



# Statement of Accounts

2022/2023  
Statement of Accounts



| Contents  | Page |
|---|------|
| Narrative   | 3    |
| Statement of Responsibilities for Statement of Accounts | 21   |
|   |      |
| <b>Accounting Statements</b>                            |      |
| - Comprehensive Income and Expenditure Statement        | 22   |
| - Movement in Reserves Statement                        | 24   |
| - Balance Sheet   | 27   |
| - Cash Flow Statement                                   | 28   |
| - Notes to the Accounting Statements                    | 29   |
| - Prior Period Adjustment                               | 131  |
| <b>Group Accounts</b>                                   | 132  |
| - Group Comprehensive Income and Expenditure Statement  | 136  |
| - Group Movement in Reserves Statement                  | 138  |
| - Group Balance Sheet                                   | 140  |
| - Group Cash Flow Statement                             | 141  |
| - Notes to the Group Accounts                           | 142  |
| Pension Fund Accounts                                   | 148  |
| Independent Auditor's Report                            | 179  |
| Glossary of Terms                                       | 193  |

This document may not be fully accessible, and we are working on improving this for future documents we create.

If you need an alternative format for this document, please contact:  
[CATenquiriesKCC@kent.gov.uk](mailto:CATenquiriesKCC@kent.gov.uk)

03000 421447

## Notes to the Accounting Statements Index

| Note | Name  | Page |
|------|---|------|
| 1a   | Expenditure and Funding Analysis  | 29   |
| 1b   | Basis for preparation/General   | 31   |
| 2    | Accounting Policies   | 31   |
| 3    | Accounting Standards that have been issued but have not yet been adopted            | 33   |
| 4    | Critical Judgements in applying Accounting Policies                                 | 34   |
| 5    | Assumptions Made about the Future and other Major Sources of Estimation Uncertainty | 35   |
| 6    | Officers Remuneration   | 37   |
| 7    | Members Allowances  | 47   |
| 8    | Material Items of Income and Expense  | 47   |
| 9a   | Note to the Expenditure and Funding Analysis  | 48   |
| 9b   | Segmental Income  | 52   |
| 10   | Expenditure and Income Analysed by Nature   | 52   |
| 11   | Adjustments between accounting basis and funding basis under regulations            | 53   |
| 12   | Other Operating Expenditure   | 58   |
| 13   | Financing and investment income and expenditure                                     | 58   |
| 14   | Taxation and non-specific grant income  | 58   |
| 15   | Grant Income  | 59   |
| 16   | Property, Plant and Equipment   | 61   |
| 17   | Investment Property   | 72   |
| 18   | Capital Expenditure and Financing   | 76   |
| 19   | PFI and Similar Contracts   | 77   |
| 20   | Heritage Assets   | 83   |
| 21   | Leases  | 86   |
| 22   | Usable Reserves   | 89   |
| 23   | Unusable Reserves   | 90   |
| 24   | Earmarked Reserves  | 99   |
| 25   | Provisions  | 101  |
| 26   | Debtors   | 102  |
| 27   | Creditors   | 103  |
| 28   | Cash and Cash Equivalents   | 103  |
| 29   | Cash Flow - Operating Activities  | 104  |
| 30   | Cash Flow - Investing Activities  | 105  |
| 31   | Cash Flow - Financing Activities  | 105  |
| 32   | Reconciliation of Liabilities arising from Financial Activities                     | 106  |
| 33   | Trading Operations  | 106  |
| 34   | Audit Costs   | 107  |
| 35   | Dedicated Schools Grant   | 108  |
| 36   | Related Party Transactions  | 109  |
| 37   | Pension Costs   | 111  |
| 38   | Financial Instruments   | 117  |
| 39   | Nature and Extent of Risks Arising from Financial Instruments                       | 125  |
| 40   | Contingent Liabilities  | 128  |
| 41   | Subsidiary Undertakings   | 129  |
| 42   | Events after the Balance Sheet Date   | 129  |
| 43   | Other Notes   | 130  |

## Statement of Accounts 2022-23

### Narrative

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

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

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

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

- Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2022-23.
- The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director Finance concerning the Council's financial affairs and the actual Statement of Accounts.
- The main Accounting Statements, comprise:
  - ~ The Comprehensive Income and Expenditure Statement (CIES) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year. (See pages 22 to 23)
  - ~ 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 24 to 26)
  - ~ 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 27)
  - ~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 28)
- 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 29 to 30)
- Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. Note 2 - General Accounting Policies details the policies where there are not accompanying notes.

- The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2023 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kent Holdco Group. (See pages 132 to 147).
- 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 148 to 178)
- 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 179 to 192)
- 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 193 to 194 to make the Statement of Accounts more understandable for the reader.

## Changes to financial reporting requirements and accounting policies

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

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

## Organisational Overview and External Environment

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

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

## Governance

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

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

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

To meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "Delivering Good Governance in Local Government (2016)" the Council is required to produce an Annual Governance Statement (AGS). Please see the 2022/23 AGS for further information on how the Council has complied with these principles.

## Strategic and Corporate Plans

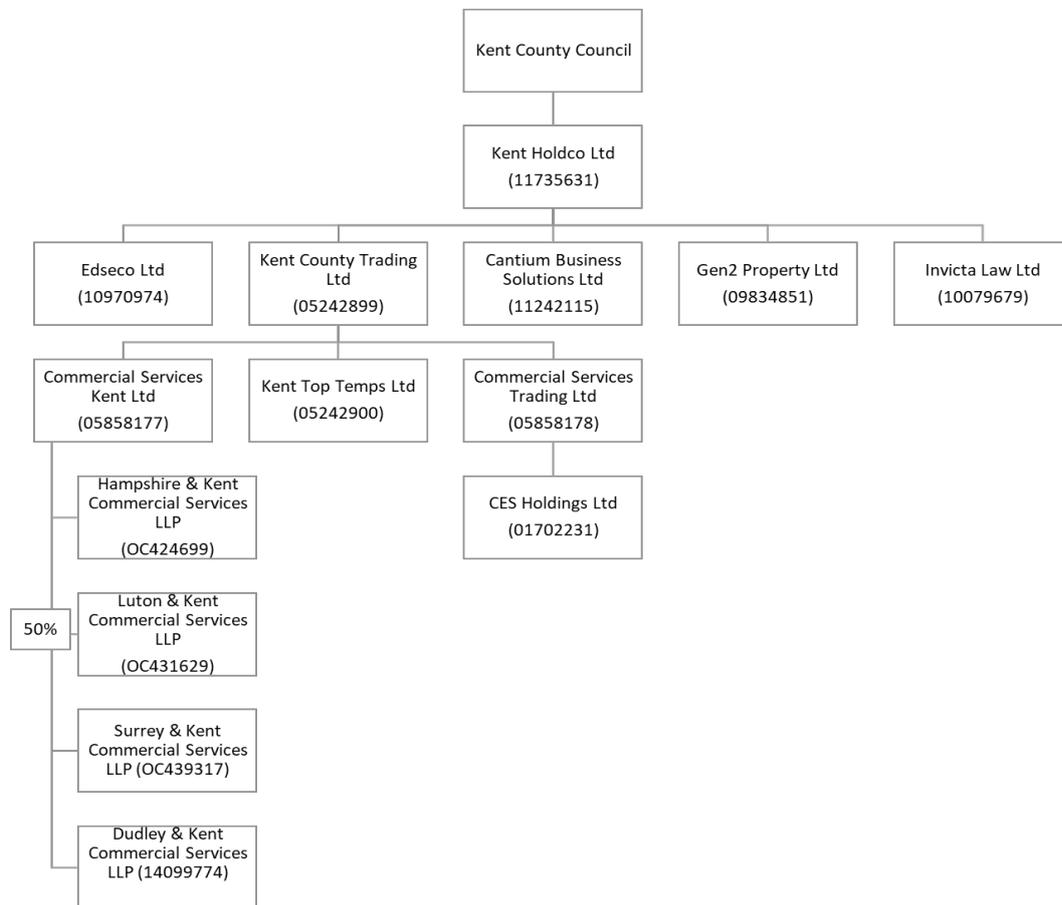
KCC produces a Strategic Statement every few years to set the strategic direction for the Council – this is our flagship strategy and shapes business and resource planning. In May 2022, 'Framing Kent's Future' was approved by County Council as the council's strategy for the period 2022 to 2026. This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

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

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

## Council's wholly-owned subsidiaries

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



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

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

**GEN2 Property Ltd** - to provide property services and property management consultancy.

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

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

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

## Financial Report

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

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

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

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

### The 2022-23 budget

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

| Change in Net Spending                    | £m          | Change in Net Funding                                   | £m          |
|---|-------------|---|-------------|
| Proposed additional spending              | 83.6        | Removal of one-off grants in 2021-22                    | -46.6       |
| Proposed savings from spending reductions | -25.2       | Net Increase in government grants                       | 49.3        |
| Proposed changes in income                | -8.7        | Change in council tax base                              | 20.5        |
| Increases in specific government grants   | -3.4        | Proposed increase in council tax charge                 | 23.9        |
| Proposed net changes in reserves          | 12.8        | Change in retained business rates                       | 1.0         |
|   |             | Change in net collection fund balances/S31 compensation | 11          |
| <b>Total change in Net Spending</b>       | <b>59.1</b> | <b>Total change in Net Funding</b>                      | <b>59.1</b> |

Although 2022-23 was a further one-year settlement (effectively the 4th consecutive one-year settlement) unlike in 2021-22 a detailed medium-term financial plan (MTFP) was published setting out spending, savings and funding projections for the forthcoming year (2022-23) as well as 2023-24 and 2024-25. The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that while there is statutory requirement to set an annual budget, a longer-term perspective is also

essential if local authorities are to demonstrate their financial sustainability. CIPFA recognises that while formal publication of the MTFP may only reflect government settlements, it is the responsibility of the leadership of the organisation to have a long-term financial view.

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

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

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

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

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

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

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

## Risk Strategy

Please refer to the draft Annual Governance Statement on [Kent.gov.uk](http://Kent.gov.uk) for details of the Council's governance arrangements.

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

## Revenue Strategy

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

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

## Funding Estimate

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

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

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

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

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

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

The evolution of funding estimates from the Spending Review to the final budget is shown in the following table.

|   | 2021-22       | Spending Review Estimate November 2021<br>£m | Draft Budget January 2022<br>£m | County Council Papers February 2022<br>£m | Final Budget March 2022<br>£m | Final Change on 2021-22<br>£m |
|---|---------------|--|---------------------------------|---|-------------------------------|-------------------------------|
| Council Tax                               | 778.7         | 818.1  | 823.1                           | 823.1                                     | 823.1                         | 44.4                          |
| Retained Business Rates                   | 51.8          | 54.8   | 54.8                            | 54.8                                      | 52.8                          | 1.0                           |
| Collection Fund & Compensation for losses | -1.1          | -3.4   | 4.6                             | 8.8                                       | 9.9                           | 11.0                          |
| General Grants                            | 168.6         | 171.9  | 174.4                           | 174.4                                     | 184.1                         | 15.5                          |
| Existing Social Care Grants               | 87.7          | 87.7   | 104.5                           | 104.5                                     | 104.5                         | 16.8                          |
| New Grants                                | 0             | 25.0   | 17.1                            | 17.1                                      | 17.1                          | 17.1                          |
| Covid-19 Grants                           | 46.6          |  |                                 |   |                               | -46.6                         |
| <b>Total Funding</b>                      | <b>1132.3</b> | <b>1154.1</b>                                | <b>1178.5</b>                   | <b>1182.7</b>                             | <b>1191.5</b>                 | <b>59.2</b>                   |

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

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

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

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

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

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

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

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

### Changes in Reserves

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

### Savings and Income

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

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

## Budget Consultation and Engagement

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

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

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

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

## Revenue Budget and Outturn

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

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

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

### What the money is spent on

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

### Where the money came from

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

### Schools

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

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

Schools reserves, including the DSG Safety Valve reserve, have therefore increased by £36m in 2022-23 (£36.2m DSG Safety Valve reserve less £0.2m schools reserves). Schools now have £61.1m of revenue reserves as reflected in note 22 on page 89 and there is a deficit balance of £97.6m in the DSG Adjustment Account as reflected in note 23 on page 90. 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 £353.334m and Note 24 on pages 99 to 100 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2023. The general reserve position as at 31 March 2023 is £37.428m which is a net decrease of £19.193m. There was an injection of £2.951m to maintain our general reserves up to 5% of our net revenue budget position as agreed in the MTFP. £22.144m was drawn down as part of the funding of the 2022-23 overspend reported in the table on page 7.

At 31 March 2023 the Council has usable capital reserves of £141.430m as shown on Note 22 (page 89).

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2023 totalled £26.376m, see Note 25 on page 101 to 102.

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

## Capital

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

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

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

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

Details of the financing of capital expenditure are on pages 76 and 77.

### Insurance Fund

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

Based on current estimates of the amount and timing of fund liabilities, the insurance provision at 31 March 2023 is established at a level sufficient to meet all known insurance claims where the likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37. Details can be found on page 101.

### Pension Fund

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

### IAS 19

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

### Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2022-23, earlier years and for future years. The balance currently stands at £812m (short- and long-term) as shown on the balance sheet on page 27. Future capital expenditure will be financed from revenue contributions, sale of surplus fixed assets, capital grants and contributions, borrowing, and relevant funds within earmarked reserves.

