATEMENT OF ACCOUNTS 2023-24

Classification: Unrestricted

Recommendations:

Members are asked to:

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

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

... the publication date for final, audited accounts is by 28 February 2025. The authority must, following the conclusion of the period of public inspection, in the following order:

- i) consider, either by way of a Committee or by the Members meeting as a whole, the Statement of Accounts;
- ii) approve the Statement of Accounts by a resolution of that Committee or meeting;
- iii) ensure that the Statement of Accounts is signed and dated by the person presiding at the Committee or meeting at which that approval was given.

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

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

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

- 1.5 The Audit Findings Report (AFR) is once more a positive outcome for the Council. The signing of the accounts before the end of the 2024 calendar year will allow planning time to implement audit recommendations in the AFR ahead of the completion of the 2024-25 accounts.
- 1.6 The deadline for the publication of draft accounts has been extended to 30 June from 31 May for years 2024-25 to 2027-28. The audit backstop dates for the next four years are:
- 2024-25: 27 February 2026
 - 2025-26: 31 January 2027
 - 2026-27: 30 November 2027
 - 2027-28: 30 November 2028
- 1.7 The public inspection period concluded on 12 July 2024.
- 1.8 Letters of Representation are provided in connection with the audits of the financial statements for the Council and the Kent Pension Fund; and they will be required to be formally minuted by the Committee to confirm they are approved.
- 1.9 The purpose of the Governance & Audit committee includes the following:

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

2. STATEMENT OF ACCOUNTS - CONTENTS

- 2.1 The content and format of the Accounts is as prescribed in the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is known as the Code.
- 2.2 The Statement of Accounts for 2023-24 is prepared on an International Financial Reporting Standards (IFRS) basis.
- 2.3 The remainder of Section 2 of this report highlights the key facts, figures, and issues from the attached draft Accounts.

Narrative Pages 3-19

- 2.4 The narrative provides clarification on the relationship between the Statement of Accounts and other financial information that the Council reports on externally. The 2023-24 narrative provides information on the funding strategy applied during 2023-24 and the direction of travel for 2024-25 onwards.
- 2.5 The details of the revenue outturn are shown on page 14. This shows an

overspend of £9.6m before roll forwards against the non-schools' budgets. Details of under/overspends within the directorates have been detailed in the monitoring reports throughout the year and were reported in the Final Outturn report which was considered by Cabinet on 20 June 2024. After committed roll forwards and bids approved by Cabinet on 29 June, the resulting overspend was £12.4m.

- 2.6 The £12.4m overspend was funded by drawdowns from reserves.
- 2.7 The level of KCC general revenue reserves is £43.2m, a net increase of £5.8m which was part of the replenishment of general reserves as part of the 2023-24 approved budget. This injection to the reserve was part of budget setting to maintain the general reserve at 5% of our net revenue budget position. £12.4m was drawn down to fund the 2023-24 overspend referred to in paragraphs 2.5 and 2.6.
- 2.8 Capital expenditure excluding that incurred by schools under devolved arrangements was £192.7m less than the revised cash limits. Of this, £198.3m reflects re-phasing of capital expenditure plans across all services and £5.561m was due to real variations on a small number of projects. The overall unspent capital resources will be carried forward into 2024-25 and beyond in order to accommodate the revised profiles of capital expenditure.
- 2.9 The 2023-24 International Accounting Standard (IAS) 19 report shows a further decrease in the Pensions' Reserve deficit of £27.6m.

Statement of Responsibilities Page 20

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

Financial Statements Pages 21-26

Comprehensive Income and Expenditure Statement

- 2.11 The Comprehensive Income and Expenditure Statement (CIES) consolidates all the gains and losses experienced by a council during the financial year. As councils do not have any equity in their Balance Sheets, these gains and losses should reconcile to the overall movement in net worth.
- 2.12 The CIES has two sections:
- i) Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.
 - ii) Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

Movement in Reserves Statement (MiRS)

2.13 This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The unusable reserves are required due to accounting practices and are not cash-backed. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. Usable reserves have increased by £30.2m in 2023-24. The increase is due to a large increase in capital grants unapplied (£61.5m). The main movements are summarized in the table below:

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

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

- i) The increase or decrease in the net worth of the council as a result of incurring expenses and generating income.
- ii) The increase or decrease in the net worth of the council as a result of movements in the fair value of its assets.
- iii) Movements between reserves to increase or reduce the resources available to the council according to statutory provisions.

Balance Sheet

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

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

the Capital Receipts Reserve), and

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

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

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

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

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

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

Cash Flow Statement

2.21 This statement summarises the changes in cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. The cash and cash equivalents balance is very similar to 2022-23.

The Expenditure and Funding Analysis

2.22 The Expenditure and Funding Analysis detailed on pages 27 to 28 shows how the Council's expenditure is allocated for decision making purposes between the Directorates. It also shows how the annual expenditure is used and funded from resources by the Council compared with the resources consumed or earned in accordance with generally accepted accounting practices.

Notes to the Accounts pages 27-127

Adjustments between accounting basis and funding basis under regulations

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

Officers Remuneration

2.24 Note 6 on pages 35-43 provides details of officers' remuneration over £50,000 and details on exit packages in bands of £20,000 split between compulsory redundancy and other departures.

Note to the Expenditure and Funding Analysis

2.25 Note 9a on pages 45 to 48 provides an analysis and explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund and Adjustments between the Funding and Accounting Basis that were set out in the Expenditure and Funding Analysis explained in paragraph 2.23.

Property, Plant and Equipment

2.26 Note 16 on pages 58-68 shows the movements on these assets, which have decreased in net book value from £3.74bn to £3.70bn.

Reserves

2.27 Details of reserves can be found in the following notes, usable reserves in Note 22 which also include earmarked reserves, unusable reserves in Note 23, and earmarked reserves in Note 24.

Group Accounts pages 128-145

2.28 The Group Accounts section contains:

- i) Group Comprehensive Income and Expenditure Statement on pages 128 to 129
- ii) Group Movement in Reserves Statement on pages 132 to 133
- iii) Group Balance Sheet on page 134
- iv) Group Cash Flow Statement on page 136

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

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

Pension Fund Accounts pages 145-176

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

Glossary

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

3. RECOMMENDATION

Members are asked to:

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

3.2 Approve the Letters of Representation

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

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