### East Kent Opportunities

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

### 2023-24 onwards

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

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

There is a large national public sector budget deficit arising from the financial measures the Government implemented during the pandemic and more recently from their support to the cost-of-living crisis. The government has recognised that this will need to be addressed and has set

targets for debt to be falling as a % of gross domestic product (GDP) and for borrowing to not exceed 3% of GDP, both by 2027-28. However, there is very little detail in spending plans beyond 2024-25 and the impact on local government is difficult to predict. Consequently, the council is having to make plans for a number of different potential scenarios, although in all probability, as in previous years, there will continue to be budget gaps between available funding and planned spending to be closed.

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

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

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

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

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

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

- Unacceptable deficit on the high needs block of Dedicated Schools Grant (DSG) due to continuing increases in demand for Education and Health Care Plans (EHCPs) and requests for more specialist placements to support children and young people with Special Educational Needs and Disability (SEND). These demands mean spending is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and agreed a recovery plan under the government's "Safety Valve" programme.
- Overspends in 2022-23 requiring drawdown from reserves leaving the Council with reduced financial resilience and insufficient reserves to mitigate future budget risks.
- Under delivery of savings and income plans leading to budget overspends.
- Market sustainability leading to increased costs to recruit/retain staff and risk of supplier failure causing disruption to services for vulnerable clients.
- Inflation increases over and above estimated price levels included within capital and revenue budgets.
- Increased construction costs leading to overspends on capital budget with necessity to reprioritise schemes and/or reduced investment in preventative works.
- Demand increases over and above estimated levels included within the revenue budget.

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

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

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

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

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

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

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

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

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

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



**Councillor Rosalind Binks**  
**Chairman of the Governance and Audit Committee**  
**27 February 2024**

### The Corporate Director Finance's Responsibilities

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

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

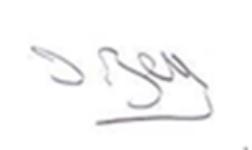
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director of Finance has also:

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

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

### Certificate of the Corporate Director Finance



**John Betts**  
**Acting Corporate Director Finance**  
**27 February 2024**

## Comprehensive Income and Expenditure Statement

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

### Year Ended 31 March 2023

| Service  | Notes | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
|--|-------|---------------------------|----------------------|-------------------------|
| Adult Social Care & Health including Public Health   | ASCH  | 766,661                   | -278,982             | 487,679                 |
| Children, Young People & Education   | CYPE  | 1,513,866                 | -1,139,897           | 373,969                 |
| Growth, Environment & Transport  | GET   | 317,959                   | -80,750              | 237,209                 |
| Chief Executive's Department   | CED   | 60,130                    | -30,277              | 29,853                  |
| Deputy Chief Executive's Department  | DCED  | 106,054                   | -16,133              | 89,921                  |
| Non-Attributable Costs including Corporately Held Budgets  | NAC   | 10,526                    | -9,259               | 1,267                   |
| <b>Cost of Services</b>  |       | <b>2,775,196</b>          | <b>-1,555,298</b>    | <b>1,219,898</b>        |
| Other operating Expenditure  | 12    |                           |                      | 115,421                 |
| Net Surplus on trading accounts  | 33    |                           |                      | -4027                   |
| Financing and Investment Income and Expenditure  | 13    |                           |                      | 58,301                  |
| Taxation and Non-Specific Grant Income   | 14    |                           |                      | -1,367,921              |
| <b>(Surplus) or deficit on Provision of Services</b>   |       |                           |                      | <b>21,672</b>           |
| (Surplus)/deficit arising on revaluation of non-current assets   |       |                           |                      | -219,234                |
| Remeasurement of the net defined benefit liability   |       |                           |                      | -1,516,489              |
| (Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income |       |                           |                      | -950                    |
| <b>Other Comprehensive Income and Expenditure</b>  |       |                           |                      | <b>-1,736,673</b>       |
| <b>Total Comprehensive Income and Expenditure</b>  |       |                           |                      | <b>-1,715,001</b>       |

## Restated: Year Ended 31 March 2022

| Service  | Notes | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
|--|-------|---------------------------|----------------------|-------------------------|
| Adult Social Care & Health including Public Health   | ASCH  | 767,035                   | -322,757             | 444,278                 |
| Children, Young People & Education   | CYPE  | 1,479,721                 | -1,033,737           | 445,984                 |
| Growth, Environment & Transport  | GET   | 407,818                   | -168,261             | 239,557                 |
| Chief Executive's Department   | CED   | 56,949                    | -23,134              | 33,815                  |
| Deputy Chief Executive's Department  | DCED  | 100,883                   | -16,681              | 84,202                  |
| Non-Attributable Costs including Corporately Held Budgets  | NAC   | 7,346                     | -954                 | 6,392                   |
| <b>Cost of Services</b>  |       | <b>2,819,752</b>          | <b>-1,565,524</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 75% Tax Income Guarantee and 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>         |

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

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Year Ended 31 March 2022

|  | General Fund Balance<br>£000 | Earmarked GF Reserves<br>£000 | S31 - 75% Tax Income Guarantee grant and Business Rates Relief Grant Reserves<br>£000 | Total GF incl. Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 |
|--|------------------------------|-------------------------------|---|---|----------------------------------|
| <b>Balance at 31 March 2021</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 2021-22</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>                    |

## Year Ended 31 March 2023

|  | General Fund Balance<br>£000 | Earmarked GF Reserves<br>£000 | S31 - 75% Tax Income Guarantee grant and Business Rates Relief Grant Reserves<br>£000 | Total GF incl. Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 |
|--|------------------------------|-------------------------------|---|---|----------------------------------|
| <b>Balance at 31 March 2022</b>  | <b>-56,188</b>               | <b>-393,152</b>               | <b>-20,040</b>  | <b>-469,380</b>                           | <b>-33,291</b>                   |
| <b>Movement in reserves 2022-23</b>  |                              |                               |   |   |                                  |
| <b>Total Comprehensive Expenditure &amp; Income</b>                              | <b>21,672</b>                |                               |   | <b>21,672</b>                             |                                  |
| Adjustments between accounting basis & funding basis under regulations - Note 11 | -4,772                       |                               |   | -4,772                                    | -5,936                           |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>              | <b>16,900</b>                | <b>0</b>                      | <b>0</b>  | <b>16,900</b>                             | <b>-5,936</b>                    |
| Transfer between Usable and Unusable Reserves                                    |                              |                               |   | 0   |                                  |
| Transfers to/from Earmarked Reserves (total of *s on Note 22)                    | 2,371                        | -20,063                       | 17,692  | 0   |                                  |
| <b>Increase/Decrease (movement) in Year</b>                                      | <b>19,271</b>                | <b>-20,063</b>                | <b>17,692</b>   | <b>16,900</b>                             | <b>-5,936</b>                    |
| <b>Balance at 31 March 2023 carried forward</b>                                  | <b>-36,917</b>               | <b>-413,215</b>               | <b>-2,348</b>   | <b>-452,480</b>                           | <b>-39,226</b>                   |

## Year Ended 31 March 2022

|  | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|--|----------------------------------|-------------------------------|---------------------------|--------------------------------|
| <b>Balance at 31 March 2021</b>  | <b>-49,783</b>                   | <b>-533,733</b>               | <b>-423,603</b>           | <b>-957,336</b>                |
| <b>Movement in reserves 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>                |

## Year Ended 31 March 2023

|  | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|--|-------------------------------|----------------------------|------------------------|-----------------------------|
| <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>           |
| <b>Movement in reserves 2022-23</b>  |                               |                            |                        |                             |
| <b>Total Comprehensive Expenditure &amp; Income</b>                              |                               | <b>21,672</b>              | <b>-1,736,673</b>      | <b>-1,715,001</b>           |
| Adjustments between accounting basis & funding basis under regulations - Note 11 | -28,021                       | <b>-38,729</b>             | 38,729                 | 0                           |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>              | <b>-28,021</b>                | <b>-17,057</b>             | <b>-1,697,944</b>      | <b>-1,715,001</b>           |
| Transfer between Usable and Unusable Reserves                                    |                               | 0                          | 0                      | 0                           |
| Transfers to/from Earmarked Reserves (total of *s on Note 22)                    |                               | 0                          | 0                      | 0                           |
| Increase/Decrease (movement) in Year   | <b>-28,021</b>                | <b>-17,057</b>             | <b>-1,697,944</b>      | <b>-1,715,001</b>           |
| <b>Balance at 31 March 2023 carried forward</b>                                  | <b>-102,205</b>               | <b>-593,911</b>            | <b>-2,380,653</b>      | <b>-2,974,564</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.

|                                    | Notes | 31 March<br>2023<br>£000 | £000       | 31 March<br>2022<br>£000 |
|------------------------------------|-------|--------------------------|------------|--------------------------|
| Property Plant & Equipment         | 16    | 3,741,347                |            | 3,544,894                |
| Heritage Assets                    | 20    | 7,986                    |            | 7,014                    |
| Investment Property                | 17    | 51,140                   |            | 50,745                   |
| Intangible assets                  |       | 1,681                    |            | 3,067                    |
| Long-term investments              | 38    | 323,487                  |            | 317,126                  |
| Long-term debtors                  | 26    | 50,940                   |            | 51,043                   |
| <b>Total long-term assets</b>      |       |                          | 4,176,581  | 3,973,889                |
| Inventories                        |       | 8,710                    |            | 4,467                    |
| Assets held for sale (<1yr)        |       | 4,091                    |            | 2,175                    |
| Short-term debtors                 | 26    | 346,204                  |            | 318,675                  |
| Short-term investments             | 38    | 60,423                   |            | 38,534                   |
| Cash and Cash equivalents          | 28    | 135,958                  |            | 135,898                  |
| <b>Total current assets</b>        |       |                          | 555,386    | 499,749                  |
| Temporary borrowing                | 38    | -90,155                  |            | -73,839                  |
| Short-term Lease Liability         | 38    | -8,458                   |            | -8,447                   |
| Short-term provisions              | 25    | -16,346                  |            | -19,911                  |
| Creditors                          | 27    | -466,545                 |            | -378,754                 |
| Cash and Cash equivalents          | 28    | -4,244                   |            | -16,256                  |
| <b>Total Current liabilities</b>   |       |                          | -585,748   | -497,207                 |
| Creditors due after one year       | 27    | -35                      |            | -5,786                   |
| Provisions                         | 25    | -10,030                  |            | -10,627                  |
| Long-term borrowing                | 38    | -721,893                 |            | -762,470                 |
| Other Long-Term Liabilities        | 37/38 | -284,855                 |            | -1,790,763               |
| Capital Grants Receipts in Advance | 15    | -154,842                 |            | -147,222                 |
| <b>Long-Term Liabilities</b>       |       |                          | -1,171,655 | -2,716,868               |
| <b>Net Assets/(Liabilities)</b>    |       |                          | 2,974,564  | 1,259,563                |
| <b>Usable Reserves</b>             | 22    | -593,911                 |            | -576,854                 |
| <b>Unusable Reserves</b>           | 23    | -2,380,653               |            | -682,709                 |
| <b>Total Reserves</b>              |       |                          | -2,974,564 | -1,259,563               |

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

|  | Notes | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-------|-----------------|-----------------|
| Net (Surplus) or deficit on the provision of services  |       | 21,672          | 112,010         |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements  | 29    | -371,114        | -428,230        |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 29    | 252,876         | 304,990         |
| <b>Net cash flows from operating activities</b>  |       | -96,566         | -11,230         |
| Investing Activities   | 30    | 56,639          | 4,389           |
| Financing Activities   | 31    | 27,855          | 31,396          |
| <b>Net increase (-) or decrease in cash and cash equivalents</b>   |       | -12,072         | 24,555          |
| Cash and cash equivalents at the beginning of the reporting period   |       | 119,642         | 144,197         |
| <b>Cash and cash equivalents at the end of the reporting period</b>  | 28    | <b>131,714</b>  | <b>119,642</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 2023

|   | As reported to Management<br>£000 | Adjustments to arrive at the net amount chargeable to the General Fund Balance<br>£000 | Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
|---|-----------------------------------|--|--|--|---|
| Adult Social Care & Health                                | 479,488                           | 2,065  | 481,553  | 6,127  | <b>487,680</b>  |
| Children, Young People & Education                        | 338,294                           | -12,051  | 326,243  | 47,725   | <b>373,968</b>  |
| Growth, Environment & Transport                           | 179,608                           | 4,208  | 183,816  | 53,394   | <b>237,210</b>  |
| Chief Executive's Department                              | 29,906                            | -1,433   | 28,473   | 1,379  | <b>29,852</b>   |
| Deputy Chief Executive's Department                       | 71,707                            | 6,251  | 77,958   | 11,962   | <b>89,920</b>   |
| Non-Attributable Costs including Corporately Held Budgets | 151,166                           | -147,897   | 3,269  | -2,001   | <b>1,268</b>  |
| Schools' Delegated Budgets                                | -19,263                           | 19,263   | 0  | 0  | <b>0</b>  |
| <b>Cost of Services</b>                                   | <b>1,230,906</b>                  | <b>-129,594</b>  | <b>1,101,312</b>                                       | <b>118,586</b>   | <b>1,219,898</b>  |
| Other Income and Expenditure                              | -1,252,855                        | 168,443  | -1,084,412   | -113,814   | <b>-1,198,226</b>   |
| <b>Surplus or Deficit</b>                                 | <b>-21,949</b>                    | <b>38,849</b>  | <b>16,900</b>  | <b>4,772</b>   | <b>21,672</b>   |
| <b>Opening General Fund Balance</b>                       |                                   |  | -469,380   |  |   |
| Less/Plus Surplus or (Deficit) on General Fund in Year    |                                   |  | 16,900   |  |   |
| Transfers between Usable & Unusable Reserves              |                                   |  |  |  |   |
| <b>Closing General Fund Balance at 31 March 2023</b>      |                                   |  | <b>-452,480</b>  |  |   |

Note 9a on pages 48 to 52 provides an explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

## Restated Year Ended 31 March 2022

|   | As reported to Management<br>£000 | Adjustments to arrive at the net amount chargeable to the General Fund Balance<br>£000 | Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
|---|-----------------------------------|--|--|--|---|
| Adult Social Care & Health  | 421,936                           | -2,770   | 419,166  | 25,112   | <b>444,278</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  | 56,900   | <b>239,557</b>  |
| Chief Executive's Department  | 25,684                            | 381  | 26,065   | 7,750  | <b>33,815</b>   |
| Deputy Chief Executive's Department   | 65,095                            | 3,539  | 68,634   | 15,568   | <b>84,202</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>Net 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   |  |   |
| Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020 |                                   |  |  |  |   |
| Less/Plus Surplus or (Deficit) on General Fund in Year                        |                                   |  | -15,855  |  |   |
| Transfers between Usable & Unusable Reserves                                  |                                   |  | 0  |  |   |
| <b>Closing General Fund Balance at 31 March 2021</b>                          |                                   |  | <b>-469,380</b>  |  |   |

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

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

## Note 1b. Basis for Preparation/General

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

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

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

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

### General

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

### Accruals of Income and Expenditure

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

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

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

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

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

change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## Accounting for Schools

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

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

## Intangible Assets

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

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

## Fair Value Measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in Note 38. The Council also measures some of its non-financial assets such as investment properties and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Surplus assets are also valued at fair value in accordance with the valuation policy of surplus assets disclosed on page 68. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

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

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

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

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

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

## Joint Operations

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

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

## Accounting for Value Added Tax (VAT)

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

## Inventories

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

## Interests in companies and other entities

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

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

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

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

## Note 4 - Critical Judgements in applying Accounting Policies

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

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

### Property, Plant and Equipment

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

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

### Kent County Council's - Interest in Companies

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. KCC have conducted tests of control on these companies and in considering the outcome of these tests we have concluded that we have no overall control or significant influence over these companies, and our level of control is less than or equal to 50%. The economic activity of these companies is not deemed material and therefore not consolidated into the group accounts. Payments made to any entity we have an interest in are shown in Note 36 on pages 109 to 110. We annually review all companies we have an interest in and test the level of control.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item  | Uncertainties  | Effect if Actual results differ from Assumptions  |
|---|--|---|
| Property, Plant and Equipment:<br>Useful lives          | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.   | <p>If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall.</p> <p>The useful lives applied to our assets for depreciation calculations are provided by RICS qualified external valuers and we therefore consider this to be the most accurate estimate we can obtain. However, if assumptions do not materialise then there could be a material difference to depreciation and carrying amounts of assets.</p> |
| Property, Plant and Equipment:<br>Valuation Assumptions | <p>Asset valuations are based on key assumptions.</p> <p>Assets valued on a Depreciated Replacement Cost basis, totalling £2,368.8m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees &amp; externals. These require professional judgement and therefore are not certain.</p> <p>Assets valued on an Existing Use Value basis, totalling £232.1m on the balance sheet, are significantly influenced by assumptions around rents and yields.</p> <p>Surplus assets valued on a Fair Value basis, totalling £103.6m, are significantly influenced by assumptions around land values, rents and yields.</p> | <p>The assumptions on which valuations are based are provided by RICS qualified external valuers and challenged rigorously and therefore considered reliable. However, if assumptions within the methodology do not materialise then there could be a material impact on the valuation of land &amp; buildings.</p> <p>It should be noted though that any differences in asset valuations would not have an impact on the General Fund balance.</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 effects on the net pension liability of changes in individual assumptions can be measured. For example, a decrease of 1% in the discount rate would result in an increase in the pension liability of £600m. A 1-year increase to life expectancy assumptions would result in an increase in the pension liability of £131.5m.</p> <p>A reduction in the value of the assets would increase the pension liability on the Balance Sheet.</p> <p>The net pension liability carrying value for 2022-23 is £62.4m.</p> <p>More information on the carrying amount of the assets &amp; liabilities impacted by estimation uncertainty can be found in Note 37 on pages 111 to 117.</p> |
| 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> | <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.</p>   |

## Note 6. Officers Remuneration

### Accounting Policy

#### Employee Benefits

##### Benefits Payable During Employment

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

##### Termination Benefits

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

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

##### Post Employment Benefits

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

##### Teachers and former NHS Staff

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

##### Other employees

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

- The assets of Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

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

#### **Remeasurement comprising:**

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

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

#### **Discretionary Benefits**

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

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

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

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

Remuneration includes:

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

Senior Officers whose remuneration is disclosed on pages 42 to 45 are included in the remuneration bandings shown in the table on the following page for completeness, even though there is a statutory provision that allows senior officers to be excluded from the banding analysis.

| Remuneration<br>£ | Total Number<br>of Employees<br>Non-Schools<br>31 March<br>2023 | Total<br>Number of<br>Employees<br>Schools<br>31 March<br>2023 | Total Number<br>of Employees<br>Non-Schools<br>31 March<br>2022<br>Restated | Total Number<br>of Employees<br>Schools<br>31 March<br>2022<br>Restated |
|-------------------|---|--|---|---|
| 50,000 - 54,999   | 250   | 241  | 220   | 216   |
| 55,000 - 59,999   | 184   | 160  | 124   | 131   |
| 60,000 - 64,999   | 105   | 98   | 104   | 74  |
| 65,000 - 69,999   | 67  | 72   | 66  | 67  |
| 70,000 - 74,999   | 44  | 55   | 26  | 45  |
| 75,000 - 79,999   | 22  | 34   | 20  | 28  |
| 80,000 - 84,999   | 26  | 20   | 8   | 12  |
| 85,000 - 89,999   | 15  | 14   | 15  | 13  |
| 90,000 - 94,999   | 9   | 12   | 10  | 4   |
| 95,000 - 99,999   | 15  | 7  | 10  | 9   |
| 100,000 - 104,999 | 9   | 4  | 2   | 6   |
| 105,000 - 109,999 | 5   | 5  | 5   | 2   |
| 110,000 - 114,999 | 5   | 1  | 5   | 3   |
| 115,000 - 119,999 | 3   | 4  | 2   | 2   |
| 120,000 - 124,999 | 3   | 2  | 4   | 3   |
| 125,000 - 129,999 | 3   | 2  | 1   |   |
| 130,000 - 134,999 | 2   |  | 2   | 1   |
| 135,000 - 139,999 | 1   |  |   |   |
| 140,000 - 144,999 | 1   | 1  |   |   |
| 145,000 - 149,999 |   |  | 2   |   |
| 150,000 - 154,999 | 1   |  | 1   |   |
| 155,000 - 159,999 | 3   |  | 1   |   |
| 160,000 - 164,999 |   |  |   |   |
| 165,000 - 169,999 | 1   |  |   |   |
| 170,000 - 174,999 |   |  | 1   |   |
| 175,000 - 179,999 |   |  |   |   |
| 180,000 - 184,999 | 1   |  |   |   |
| 185,000 - 189,999 |   |  |   |   |
| 190,000 - 194,999 |   |  |   |   |
| 195,000 - 199,999 |   |  |   |   |
| 200,000 - 204,999 |   |  | 1   |   |
| 205,000 - 209,999 |   |  | 1   |   |
| 210,000 - 214,999 |   |  |   |   |
| 215,000 - 219,999 | 1   |  |   |   |
| <b>Total</b>      | <b>776</b>  | <b>732</b>   | <b>631</b>  | <b>616</b>  |

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

The number of employees shown against the above remuneration band will not tie-up with the information on the following pages. This is because the table above refers to remuneration which includes items a-c as per the note on the previous page, whereas the following table relates purely to salary entitlement in the year and requires the employer's pension contribution to be disclosed but only for senior officers. The Code defines senior officers as those whose annual salary is £150,000 or more, or those whose salary is above £50,000 and holds a chief officer position.

Where a senior officer's annual salary is £50,000 or more, but less 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 2022-23 is as follows:

| Post Holder  | Notes | Salary Including Fees & Allowance £ | Bonus £ | Allowance £ | Compensation for loss of Office e.g. Redundancy Payment * £ | Other £ | Total Remuneration excl pension Contribution £ | Employer Pension Contribution £ | Total Remuneration incl pension Contribution £ |
|--|-------|-------------------------------------|---------|-------------|---|---------|--|---------------------------------|--|
| Chief Executive/Corporate Director Strategic & Corporate Services - David Cockburn | 5     | 219,221                             |         |             |   |         | 219,221  | 46,694                          | 265,915  |
| Corporate Director Adult Social Care & Health - Richard Smith                      |       | 180,250                             |         |             |   |         | 180,250  | 38,393                          | 218,643  |
| Corporate Director Children, Young People & Education - Matt Dunkley CBE           | 3     | 48,646                              |         |             |   |         | 48,646   | 10,362                          | 59,008   |
| Corporate Director Children, Young People & Education - Sarah Hammond              | 4     | 130,359                             |         |             |   |         | 130,359  | 27,766                          | 158,125  |
| Corporate Director Finance - Zena Cooke  | 1     | 136,284                             |         | 4,871       |   |         | 141,155  | 34,722                          | 175,877  |
| Corporate Director Finance - John Betts  | 2     | 67,662                              |         |             |   |         | 67,662   |                                 | 67,662   |
| Corporate Director Growth, Environment & Transport - Simon Jones                   |       | 150,106                             |         |             |   |         | 150,106  | 31,973                          | 182,079  |
| Deputy Chief Executive/Corporate Director People & Communications - Amanda Beer    | 6     | 159,788                             |         |             |   |         | 159,788  | 34,035                          | 193,823  |

| Post Holder   | Notes | Salary Including Fees & Allowance £ | Bonus £ | Allowance £ | Compensation for loss of Office e.g. Redundancy Payment * £ | Other £ | Total Remuneration excl pension Contribution £ | Employer Pension Contribution £ | Total Remuneration incl pension Contribution £ |
|---|-------|-------------------------------------|---------|-------------|---|---------|--|---------------------------------|--|
| Director Public Health *  |       | 117,726                             |         | 16,441      |   |         | 134,167  | 28,578                          | 162,745  |
| General Counsel - Ben Watts                                       |       | 123,891                             |         | 14,475      |   |         | 138,366  | 953                             | 139,319  |
| Director of Infrastructure  |       | 123,891                             |         |             |   |         | 123,891  | 26,674                          | 150,565  |
| Director of Strategy, Policy, Relationships & Corporate Assurance |       | 118,532                             | 6700    |             |   |         | 125,232  | 26,674                          | 151,906  |
| Director of Technology  |       | 117,432                             |         | 12,235      |   |         | 129,667  | 27,619                          | 157,286  |
| Strategic Commissioner (Interim)                                  |       | 107,280                             |         |             |   |         | 107,280  | 22,851                          | 130,131  |
| Director of Human Resources & Organisational Development          | 7     | 81,900                              |         |             |   |         | 81,900   | 17,445                          | 99,345   |
| * This includes all contractual entitlements.                     |       |                                     |         |             |   |         |  |                                 |  |

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

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

| Post Holder  | Notes | Salary Including Fees & Allowance £ | Bonus £ | Allowance £ | Compensation for loss of Office e.g. Redundancy Payment * £ | Other £ | Total Remuneration excluding pension Contribution £ | Employer Pension Contribution £ | Total Remuneration including pension Contribution £ |
|--|-------|-------------------------------------|---------|-------------|---|---------|---|---------------------------------|---|
| Chief Executive/Corporate Director Strategic & Corporate Services - David Cockburn |       | 207,884                             |         |             |   |         | 207,884   | 44,071                          | 251,955   |
| Corporate Director Adult Social Care & Health - Richard Smith                      |       | 175,000                             |         |             |   |         | 175,000   | 37,100                          | 212,100   |
| Corporate Director Children, Young People & Education - Matt Dunkley CBE           |       | 201,616                             |         |             |   |         | 201,616   | 42,743                          | 244,359   |
| Corporate Director Finance - Zena Cooke  |       | 147,152                             |         | 7,436       |   |         | 154,588   | 32,773                          | 187,361   |
| Corporate Director Growth, Environment & Transport                                 |       | 147,888                             |         |             |   |         | 147,888   | 31,352                          | 179,240   |
| Corporate Director Engagement, Organisation Design & Development                   |       | 147,152                             |         |             |   |         | 147,152   | 31,196                          | 178,348   |
| Director Public Health*  | 1     | 19,572                              |         |             |   |         | 19,572  | 2,814                           | 22,386  |
| Interim Director Public Health*  | 2     | 78,030                              |         |             |   |         | 78,030  | 11,221                          | 89,251  |
| Director Public Health*  | 3     | 14,330                              |         | 1,900       |   |         | 16,230  | 3,441                           | 19,671  |
| General Counsel - Ben Watts  |       | 117,432                             |         | 14,475      |   |         | 131,907   | 9,954                           | 141,861   |

| Post Holder   | Notes | Salary Including Fees & Allowance £ | Bonus £ | Allowance £ | Compensation for loss of Office e.g. Redundancy Payment * £ | Other £ | Total Remuneration excluding pension Contribution £ | Employer Pension Contribution £ | Total Remuneration including pension Contribution £ |
|---|-------|-------------------------------------|---------|-------------|---|---------|---|---------------------------------|---|
| Director of Infrastructure  |       | 117,432                             |         |             |   |         | 117,432   | 24,896                          | 142,328   |
| Director of Strategy, Policy, Relationships & Corporate Assurance |       | 110,471                             |         |             |   |         | 110,471   | 23,420                          | 133,891   |
| 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.                     |       |                                     |         |             |   |         |   |                                 |   |

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

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

## Note 7. Members Allowances

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

|              | <b>2022-23</b> | <b>2021-22</b> |
|--------------|----------------|----------------|
|              | <b>£000</b>    | <b>£000</b>    |
| Allowances   | 1,975          | 1,911          |
| Expenses     | 44             | 21             |
| <b>Total</b> | <b>2,019</b>   | <b>1,932</b>   |

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

## Note 8. Material Items of Income and Expense

### Accounting Policy

#### Exceptional Items

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

#### Material Items of Income and Expense

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

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

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

| 2022-23   | Drawdown to/from Reserves (Note 1) £000 | Investment Income reported at Directorate Level (Note 1) £000 | Chief Executives Dept Recharges (Note 1) £000 | Realignment of Financing Items for Accounting Purposes (Note 1) £000 | Adjustments for Trading Activities (Note 1) £000 |
|---|---|---|---|--|--|
| Adult Social Care & Health  | 2,046                                   |   | 19  |  |  |
| Children, Young People & Education  | -12,548                                 | 241   | 58  | 198  |  |
| Growth, Environment & Transport   | 3,226                                   | 420   | 626   |  | -64  |
| Chief Executive's Department  | -728                                    |   | -703  |  |  |
| Deputy Chief Executive's Department   | 5,506                                   | 1,886   |   |  | -1,141   |
| Non-Attributable Costs including Corporately Held Budgets                     | -50,612                                 | 11,592  |   | -108,877   |  |
| Schools Delegated Budgets   | 19263                                   |   |   |  |  |
| <b>Net Cost of Services</b>   | <b>-33,847</b>                          | <b>14,139</b>   | <b>0</b>                                      | <b>-108,679</b>  | <b>-1,205</b>                                    |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b> | 72,548                                  | -14,139   |   | 108,679  | 1,353  |
| <b>Total</b>  | <b>38,701</b>                           | <b>0</b>  | <b>0</b>                                      | <b>0</b>   | <b>148</b>                                       |

| 2022-23   | Total to arrive at amount charged to the General Fund<br>£000 | Adjustments for Capital Purposes<br>(Note 2)<br>£000 | Net change for the Pensions Adjustments<br>(Note 3)<br>£000 | Other Differences<br>(Note 4)<br>£000 | Total Adjustment between Funding and Accounting Basis<br>£000 |
|---|---|--|---|---------------------------------------|---|
| Adult Social Care & Health  | 2,065   | 2,530  | 3,597   | -1                                    | 6,126   |
| Children, Young People & Education  | -12,051   | 35,386   | 13,018  | -679                                  | 47,725  |
| Growth, Environment & Transport   | 4,208   | 50,390   | 2,437   | 567                                   | 53,394  |
| Chief Executive's Department  | -1,431  | 326  | 1,411   | -358                                  | 1,379   |
| Deputy Chief Executive's Department   | 6,251   | 11,293   | 670   |                                       | 11,963  |
| Non-Attributable Costs including Corporately Held Budgets                     | -147,897  |  | 156   | -2,157                                | -2,001  |
| Schools' Delegated Budgets  | 19,263  |  |   |                                       | 0   |
| <b>Net Cost of Services</b>   | <b>-129,592</b>   | <b>99,925</b>  | <b>21,289</b>   | <b>-2,628</b>                         | <b>118,586</b>  |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b> | <b>168,441</b>  | <b>-100,852</b>                                      | <b>-1,045</b>   | <b>-11,917</b>                        | <b>-113,814</b>   |
| <b>Total</b>  | <b>38,849</b>   | <b>-927</b>  | <b>20,244</b>   | <b>-14,545</b>                        | <b>4,772</b>  |

| 2021-22 Restated  | Drawdown to/from Reserves<br>(Note 1)<br>£000 | Investment Income reported at Directorate Level<br>(Note 1)<br>£000 | Chief Executives Department Recharges<br>(Note 1)<br>£000 | Realignment of Financing Items for Accounting Purposes<br>(Note 1)<br>£000 | Adjustments for Trading Activities<br>(Note 1)<br>£000 |
|---|---|---|---|--|--|
| Adult Social Care & Health  | -2,809  |   | 39  |  |  |
| Children, Young People & Education  | 6,337   | 63  | 11  | 170  |  |
| Growth, Environment & Transport   | 5,282   | 364   | 140   |  | 45   |
| Chief Executive's Department  | 571   |   | -190  |  |  |
| Deputy Chief Executive's Department   | 2,670   | 1,968   |   |  | -1,099   |
| Non-Attributable Costs including Corporately Held Budgets                     | -45,793                                       | 9,819   |   | -112,556   |  |
| Schools' Delegated Budgets  | -41,197                                       |   |   |  |  |
| <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 Restated   | Total to arrive at amount charged to the General Fund<br>£000 | Adjustments for Capital Purposes<br>(Note 2)<br>£000 | Net change for the Pensions Adjustments<br>(Note 3)<br>£000 | Other Differences<br>(Note 4)<br>£000 | Total Adjustment between Funding and Accounting Basis<br>£000 |
|--|---|--|---|---------------------------------------|---|
| Adult Social Care & Health   | -2,770  | 2,753  | 22,216  | 144                                   | 25,113  |
| Children, Young People & Education                                     | 6,581   | 16,500   | 80,536  | 46,875                                | 143,911   |
| Growth, Environment & Transport  | 5,831   | 42,200   | 14,194  | 506                                   | 56,900  |
| Chief Executive's Department   | 381   | 367  | 8,148   | -765                                  | 7,750   |
| Deputy Chief Executive's Department                                    | 3,539   | 11,878   | 3,690   |                                       | 15,568  |
| Non-Attributable Costs including Corporately Held Budgets              | -148,530  |  | 1,048   | -308                                  | 740   |
| Schools' Delegated Budgets   | -41,197   |  |   |                                       | 0   |
| Net Cost of Services   | -176,165  | 73,698   | 129,832   | 46,452                                | 249,982   |
| Other income and expenditure from the Expenditure and Funding Analysis | 126,733   | -117,039   | 33,180  | -38,258                               | -122,117  |
| <b>Total</b>   | <b>-49,432</b>  | <b>-43,341</b>                                       | <b>163,012</b>  | <b>8,194</b>                          | <b>127,865</b>  |

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

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

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

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

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

## 2. Adjustments for Capital Purposes

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

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

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

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

## 3. Net Change for the Pensions Adjustments

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

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

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

## 4. Other Differences

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

**For services** this represents the following:

- i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.
- ii) The officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis that is different from the remuneration charged in the year in accordance with statutory requirements.
- iii) The Schools Budget deficit charged to the Comprehensive Income and Expenditure Statement.

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

## Note 9b. Segmental Income

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

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

## Note 10. Expenditure and Income Analysed by Nature

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

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

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

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

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

| 31 March 2023 (contd..)  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable reserves<br>£000 |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| <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   | 10,353                       | -10,353                          |                                  | 0                                     |
| Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement   |                              |                                  |                                  | 0                                     |
| Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement   | 2,046                        | -2,046                           |                                  | 0                                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure   |                              | 13,389                           |                                  | -13,389                               |
| Loan repayments  | 477                          | -8,533                           |                                  | 8,056                                 |
| <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  | 2,189                        |                                  |                                  | -2,189                                |
| <b>Adjustment primarily involving the Pooled Investment Adjustment Account:</b>  |                              |                                  |                                  |                                       |
| Unrealised gains/losses on financial assets held at FVPL   | -15,408                      |                                  |                                  | 15,408                                |
| <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  | -105,201                     |                                  |                                  | 105,201                               |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 84,956                       |                                  |                                  | -84,956                               |
| <b>Adjustments primarily involving the DSG Adjustment Account:</b>   |                              |                                  |                                  |                                       |
| Amount by which Schools Deficit has moved in year.   | 0                            |                                  |                                  | 0                                     |
| <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 | 11,188                       |                                  |                                  | -11,188                               |

| 31 March 2023 (contd..)   | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable reserves<br>£000 |
|---|------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| <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 | 1,168                        |                                  |                                  | -1,168                                |
| <b>Total Adjustments</b>  | <b>-4,772</b>                | <b>-5,936</b>                    | <b>-28,021</b>                   | <b>38,729</b>                         |

| 31 March 2022  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable reserves<br>£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                                     |

| 31 March 2022 (contd..)  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable reserves<br>£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 12. Other Operating Expenditure

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

## Note 13. Financing and investment income and expenditure

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| Interest payable and similar charges   | 54,947          | 58,647          |
| Net interest on the net defined benefit liability                                    | -1,022          | 33,995          |
| (Gain)/loss from settlements   | -2,015          | -2,724          |
| Pensions - Administration expenses and curtailments                                  | 1,992           | 1,909           |
| Interest receivable and similar income   | -12,898         | -10,782         |
| Income & expenditure in relation to investment properties and changes in fair value  | 985             | 665             |
| Changes in fair value of Financial Assets held at fair value through profit and loss | 18,835          | -11,779         |
| Other investment income  | -2,523          | -2,641          |
|  | <b>58,301</b>   | <b>67,290</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 2023, the Council's estimated share of these liabilities is £10.2m.

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

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

## Note 15. Grant Income

### Accounting Policy

#### Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

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

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

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

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

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the donor. The balances at the year-end are as follows:

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

The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every four years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation

Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

### Impairment

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

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

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

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

### Depreciation

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

The periods over which assets are depreciated are as follows:

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

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

Property will be split into five components:

Land  
Structure  
Mechanical and Electrical  
Fixtures and Furnishings  
Temporary Buildings.

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable

based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals and Non-Current Assets Held for Sale

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

### Gains and Losses on Disposal of Non-Current Assets

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

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

### Capital receipts

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

### Charges to Revenue for Non-Current Assets

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

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

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

| <b>Movement on balances<br/>- Movements in 2022-23</b>  | <b>Land and<br/>Buildings<br/>£000</b> | <b>Vehicles,<br/>Plant and<br/>Equipment<br/>£000</b> | <b>Community<br/>Assets<br/>£000</b> | <b>Assets<br/>under<br/>Construction<br/>£000</b> | <b>Surplus<br/>Assets<br/>£000</b> | <b>Total<br/>£000</b> | <b>PFI Assets<br/>included in<br/>Property,<br/>Plant and<br/>Equipment<br/>£000</b> |
|---|--|---|--------------------------------------|---|------------------------------------|-----------------------|--|
| <b>Cost or Valuation at 1 April 2022</b>  | 2,467,248                              | 55,559  | 10,604                               | 82,514  | 122,945                            | 2,738,870             | 396,383  |
| Additions   | 30,874                                 | 6,468   |                                      | 51,520  | 36                                 | 88,898                | 2,925  |
| Donations   | 30,767                                 |   |                                      |   |                                    | 30,767                |  |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                           | 180,196                                |   |                                      |   | -4,543                             | 175,653               | 14,890   |
| Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services | 376                                    |   |                                      |   | -4,976                             | -4,600                |  |
| Derecognition - Disposals   | -97,362                                | -274  |                                      |   | -18,522                            | -116,158              | -65,985  |
| Derecognition - Other   | -6,743                                 | -2,480  |                                      |   |                                    | -9,223                |  |
| Assets reclassified (to) / from Held for Sale   |  |   |                                      |   | -4,262                             | -4,262                |  |
| Transfers from Assets Under Construction  | 23,827                                 | 37  |                                      | -32,005   |                                    | -8,141                |  |
| Other Movements in cost or valuation  | -8,077                                 | 20  | -4,577                               |   | 13,135                             | 501                   |  |
| <b>At 31 March 2023</b>   | <b>2,621,106</b>                       | <b>59,330</b>   | <b>6,027</b>                         | <b>102,029</b>                                    | <b>103,813</b>                     | <b>2,892,305</b>      | <b>348,213</b>   |
| <b>Accumulated Depreciation and Impairment<br/>at 1 April 2022</b>                                  | -8,972                                 | -36,397   | 0                                    | 0   | -157                               | -45,526               | -2,597   |
| Depreciation Charge   | -45,689                                | -4,731  |                                      |   | -95                                | -50,515               | -7,392   |
| Depreciation written out to the Revaluation Reserve   | 42,885                                 |   |                                      |   | 173                                | 43,058                | 4,120  |
| Depreciation written out to Surplus / Deficit on the Provision of Services                          | 1,757                                  |   |                                      |   | 77                                 | 1,834                 |  |
| Impairment (losses) / reversals recognised in the Revaluation Reserve                               |  |   |                                      |   |                                    | 0                     |  |
| Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services    | -146                                   | -68   |                                      | -527  |                                    | -741                  |  |
| Derecognition - Disposals   | 623                                    | 196   |                                      |   | 16                                 | 835                   | 582  |
| Derecognition - Other   | 95                                     | 2,422   |                                      |   |                                    | 2,517                 |  |
| Other movements in Depreciation and Impairment  | 386                                    | 68  |                                      | 527   | -241                               | 740                   |  |
| <b>At 31 March 2023</b>   | <b>-9,061</b>                          | <b>-38,510</b>  | <b>0</b>                             | <b>0</b>  | <b>-227</b>                        | <b>-47,798</b>        | <b>-5,287</b>  |
| <b>Net Book Value At 31 March 2023</b>  | <b>2,612,045</b>                       | <b>20,820</b>   | <b>6,027</b>                         | <b>102,029</b>                                    | <b>103,586</b>                     | <b>2,844,507</b>      | <b>342,926</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>Movement on balances<br/>- Comparative Movements in 2021-22<br/>Restated</b>                     | <b>Land and<br/>Buildings<br/>£000</b> | <b>Vehicles,<br/>Plant and<br/>Equipment<br/>£000</b> | <b>Community<br/>Assets<br/>£000</b> | <b>Assets<br/>under<br/>Construction<br/>£000</b> | <b>Surplus<br/>Assets<br/>£000</b> | <b>Total<br/>£000</b> | <b>PFI Assets<br/>included in<br/>Property,<br/>Plant and<br/>Equipment<br/>£000</b> |
|---|--|---|--------------------------------------|---|------------------------------------|-----------------------|--|
| <b>Cost or Valuation at 1 April 2021</b>  | 2,299,494                              | 55,246  | 10,505                               | 89,340  | 117,147                            | 2,571,732             | 410,820  |
| Additions   | 39,330                                 | 5,220   | 300                                  | 45,421  | 2,104                              | 92,375                | 2,970  |
| Donations   | 20,056                                 |   |                                      |   | 5,977                              | 26,033                |  |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                           | 129,639                                |   |                                      |   | 5,492                              | 135,131               | 15,297   |
| Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services | 10,416                                 |   |                                      |   | -4,867                             | 5,549                 | 2,647  |
| Derecognition - Disposals   | -73,017                                | -1,993  | -60                                  |   | -5,652                             | -80,722               | -33,647  |
| Derecognition - Other   |  | -2,961  |                                      |   |                                    | -2,961                |  |
| Assets reclassified (to) / from Held for Sale   |  |   |                                      |   | -1,016                             | -1,016                |  |
| Transfers from Assets Under Construction  | 40,123                                 | 47  | 36                                   | -52,729   | 19                                 | -12,504               |  |
| Other Movements in cost or valuation  | 1,207                                  |   | -177                                 | 482   | 3,741                              | 5,253                 | -1,704   |
| <b>At 31 March 2022</b>   | <b>2,467,248</b>                       | <b>55,559</b>   | <b>10,604</b>                        | <b>82,514</b>                                     | <b>122,945</b>                     | <b>2,738,870</b>      | <b>396,383</b>   |
| <b>Accumulated Depreciation and Impairment at 1 April 2021</b>                                      | -9,131                                 | -35,911   |                                      |   | -75                                | -45,117               | -2,383   |
| Depreciation Charge   | -43,036                                | -5,220  |                                      |   | -156                               | -48,412               | -8,209   |
| Depreciation written out to the Revaluation Reserve   | 38,836                                 |   |                                      |   | 32                                 | 38,868                | 6,968  |
| Depreciation written out to Surplus / Deficit on the Provision of Services                          | 3,721                                  |   |                                      |   | 48                                 | 3,769                 | 474  |
| Impairment (losses) / reversals recognised in the Revaluation Reserve                               |  |   |                                      |   |                                    | 0                     |  |
| Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services    | -132                                   | -272  |                                      | -330  |                                    | -734                  |  |
| Derecognition - Disposals   | 626                                    | 1,786   |                                      |   | 6                                  | 2,418                 | 553  |
| Derecognition- Other  |  | 2,949   |                                      |   |                                    | 2,949                 |  |
| Other movements in Depreciation and Impairment  | 144                                    | 271   |                                      | 330   | -12                                | 733                   |  |
| <b>At 31 March 2022</b>   | <b>-8,972</b>                          | <b>-36,397</b>  | <b>0</b>                             | <b>0</b>  | <b>-157</b>                        | <b>-45,526</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 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>   |

## Roads and Other Highways Infrastructure Assets

### Movements on balances

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

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

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

Reconciliation to Property, Plant and Equipment balance:

|                         | 2022-23<br>£000  | 2021-22<br>£000  |
|-------------------------|------------------|------------------|
| Infrastructure Assets   | 896,840          | 851,550          |
| Other PPE Assets        | 2,844,507        | 2,693,344        |
| <b>Total PPE Assets</b> | <b>3,741,347</b> | <b>3,544,894</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.

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

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

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

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

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

## Basis of valuation

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

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

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

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

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

## Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2023 are shown in the following table:

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

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

| <i>Recurring fair value measurements using:</i>                 | <b>Level 2 inputs<br/>£000</b> | <b>Level 3 inputs<br/>£000</b> | <b>Fair value as at 31 March 2022<br/>£000</b> | <b>Level 2 Valuation Technique</b> | <b>Level 3 Valuation Technique</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>                                 |                                    |                                     |

NB The Council does not have any Level 1 valuations.

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

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

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

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

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

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

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

## Valuation Process for Surplus Assets

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

## Highest & Best Use of Surplus Assets

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

## Contractual Commitments

The Council have contractual commitments to make payments of circa £65m in future years (£72.7m in 2021-22).

## Note 17. - Investment Property

### Accounting Policy

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

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

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

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

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

## Fair Value Hierarchy

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

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

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

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

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

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

|   | Fair Value<br>as at 31/03/23<br>£000 | Unobservable input   | Quantitative Information   | Sensitivity  |
|---|--------------------------------------|--|--|--|
| Residential<br>Developments                         | 10,670                               | 1) Estimated land value<br>2) Discount for uncertainty                           | 1) £2,900,000 - £5,050,000<br>per hectare<br>2) 15% - 65%            | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Offices   | 17,032                               | 1) Estimated rent<br>2) Estimated yield<br>3) Void period                        | 1) £124 - £269 per square<br>metre<br>2) 7.75% - 10%<br>3) 2 years   | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Industrial<br>development/commercial<br>development | 1,853                                | 1) Estimated land value<br>2) Discount for uncertainty                           | 1) £1,200,000 - £4,100,000<br>per hectare<br>2) 15% - 50%            | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Non-residential<br>institutions                     | 440                                  | 1) Estimated rent<br>2) Estimated yield  | 1) £91 per square metre<br>2) 8.25% - 11%                            | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Car Park  | 1,233                                | 1) Estimated rent<br>2) Estimated yield  | 1) £250 per space; £30/sqm<br>2) 6.75% - 7.5%                        | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Industrial Units                                    | 106                                  | Estimated yield  | 8% - 9%  | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| Affordable Housing                                  | 1,080                                | 1) Estimated rent<br>2) Estimated yield<br>3) Management and<br>associated costs | 1) £3,120 per annum per<br>unit<br>2) 6.5%<br>3) 25% of gross income | Significant changes in<br>unobservable inputs could result<br>in a significantly lower or higher<br>fair value |
| <b>Total</b>  | <b>32,414</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 14 of the 26 properties (NB this excludes purchases made in 2022-23) is their current use. Of the remaining 12 properties, 6 are held for capital appreciation as investments, 2 have an alternative use as a result of existing lease arrangements and 4 are currently vacant.

## Note 18. Capital Expenditure and Financing

### Accounting Policy

#### Government Grants and Contributions

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### Revenue expenditure funded from capital under statute

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

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

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

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

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 2022</b> | 151,953   | 10,448             | 23,533              | 70,736                     | 66,447        | 67,647                  | 390,764    |
| Additions                  | 1,155     | 49                 | 312                 | 789                        | 490           | 130                     | 2,925      |
| Transfers out              | -65,403   |                    |                     |                            |               |                         | -65,403    |
| Transfers in               |           |                    |                     |                            |               |                         | 0          |
| Revaluations               | 9,456     | 864                | 971                 |                            | 7,719         |                         | 19,010     |
| Depreciation               | -2,519    | -208               | -520                | -1,327                     | -1,455        | -1,282                  | -7,311     |
| <b>As at 31 March 2023</b> | 94,642    | 11,153             | 24,296              | 70,198                     | 73,201        | 66,495                  | 339,985    |

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

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

### 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 2022</b> | 58,291    | 6,155              | 10,907              | 46,604                     | 49,058        | 30,790                  | 201,805    |
| Additions                  |           |                    |                     |                            |               |                         | 0          |
| Liability repaid           | -2,294    | -659               | -584                | -1,272                     | -2,158        | -1,300                  | -8,267     |
| <b>As at 31 March 2023</b> | 55,997    | 5,496              | 10,323              | 45,332                     | 46,900        | 29,490                  | 193,538    |

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

## Details of payments to be made under PFI contracts

### 6 schools

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

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

### Swanscombe Schools

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

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

### Westview/Westbrook

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

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

### Better Homes, Active Lives

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

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

### 3 BSF Schools

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

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

### Excellent Homes for All

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

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

### TOTAL for all PFI Contracts

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

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School (now an Academy), Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddled both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08

(Ellington School for Girls, The Malling and Aylesford). From September 2009 Ellington School for Girls merged with Hereson Boys School to become Ellington and Hereson School, which is also a Trust. The school has now been renamed the Royal Harbour Academy. The Royal Harbour Academy Lower Site, serving Years 7 and 8 is the only site in the PFI. The Upper Site is not part of the contract. The North School became an Academy in January 2022. In September 2022 both Aylesford and Holmesdale Schools became Academies.

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

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

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

### **Westbrook and Westview**

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

### **Gravesham Place**

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

### **Better Homes, Active Lives PFI**

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

### **Excellent Homes for All PFI**

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

## Note 20. Heritage Assets

### Accounting Policy

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

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

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

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

## Historic Environment & Monuments

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

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

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

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

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

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

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

A grade II listed **Statue of Queen Victoria** is situated outside of the Adult Education Centre, Gravesend.

## Artwork

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

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

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

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

**KCC Sessions House collection**, valued at £83k.

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

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

## Archive Collections

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

**General archive collections**, £866k

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

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

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

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

## Archaeological & Historical Artefacts

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

KCC owns approximately 4,000 objects of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman**

**bust & portrait**, found at Lullingstone Villa, dating back to 2nd Century AD are valued at £60k and £40k, respectively. These are currently on long term loan from Sevenoaks Museum to the British Museum. The museum holds a **painting by John Downton** and a **18th/19th soldier's quilt** recently valued at £50k by an industry expert.

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

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

## Civic Regalia

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

## Note 21. Leases

### Accounting Policy

#### Leasing

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

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

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

### The Council as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this

is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

### Operating Leases

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

## The Council as Lessor

### Operating Leases

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

## 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 2023</b> | <b>31 Mar 2022</b> |
|---|--------------------|--------------------|
|   | <b>£000</b>        | <b>£000</b>        |
| Not later than one year                           | 8,779              | 9,159              |
| Later than one year and not later than five years | 15,317             | 15,237             |
| Later than five years                             | 16,954             | 14,981             |
|   | <b>41,050</b>      | <b>39,376</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 £11.7m over the remaining life of the 25 year lease.

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

|                              | <b>31 Mar 2023</b> | <b>31 Mar 2022</b> |
|------------------------------|--------------------|--------------------|
|                              | <b>£000</b>        | <b>£000</b>        |
| Minimum lease payments       | 10,462             | 10,457             |
| Contingent rents             | 389                | 785                |
| Sublease payments receivable | -807               | -807               |
|                              | <b>10,044</b>      | <b>10,436</b>      |

## 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<br/>1 April 2022<br/>£000</b> | <b>Net<br/>Movement<br/>in year<br/>£000</b> | <b>Balance<br/>31 March<br/>2023<br/>£000</b> | <b>Purpose of Reserve</b>   |
|------------------------------------|--|--|---|---|
| Usable Capital Receipts            | -33,290                                  | -5,936                                       | -39,226                                       | Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure |
| General Fund - KCC                 | -56,621                                  | 19,193                                       | -37,428                                       | Resources available to meet future unforeseen events                                      |
| General Fund - Commercial Services | 433                                      | 78   | 511   | Resources available to meet future unforeseen events                                      |
| Capital Grants unapplied           | -74,183                                  | -28,021                                      | -102,205                                      | See note below  |
| Earmarked Reserves*                | -350,654                                 | -2,680                                       | -353,334                                      | See Note 24   |
| Schools Reserve*                   | -61,320                                  | 237  | -61,083                                       | See table below   |
| Surplus on Trading Accounts*       | -1,218                                   | 72   | -1,146  | Commercial Services   |
| <b>Total</b>                       | <b>-576,853</b>                          | <b>-17,057</b>                               | <b>-593,911</b>                               |   |

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

## School Reserves

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

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

## Note 23. Unusable Reserves

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

| Reserve                                  | Balance 1<br>April 2022<br>£000 | Net<br>Movement<br>in year<br>£000 | Balance 31<br>March 2023<br>£000 | Purpose of Reserve   |
|--|---------------------------------|------------------------------------|----------------------------------|--|
| Revaluation Reserve                      | -1,464,591                      | -121,401                           | -1,585,992                       | Store of gains on revaluation of fixed assets  |
| Capital Adjustment Account               | -898,381                        | -80,212                            | -978,593                         | Store of capital resources set aside for past expenditure  |
| Financial Instruments Adjustment Account | 21,354                          | -3,139                             | 18,215                           | Movements in fair value of assets and premiums   |
| Collection Fund Adjustment Account       | 557                             | -11,188                            | -10,631                          | Movement between the I & E and amount required by regulation to be credited to the General Fund  |
| Pensions Reserves - KCC                  | 1,557,463                       | -1,495,907                         | 61,556                           | Balancing account to allow inclusion of Pensions Liability in Balance Sheet  |
| Pensions Reserves - DSO                  | 1,230                           | -337                               | 893                              | Balancing account to allow inclusion of Pensions Liability in Balance Sheet  |
| Pooled Investment Adjustment Account     | -9,365                          | 15,408                             | 6,043                            | Movements in fair value of Pooled Investment Funds   |
| Accumulated Absences Account             | 9,254                           | -389                               | 8,865                            | This absorbs the differences on the General Fund from accruing for untaken annual leave  |
| Post Employment Account                  | 2,154                           | -779                               | 1,375                            | This absorbs the differences on the General Fund from accruing for redundancy and retirement costs agreed but not due until future years |
| DSG Adjustment Account                   | 97,616                          | 0                                  | 97,616                           | Recognition of deficits in respect of the schools budget   |
| <b>Total</b>                             | <b>-682,709</b>                 | <b>-1,697,944</b>                  | <b>-2,380,653</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.

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

## Capital Adjustment Account

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

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

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

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

|  | 2022-23<br>£000 | 2022-23<br>£000 | 2021-22<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Balance as at 1st April</b>   |                 | -898,381        |                 | -836,639        |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                 |                 |                 |                 |
| - Charges for depreciation and impairment of non-current assets  | 102,330         |                 | 99,210          |                 |
| - Revaluation losses on Property, Plant and Equipment and Assets Held for Sale   | 2,936           |                 | -8,932          |                 |
| - Income in relation to donated assets   | -30,767         |                 | -20,056         |                 |
| - Amortisation of intangible assets  | 1,544           |                 | 1,803           |                 |
| - Revenue expenditure funded from capital under statute  | 61,631          |                 | 157,052         |                 |
| - Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 123,908         |                 | 78,274          |                 |
| - Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | 1723            |                 |                 |                 |
| - Realised and unrealised gains/losses on financial assets held at FVPL  | 3,455           |                 | 2,717           |                 |
|  |                 | 266,760         |                 | 310,068         |
| Adjusting amounts written out of the Revaluation Reserve   |                 | -97,833         |                 | -59,864         |
| Net written out amount of the cost of non-current assets consumed in the year  |                 | -729,454        |                 | -586,435        |
| Capital financing applied in the year:   |                 |                 |                 |                 |
| - Use of the Capital Receipts Reserve to finance new capital expenditure   | -13,389         |                 | -22,416         |                 |
| - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | -119,596        |                 | -198,757        |                 |
| - Application of grants to capital financing from the Capital Grants Unapplied Account   | -40,475         |                 | -22,773         |                 |
| - Statutory provision for the financing of capital investment charged against the General Fund   | -58,273         |                 | -57,431         |                 |
| - Capital expenditure charged against the General Fund   | -27,211         |                 | -28,904         |                 |
|  |                 | -258,944        |                 | -330,281        |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                           |                 | 1,749           |                 | 1,550           |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement  |                 |                 |                 |                 |
| Write down of long-term debtors  |                 | 8,056           |                 | 16,785          |
| <b>Balance at 31 March</b>   |                 | <b>-978,593</b> |                 | <b>-898,381</b> |

## Financial Instruments Adjustment Account

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

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

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|  | 2022-23    | 2021-22   |
|--|------------|-----------|
| <b>Balance at 1 April</b>  | 1,558,693  | 1,634,892 |
| Remeasurement of the net defined liability/(asset)   | -1,516,489 | -239,211  |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 105,201    | 244,391   |
| Employer's pension contributions and direct payments to pensioners payable in the year   | -84,956    | -81,379   |
| <b>Balance at 31 March</b>   | 62,449     | 1,558,693 |

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

|  | 2022-23 | 2021-22 |
|--|---------|---------|
| <b>Balance at 1 April</b>  | 557     | 37,736  |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | -11,188 | -37,179 |
| <b>Balance at 31 March</b>   | -10,631 | 557     |

## Accumulated Absences Account

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

|   | 2022-23<br>£000 | 2022-23<br>£000 | 2021-22<br>£000 | 2021-22<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Balance as at 1st April</b>  |                 | 9,254           |                 | 8,844           |
| Settlement or cancellation of accrual made at the end of the preceding year   | -9,254          |                 | -8,844          |                 |
| Amounts accrued at the end of the current year  | 8,865           |                 | 9,254           |                 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements |                 | -389            |                 | 410             |
| <b>Balance at 31 March</b>  |                 | <b>8,865</b>    |                 | <b>9,254</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.

|   | 2022-23<br>£000 | 2022-23<br>£000 | 2021-22<br>£000 | 2021-22<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Balance as at 1st April</b>  |                 | 2,154           |                 | 2,929           |
| Settlement or cancellation of accrual made at the end of the preceding year | -1,210          |                 | -1,542          |                 |
| Amounts accrued at the end of the current year                              | 431             |                 | 767             |                 |
|   |                 | -779            |                 | -775            |
| <b>Balance at 31 March</b>  |                 | <b>1,375</b>    |                 | <b>2,154</b>    |

## Pooled Investment Adjustment Account

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

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

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

## DSG Adjustment Account

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

|   | <b>2022-23</b> | <b>2021-22</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Balance as at 1st April</b>  | 97,616         | 51,049         |
| School budget deficit transferred from General Fund in accordance with statutory requirements | 0              | 46,567         |
| <b>Balance at 31 March</b>  | <b>97,616</b>  | <b>97,616</b>  |

## Note 24. Earmarked Reserves

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

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2022 or 31 March 2023 in the tables on page 100.

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

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

### Smoothing Reserves

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

### Major Projects

These reserves are for future spending on projects.

### Partnerships

These are reserves are resulting from our partnerships and are ringfenced for the benefit of the partnership or are held for investing in strategic priorities. This includes £36.3m held in DSG Safety Valve Reserve set aside to fund the deficit held in the DSG Adjustment Account.

### Grants and External Funds

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

### Departmental Under/Overspends

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

### Insurance Reserve

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

### Public Health reserve

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

### Special funds

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

|                                 | <b>Balance at<br/>1 April 2022<br/>£000</b> | <b>Movement<br/>£000</b> | <b>Balance at<br/>31 Mar 2023<br/>£000</b> |
|---------------------------------|---|--------------------------|--|
| <b>Other Earmarked Reserves</b> |   |                          |  |
| VPE reserve                     | -18,707                                     | -1,567                   | -20,274                                    |
| Smoothing Reserves              | -124,687                                    | 15,476                   | -109,211                                   |
| Major Projects                  | -62,276                                     | -6,601                   | -68,877                                    |
| Partnerships                    | -26,348                                     | -41,313                  | -67,661                                    |
| Grant and External Funds        | -79,075                                     | 25,893                   | -53,182                                    |
| Departmental Under/Overspends   | -8,361                                      | 5,058                    | -3,303                                     |
| Insurance Reserve               | -13,764                                     | 579                      | -13,185                                    |
| Public Health Reserve           | -16,817                                     | -82                      | -16,899                                    |
| Special Funds                   | -619  | -123                     | -742                                       |
| <b>Total Earmarked Reserves</b> | <b>-350,654</b>                             | <b>-2,680</b>            | <b>-353,334</b>                            |

|                                 | <b>Balance at<br/>1 April 2021<br/>£000</b> | <b>Movement<br/>£000</b> | <b>Balance at<br/>31 Mar 2022<br/>£000</b> |
|---------------------------------|---|--------------------------|--|
| <b>Other Earmarked Reserves</b> |   |                          |  |
| 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>                            |

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

### Insurance

There is uncertainty over the timing of when insurance claims will be settled due to the complexity of some claims. The short-term and long-term split is calculated using a percentage based on past

claims settled. Included within the insurance provision is £600k for the Municipal Mutual Insurance (MMI) provision.

## Post Employment

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

## Accumulated Absences

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

## Other Provisions

All other provisions are individually insignificant.

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

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

|                                     | Short Term<br>£000 | Long Term<br>£000 | Total<br>£000  |
|-------------------------------------|--------------------|-------------------|----------------|
| <b>31 March 2022</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> |

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

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

| <b>31 March 2023</b> | <b>Short Term<br/>£000</b> | <b>Long Term<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------------|----------------------------|---------------------------|-----------------------|
| Receipts in Advance  | 82,015                     | 0                         | 82,015                |
| Contract Liabilities | 1,846                      | 0                         | 1,846                 |
| Deferred Income      | 7,265                      | 0                         | 7,265                 |
| General Creditors    | 375,419                    | 35                        | 375,454               |
| <b>Total</b>         | <b>466,545</b>             | <b>35</b>                 | <b>466,580</b>        |

| <b>31 March 2022</b> | <b>Short Term<br/>£000</b> | <b>Long Term<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------------|----------------------------|---------------------------|-----------------------|
| 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>        |

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

## Note 28. Cash and Cash Equivalents

### Accounting Policy

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

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

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

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

## Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

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

The 2021-22 government grant balance has been restated and is linked to the restatement of Note 15, please refer to the explanation on pages 59 and 61.

|  | 2022-23<br>£000 | 2021-22<br>£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  | -20,245         | -163,012        |
| Carrying amount of non-current assets sold   | -123,908        | -78,274         |
| Carrying amount of capital inventory old   | -1,723          | 0               |
| Carrying amount of Financial Assets held at FVPL   | -18,863         | 11,480          |
| Amortisation of fixed assets   | -1,545          | -1,803          |
| Depreciation of fixed assets   | -102,330        | -99,211         |
| Impairment and downward valuations   | -2,936          | 8,932           |
| Increase/(decrease) debtors  | 28,915          | 20,102          |
| (Increase)/decrease creditors  | -88,360         | -5,416          |
| Increase/(decrease) stock  | 4,243           | 241             |
| Movement on investment properties  | -1,749          | -1,550          |
| REFCUS   | -61,631         | -157,052        |
| Other non-cash items charged to the net surplus/deficit on the Provision of Services                               | 19,018          | 37,333          |
|  | -371,114        | -428,230        |

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| <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   | 12,876          | 10,621          |
| Capital grants applied   | 217,251         | 263,862         |
| Payment of Collection Fund Deficit   | 22,749          | 30,507          |
|  | 252,876         | 304,990         |

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

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

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

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

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

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

|  | 2021-22<br>1 April<br>£000 | Financing<br>cash flows<br>£000 | Non-cash<br>changes:<br>Acquisition<br>£000 | Non-cash<br>changes:<br>Other non-<br>cash changes<br>£000 | 2021-22<br>31 March<br>£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 33. Trading Operations

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

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

## Note 34. Audit Costs

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

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

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

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

## Note 35. Dedicated Schools Grant

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

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

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

The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit. This deficit is held in the DSG Adjustment Account in Note 23 on pages 90 to 98. A DSG Safety Valve earmarked reserve holds the net in-year surplus that has arisen due to the additional DfE funding and KCC contribution.

## Note 36. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member's allowances paid in 2022-23 is shown in Note 7 on page 47. During 2022-23 works and services to the value of £1.939m (£1.004m in 2021-22) were commissioned from companies which nine Members have had an interest in. Contracts were entered into in full compliance with the Council's standing orders.

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

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

Payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Consolidated Income and Expenditure Statement, Note 37 on pages 111 to 117 of these Accounts.

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

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

Receipts from other local authorities and health bodies totalled £104.1m.

### Entities Controlled or Significantly Influenced by the Council

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

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

|  | <b>Payments made in<br/>2022-23<br/>£000</b> |
|--|--|
| <b>Active companies with less than or equal to 50% control</b> |  |
| Visit Kent Ltd   | 414,173                                      |
| Locate in Kent Ltd   | 870,972                                      |
| Trading Standards South East Ltd                               | 16,920                                       |
| Kent PFI Holdings Company 1 Ltd                                | 11,286,060                                   |
| TRICS Consortium Ltd   | 3,600  |
| Produced in Kent (PINK) Ltd                                    | 185,556                                      |

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

## Note 37. Pension Costs

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

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

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

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

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

### Note 37b. Defined Benefit Pension Scheme

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

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15d of the Pension Fund Accounts)
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity

investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

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

#### Local Government Pension Scheme

| <b>Comprehensive Income and Expenditure Statement</b>  | <b>2022-23<br/>£000</b> | <b>2021-22<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>Cost of Services:</b>   |                         |                         |
| Current service cost   | -105,951                | -208,252                |
| Past service costs   | -295                    | -2,959                  |
|  | -106,246                | -211,211                |
| <b>Financing and Investment Income and Expenditure:</b>  |                         |                         |
| Net interest expenses  | 1,022                   | -33,995                 |
| (Gain)/loss from settlements   | 2,015                   | 2,724                   |
| Administration expenses  | -1,992                  | -1,909                  |
| <b>Total Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>-105,201</b>         | <b>-244,391</b>         |
| <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)   | -113,870                | 8,272                   |
| Actuarial gains and losses arising on changes in demographic assumptions   | 104,949                 | 0                       |
| Actuarial gains and losses arising on changes in financial assumptions   | 1,939,161               | 238,555                 |
| Experience loss/(gain) on defined benefit obligation   | -418,106                | -12,222                 |
| Other  | 4,355                   | 4,606                   |
| Total Charged to the Comprehensive Income and Expenditure  | 1,516,489               | 239,211                 |
| <b>Total charged to Comprehensive Income and Expenditure Statement</b>   | <b>1,411,288</b>        | <b>-5,180</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 | 105,201                 | 244,391                 |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>  |                         |                         |
| Employers' contributions payable to scheme   | -84,956                 | -81,379                 |
| <b>Total Movement in Reserves statement</b>  | <b>20,245</b>           | <b>163,012</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 2022-23, Kent County Council paid an employer's contribution of £84.9m (£81.4m in 2021-22) into the Pension Fund, representing 21% (21% in 2021-22) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2022-23 was based on the review carried out as at 31 March 2022. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

## Pension Assets and Liabilities in the Balance Sheet

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

### Local Government Pension Scheme

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

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

### Local Government Pension Scheme

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

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

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

### Liabilities: Local Government Pension Scheme

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

### Local Government Pension Scheme assets comprised:

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

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

|   |                            | 2022-23<br>%<br>Quoted | 2022-23<br>%<br>Unquoted | 2021-22<br>%<br>Quoted | 2021-22<br>%<br>Unquoted |
|---|----------------------------|------------------------|--------------------------|------------------------|--------------------------|
| <b>Fixed Interest Government Securities</b> | UK                         |                        |                          |                        |                          |
|   | Overseas                   | 1.0%                   |                          | 1.0%                   |                          |
| <b>Corporate Bonds</b>                      | UK                         | 4.0%                   |                          | 4.0%                   |                          |
|   | Overseas                   | 10%                    |                          | 10%                    |                          |
| <b>Equities</b>                             | UK                         | 16.0%                  |                          | 16.0%                  |                          |
|   | Overseas                   | 44.0%                  |                          | 43.0%                  |                          |
| <b>Property</b>                             | All                        |                        | 10.0%                    |                        | 12.0%                    |
| <b>Others</b>                               | Absolute return portfolio  | 7.0%                   |                          | 7.0%                   |                          |
|   | Private Equity             |                        | 4.0%                     |                        | 4.0%                     |
|   | Infrastructure             |                        | 3.0%                     |                        | 2.0%                     |
|   | Derivatives                |                        | 0.0%                     |                        | 0.0%                     |
|   | Cash/Temporary Investments |                        | 2.0%                     |                        | 2.0%                     |
| <b>Net Current Assets</b>                   | Debtors                    |                        |                          |                        |                          |
|   | Creditors                  |                        |                          |                        |                          |
| <b>Total assets</b>                         |                            | <b>82.0%</b>           | <b>19.0%</b>             | <b>81.0%</b>           | <b>20.0%</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 2022 levels then the pensions deficit would have been £1,939,161k higher at £2,001,610k.

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

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

## Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

### Local Government Pension Scheme

|   |       | 2022-23<br>£000 | 2021-22<br>£000 |
|---|-------|-----------------|-----------------|
| Mortality assumptions:  |       |                 |                 |
| Longevity at 65 for current pensioners:                           | Men   | 21.1 years      | 21.6 years      |
|   | Women | 23.5 years      | 23.7 years      |
| Longevity at 65 for future pensioners:                            | Men   | 22.3 years      | 23.0 years      |
|   | Women | 25.0 years      | 25.1 years      |
| Rate of increase in Consumer Price Index                          |       | 2.90%           | 3.20%           |
| Rate of increase in salaries                                      |       | 3.90%           | 4.20%           |
| Rate of increase in pensions                                      |       | 2.90%           | 3.20%           |
| Rate for discounting scheme liabilities                           |       | 4.80%           | 2.60%           |
| Take-up option to convert annual pension into retirement lump sum |       | 50%             | 50%             |

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

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

## Highways ex Direct Works DLO Pension Fund

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

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

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

## Note 38. Financial Instruments

### Accounting Policy

#### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

#### Financial assets

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take a form of a basic debt instrument).

## Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

## Expected Credit Loss Model

The Council recognises expected credit losses on all of its contractual financial assets held at amortised cost or fair value through other comprehensive income, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligation. Credit risk plays a crucial factor in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

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

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

## Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

## Financial Instruments

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

## Financial Liabilities

The Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- overdraft with NatWest Bank
- finance leases on land and buildings
- Private Finance Initiative contracts detailed in Note 19
- trade payables for goods and services received.

## Financial Assets

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

**Amortised cost** (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies

- treasury bills issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- loans to other local authorities
- trade receivables for goods and services delivered.

**Fair value through profit and loss** (all other financial assets) comprising:

- money market funds
- shares in unlisted companies
- unquoted equity investments relating to KCC wholly owned companies
- pooled equity, bond, and property investment funds

### Categories of Financial Instruments

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

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

|                                    | 31 March 2023<br>Long Term<br>£000 | 31 March 2023<br>Short Term<br>£000 | 31 March 2022<br>Long Term<br>£000 | 31 March 2022<br>Short Term<br>£000 |
|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <b>Financial Liabilities</b>       |                                    |                                     |                                    |                                     |
| <b>Borrowing</b>                   |                                    |                                     |                                    |                                     |
| • Amortised cost                   | 721,893                            | 90,155                              | 762,470                            | 73,839                              |
| • Non-financial liabilities        | 187,489                            | 8,458                               | 195,947                            | 8,447                               |
|                                    | <b>909,382</b>                     | <b>98,613</b>                       | <b>958,417</b>                     | <b>82,286</b>                       |
| <b>Creditors</b>                   |                                    |                                     |                                    |                                     |
| • Amortised cost                   | 35                                 | 377,265                             | 5,786                              | 325,979                             |
| • Non-financial liabilities        |                                    | 89,280                              |                                    | 52,775                              |
|                                    | <b>35</b>                          | <b>466,545</b>                      | <b>5,786</b>                       | <b>378,754</b>                      |
| <b>Cash &amp; Cash Equivalents</b> |                                    | 4,244                               |                                    | 16,256                              |
| <b>Total</b>                       | <b>909,417</b>                     | <b>569,402</b>                      | <b>964,203</b>                     | <b>477,296</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 119.

The shareholdings in our wholly owned subsidiaries and unquoted equity is not subject to credit risk and is therefore limited to the value of our investment. Fair value is calculated at Level 3 valuation techniques, as set out on page 119.

|   | 2022-23<br>Surplus or<br>Deficit on the<br>Provision of<br>Services<br>£000 | 2022-23<br>Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 | 2021-22<br>Surplus or<br>Deficit on the<br>Provision of<br>Services<br>£000 | 2021-22<br>Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 |
|---|---|--|---|--|
| <b>Net gains/losses on:</b>   |   |  |   |  |
| Financial assets measured at fair value through the profit or loss                          | 18,835  |  | -11,779   | -  |
| Financial assets measured at amortised cost   | -   | -  | -   | -  |
| Financial assets measured at fair value through other comprehensive income                  |   |  |   |  |
| Financial liabilities measured at amortised cost  | -950  | -950   | -950  | -950   |
| <b>Total net gain/losses</b>  | <b>17,885</b>   | <b>-950</b>  | <b>-12,729</b>  | <b>-950</b>  |
| <b>Interest revenue</b>   |   |  |   |  |
| Financial assets measured at amortised cost   | 6,233   | -  | 691   | -  |
| Financial Assets measured at fair value through profit or loss                              | 8,136   | -  | 7,681   | -  |
| <b>Total interest revenue</b>   | <b>14,369</b>   | <b>0</b>   | <b>8,372</b>  | <b>0</b>   |
| <b>Interest expenses</b>  | <b>-34,346</b>  | <b>-</b>   | <b>-37,925</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 | -19,257   | -  | -19,371   | -  |
| Trust and other fiduciary activities  | 0   | -  |   | -  |
| <b>Total fee expense</b>  | <b>-19,257</b>  | <b>0</b>   | <b>-19,371</b>  | <b>0</b>   |

## Fair Value of Financial Assets

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

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

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

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

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

|  | 31 March 2023<br>Carrying<br>Amount<br>£000 | 31 March 2023<br>Fair Value<br>£000 | 31 March 2022<br>Carrying<br>Amount<br>£000 | 31 March 2022<br>Fair Value<br>£000 |
|--|---|-------------------------------------|---|-------------------------------------|
| <b>Financial Liabilities</b>                 |   |                                     |   |                                     |
| Financial liabilities held at amortised cost |   |                                     |   |                                     |
| PWLB loans                                   | 490,528                                     | 518,248                             | 433,123                                     | 502,796                             |
| Long-term LOBO and Market Loans              | 321,521                                     | 376,632                             | 403,186                                     | 563,900                             |
| Cash and cash equivalents                    | 4,244                                       | 4,244                               | 16,256                                      | 16,256                              |
| Other long-term loans                        |   |                                     |   |                                     |
| PFI and finance lease liabilities            | 195,936                                     | 240,588                             | 204,394                                     | 285,921                             |
| <b>Total</b>                                 | <b>1,012,229</b>                            | <b>1,139,713</b>                    | <b>1,056,959</b>                            | <b>1,368,873</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 2023) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

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

|   | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Total<br>£000    |
|---|--|---|---|------------------|
| <b>31 March 2022</b>                          |  |   |   |                  |
| Recurring fair value measurements using:      |  |   |   |                  |
| <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             |  |   | 285,921   | <b>285,921</b>   |
| <b>Total</b>                                  | <b>0</b>   | <b>1,066,696</b>                                      | <b>285,921</b>                                    | <b>1,352,617</b> |
| <b>Financial Assets</b>                       |  |   |   |                  |
| Financial assets held at amortised cost:      |  |   |   |                  |
| • Investments held at amortised cost          | 90,418   | 56,016  | 2,350   | <b>148,784</b>   |
| • Soft loans to third parties                 |  |   | 15,023  | <b>15,023</b>    |
| <b>Total</b>                                  | <b>90,418</b>  | <b>56,016</b>   | <b>17,373</b>                                     | <b>163,807</b>   |

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

- PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the available market rate for local authority loans
- LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)
- Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

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

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

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

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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

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

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

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

### Credit Risk: Treasury Investments

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

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

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

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

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

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

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

## Collateral and Other Credit Enhancements

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

## 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 2023</b> | <b>31 Mar 2022</b> |
|-------------------------|--------------------|--------------------|
| <b>Years</b>            | <b>£000</b>        | <b>£000</b>        |
| Not over 1              | 30,577             | 23,499             |
| Over 1 but not over 2   | 29,330             | 25,530             |
| Over 2 but not over 5   | 65,674             | 71,639             |
| Over 5 but not over 10  | 66,122             | 15,889             |
| Over 10 but not over 20 | 178,867            | 181,811            |
| Over 20 but not over 30 | 80,800             | 130,800            |
| Over 30 but not over 40 | 130,000            | 155,700            |
| Over 40                 | 171,100            | 181,100            |
| Uncertain date *        | 50,000             | 40,000             |
| <b>Total</b>            | <b>802,470</b>     | <b>825,968</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. £50m of these LOBO loans have option dates in 2023-24. Due to current lower interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

## Market risk

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

## Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in the Provision of Services. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2023, £254.4m (2022: £294m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £50m (2022: £40m) to variable rates.

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

|  | <b>£000</b>     |
|--|-----------------|
| Increase in interest payable on variable rate borrowings           | 500             |
| Increase in interest receivable on variable rate investments       | 2,222           |
| Decrease in fair value of investments held at FVPL                 | -1,220          |
| <b>Impact on Provision of Services (surplus)</b>                   | <b>1,502</b>    |
| Decrease in fair value of fixed rate investment assets             | -185            |
| <b>Impact on Other Comprehensive Income and Expenditure</b>        | <b>-185</b>     |
| Decrease in fair value of loans and investments at amortised cost* | <b>-110,028</b> |

\*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.

|                                       | <b>£000</b> |
|---------------------------------------|-------------|
| 5% fall in commercial property prices | -2,705      |
| 5% fall in equity prices              | -3,783      |

## Foreign Exchange Risk

The Council has no foreign currency investments and therefore is not directly exposed to the risk of adverse movements in exchange rates.

## Note 40. Contingent Liabilities

### Accounting Policy

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in

circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. They are factored into the consideration of an adequate level of reserves.

## Note 41. Subsidiary Undertakings

### Accounting Policy

#### Interests in Companies and Other Entities

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

#### Subsidiary Undertakings

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

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2022-23, in the final, audited EKOLLP accounts, the net assets of the joint operation are £9.53m with an operating loss before members remuneration and profit shares available for discretionary division among members of £0.13m.

## Note 42. Events after the Balance Sheet Date

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

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

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

Six schools on the balance sheet as at 31 March 2023 are due to convert to academy status by 1 December 2023. The net book value of these assets as at 31 March 2023 is £87.5m.

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require any adjustment to these accounts.

## Note 43. Other Notes

### Pension Fund

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering Council. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 148 to 178.

## Prior Period Adjustments

This page provides details of prior period adjustments relating to accounting treatments.

### Accounting treatment relating to Vehicles, Plant & Equipment

We have adjusted the Gross Book Value (GBV) and accumulated depreciation on Vehicles, Plant & Equipment (VPE) as at 31.3.21 by £53.5m to write out fully depreciated VPE no longer in use by the Authority, including schools, that should have been written out as they became obsolete prior to 31.3.21. This had no impact on the Net Book Value of VPE, and no impact on the balance sheet or CIES. The restatement only affects the GBV and accumulated depreciation disclosed within the opening balances of the 2021-22 PPE note and the revised opening figures can be seen in the restated PPE note - Note 16 pages 61-72.

A further adjustment of £2.9m has been made as at 31.3.22 to reflect fully depreciated assets that should have been written out during 2021-22. Again, this reduced GBV and accumulated depreciation in the PPE note but had no impact on the balance sheet or CIES. The restated figures can be seen in the restated PPE note - Note 16 on pages 61-72.

## Group Accounts

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Group Accounts Introduction and Group Boundary                       | 133         |
| <b>Group Financial Statements</b>                                    |             |
| Group Comprehensive Income and Expenditure Statement                 | 136         |
| Group Movement in Reserves Statement                                 | 138         |
| Group Balance Sheet  | 140         |
| Group Cash Flow Statement  | 141         |
| <b>Notes to the Group Financial Statements</b>                       |             |
| G1. Critical Judgements  | 142         |
| <b>Supporting the Comprehensive Income and Expenditure Statement</b> |             |
| G2. Reconciliation to the Single Entity CIES                         | 142         |
| G3. Tax Expenses of Group Entities                                   | 143         |
| <b>Supporting the Balance Sheet</b>                                  |             |
| G4. Debtors  | 143         |
| G5. Creditors  | 144         |
| G6. Cash and Cash Equivalents  | 144         |
| G7. Reserves   | 144         |
| G8. Financial Instruments  | 145         |
| <b>Supporting the Cash Flow Statement</b>                            |             |
| G9. Cash Flows from Group Operating Activities                       | 146         |
| G10. Cash Flows from Group Investing Activities                      | 147         |
| G11. Cash Flows from Group Financing Activities                      | 147         |

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

## Group Accounts Introduction

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

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

The following pages include:

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

## Basis of Identification of the Group Boundary

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

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

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

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

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

## Basis of the Preparation of Group Financial Statements

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

### Subsidiaries have been consolidated by:

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

Joint Ventures have been consolidated using the equity method by:

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

### Kent Holdco Ltd (11735631)

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

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

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

### Kent County Trading Limited (5242899)

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

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

The clients served are both private and public sector including KCC.

### **GEN2 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.

### **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

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

Year Ended 31 March 2023

| Directorate/Department   | Notes     | Budget<br>£000   | Outturn<br>£000   | Variance<br>£000  |
|--|-----------|------------------|-------------------|-------------------|
| Adult Social Care & Health including Public Health   | ASCH      | 763,245          | -278,979          | 484,266           |
| Children, Young People & Education   | CYPE      | 1,486,371        | -1,138,634        | 347,737           |
| Growth, Environment & Transport  | GET       | 310,952          | -80,061           | 230,891           |
| Chief Executive's Department   | CED       | 45,992           | -29,841           | 16,151            |
| Deputy Chief Executive's Department  | DCED      | 103,858          | -11,845           | 92,013            |
| Non-Attributable Costs including Corporately Held Budgets  | NAC       | 10,526           | -9,259            | 1,267             |
| Groups – Holdco Ltd  |           | 136,737          | -71,797           | 64,940            |
| <b>Group Cost of Services</b>  |           | <b>2,857,681</b> | <b>-1,620,416</b> | <b>1,237,265</b>  |
| Other Operating Income and Expenditure   | 12        |                  |                   | 115,421           |
| Net Surplus on Trading Accounts  | G2        |                  |                   | -24,200           |
| Financing and Investment Income and Expenditure  | 13        |                  |                   | 56,394            |
| Taxation and Non-Specific Grant Income   | 14        |                  |                   | -1,367,921        |
| <b>(Surplus) or Deficit on Provision of Services</b>   |           |                  |                   | <b>16,959</b>     |
| Share of (surplus)/Deficit of associate or joint venture   |           |                  |                   | -545              |
| Taxation of Group Entities   | G3        |                  |                   | 541               |
| <b>Group (Surplus)/Deficit</b>   | <b>G2</b> |                  |                   | <b>16,955</b>     |
| (Surplus)/deficit arising on revaluation of non-current assets   |           |                  |                   | -219,234          |
| Remeasurement of the net defined benefit liability   |           |                  |                   | -1,516,489        |
| (Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income |           |                  |                   | -950              |
| <b>Other Comprehensive Income and Expenditure</b>  |           |                  |                   | <b>-1,736,673</b> |
| <b>Total Comprehensive Income and Expenditure</b>  |           |                  |                   | <b>-1,719,718</b> |

## Restated Year Ended 31 March 2022

| Directorate/Department   | Notes     | Budget<br>£000   | Outturn<br>£000   | Variance<br>£000 |
|--|-----------|------------------|-------------------|------------------|
| Adult Social Care & Health including Public Health   | ASCH      | 758,874          | -322,756          | 436,118          |
| Children, Young People & Education   | CYPE      | 1,449,340        | -1,028,031        | 421,309          |
| Growth, Environment & Transport  | GET       | 400,401          | -167,504          | 232,897          |
| Chief Executive's Department   | CED       | 43,975           | -22,540           | 21,435           |
| Deputy Chief Executive's Department  | DCED      | 97,999           | -11,035           | 86,964           |
| Non-Attributable Costs including Corporately Held Budgets  | NAC       | 7,346            | -954              | 6,392            |
| Groups – Holdco Ltd  |           | 100,270          | -38,091           | 62,179           |
| <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  |           |                  |                   | -15,345          |
| <b>(Surplus) or Deficit on Provision of Services</b>   |           |                  |                   | <b>108,083</b>   |
| Share of (surplus)/Deficit of associate or joint venture   |           |                  |                   | -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>  |

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

## Group Movement in Reserves Statement

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

Year Ended 31 March 2022

|  | General Fund and Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Profit and Loss Reserve<br>£000 |
|--|---|----------------------------------|----------------------------------|---------------------------------|
| <b>Balance at 31 March 2021</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                                    | 0   | 0                                | 0                                | 0                               |
| <b>Increase/Decrease (movement) in Year</b>                                      | <b>-15,855</b>                              | <b>-2,866</b>                    | <b>-24,400</b>                   | <b>-2,393</b>                   |

Year Ended 31 March 2023

|  | General Fund and Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Profit and Loss Reserve<br>£000 |
|--|---|----------------------------------|----------------------------------|---------------------------------|
| <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>                   |
| <b>Movement in reserves during 2022-23:</b>                                      |   |                                  |                                  |                                 |
| Total Comprehensive Expenditure & Income   | -80,077                                     |                                  |                                  | 97,032                          |
| Adjustments between group accounts and Kent County Council accounts              | 98,559                                      |                                  |                                  | -98,559                         |
| <b>Net increase or decrease before transfers</b>                                 | <b>18,482</b>                               | <b>0</b>                         | <b>0</b>                         | <b>-1,527</b>                   |
| Adjustments between accounting basis & funding basis under regulations - Note 11 | -1,583                                      | -5,935                           | -28,021                          |                                 |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>              | <b>16,899</b>                               | <b>-5,935</b>                    | <b>-28,021</b>                   | <b>-1,527</b>                   |
| Transfer between Usable and Unusable Reserves                                    |   |                                  |                                  |                                 |
| <b>Increase/Decrease (movement) in Year</b>                                      | <b>16,899</b>                               | <b>-5,935</b>                    | <b>-28,021</b>                   | <b>-1,527</b>                   |
| <b>Balance at 31 March 2023 carried forward</b>                                  | <b>-452,481</b>                             | <b>-39,226</b>                   | <b>-102,204</b>                  | <b>-8,458</b>                   |

## Year Ended 31 March 2022

|  | Total Usable Reserves<br>£000 | Unusable reserves<br>£000 | Total Group Reserves<br>£000 |
|--|-------------------------------|---------------------------|------------------------------|
| <b>Balance at 31 March 2021</b>  | <b>-538,271</b>               | <b>-415,774</b>           | <b>-954,045</b>              |
| <b>Movement in Reserves during 2021-22:</b>                                      |                               |                           |                              |
| Total Comprehensive Expenditure and Income                                       | 108,578                       | -414,237                  | -305,659                     |
| Adjustments between group accounts and Kent County Council 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>              |
| Transfers between Usable and Unusable Reserves                                   | 0                             |                           | 0                            |
| <b>Increase/Decrease (movement) in Year</b>                                      | <b>-45,514</b>                | <b>-260,145</b>           | <b>-305,659</b>              |

## Year Ended 31 March 2023

|  | Total Usable Reserves<br>£000 | Unusable reserves<br>£000 | Total Group Reserves<br>£000 |
|--|-------------------------------|---------------------------|------------------------------|
| <b>Balance at 31 March 2022 carried forward</b>                                  | <b>-583,785</b>               | <b>-675,919</b>           | <b>-1,259,704</b>            |
| <b>Movement in Reserves during 2021-22:</b>                                      |                               |                           |                              |
| Total Comprehensive Expenditure and Income                                       | 16,955                        | -1,736,673                | -1,719,718                   |
| Adjustments between group accounts and authority accounts                        | 0                             |                           | 0                            |
| <b>Net increase or decrease before transfers</b>                                 | <b>16,955</b>                 | <b>-1,736,673</b>         | <b>-1,719,718</b>            |
| Adjustments between accounting basis & funding basis under regulations - Note 11 | -35,539                       | 35,539                    | 0                            |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>              | <b>-18,584</b>                | <b>-1,701,134</b>         | <b>-1,719,718</b>            |
| Transfers between Usable and Unusable Reserves                                   | 0                             |                           | 0                            |
| <b>Increase/Decrease (movement) in Year</b>                                      | <b>-18,584</b>                | <b>-1,701,134</b>         | <b>-1,719,718</b>            |
| <b>Balance at 31 March 2023 carried forward</b>                                  | <b>-602,369</b>               | <b>-2,377,053</b>         | <b>-2,979,422</b>            |

## Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2023. The net assets of the Group are matched by Group reserves.

|                                    | Notes | 31 March<br>2023<br>£000 | £000       | 31 March<br>2022<br>£000 |
|------------------------------------|-------|--------------------------|------------|--------------------------|
| Property Plant & Equipment         | 16    | 3,757,166                |            | 3,560,092                |
| Heritage Assets                    | 20    | 7,986                    |            | 7,014                    |
| Investment Property                | 17    | 51,140                   |            | 50,745                   |
| Intangible assets                  |       | 9,729                    |            | 11,626                   |
| Long-term investments              | G8    | 312,571                  |            | 302,775                  |
| Long-term debtors                  | G4    | 50,940                   |            | 51,043                   |
| Deferred tax asset                 |       | 5                        |            | 19                       |
| <b>Total long-term assets</b>      |       |                          | 4,189,537  | 3,983,314                |
| Inventories                        |       | 9,107                    |            | 4,750                    |
| Assets held for sale (<1yr)        |       | 4,091                    |            | 2,175                    |
| Short-term debtors                 | G4    | 357,904                  |            | 326,780                  |
| Short-term investments             | G8    | 58,223                   |            | 36,334                   |
| Cash and Cash equivalents          | G6    | 160,234                  |            | 155,148                  |
| Current tax asset                  | G4    | 126                      |            | 0                        |
| <b>Total Current Assets</b>        |       |                          | 589,685    | 525,187                  |
| Temporary borrowing                | G8    | -90,155                  |            | -73,839                  |
| Short-term Lease Liability         | 38    | -8,461                   |            | -8,460                   |
| Short-term provisions              | 25    | -16,346                  |            | -19,911                  |
| Creditors                          | G5    | -493,028                 |            | -412,089                 |
| Current tax liability              | G5    | -244                     |            | -337                     |
| Cash and Cash equivalents          | G6    | -4,244                   |            | -16,256                  |
| <b>Total Current liabilities</b>   |       |                          | -612,478   | -530,892                 |
| Creditors due after one year       | G5    | -14,766                  |            | -5,786                   |
| Provisions                         | 25    | -10,219                  |            | -10,932                  |
| Long-term borrowing                | G8    | -721,893                 |            | -762,470                 |
| Other Long-Term Liabilities        | G8/37 | -284,855                 |            | -1,790,767               |
| Deferred tax liability             |       | -747                     |            | -728                     |
| Capital Grants Receipts in Advance | 15    | -154,842                 |            | -147,222                 |
| <b>Long-Term Liabilities</b>       |       |                          | -1,187,322 | -2,717,905               |
| <b>Net Assets/(Liabilities)</b>    |       |                          | 2,979,422  | 1,259,704                |
| <b>Usable Reserves</b>             | G7/22 | -602,369                 |            | -583,785                 |
| <b>Unusable Reserves</b>           | 23    | -2,377,053               |            | -675,919                 |
| <b>Total Reserves</b>              |       |                          | -2,979,422 | -1,259,704               |

## Group Cash Flow Statement

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

|  | Notes      | 2022-23<br>£000 | 2021-22<br>£000 |
|--|------------|-----------------|-----------------|
| Net (Surplus) or deficit on the provision of services  |            | 16,959          | 108,084         |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements  | <b>G9</b>  | -374,796        | -442,629        |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <b>G9</b>  | 252,914         | 304,981         |
| Taxation   |            | 728             | 811             |
| <b>Net cash flows from operating activities</b>  |            | <b>-104,195</b> | <b>-28,753</b>  |
| Investing Activities   | <b>G10</b> | 58,598          | 20,085          |
| Financing Activities   | <b>G11</b> | 28,499          | 32,952          |
| <b>Net increase (-) or decrease in cash and cash equivalents</b>   |            | <b>-17,098</b>  | <b>24,284</b>   |
| Cash and cash equivalents at the beginning of the reporting period   |            | 138,892         | 163,176         |
| <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>G6</b>  | <b>155,990</b>  | <b>138,892</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 34 and estimation uncertainties can be found in Note 5 on pages 35 to 36 of the single entity accounts.

### Use of unaudited accounts for Group Accounts consolidation

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

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

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

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

### Elimination of Income and Expenditure

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

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

### Supporting the Comprehensive Income and Expenditure Statement

#### Note G2 - Reconciliation of Group CIES

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

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| (Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement                                    | 21,672          | 112,010         |
| Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation. | -3,190          | -1,040          |
| (Surplus) or deficit attributable to subsidiaries  | -1,527          | -2,393          |
| <b>Total Group (Surplus) or Deficit</b>  | <b>16,955</b>   | <b>108,577</b>  |

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

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement | -4,027          | -3,553          |
| KCS and Laser expenditure with Subsidiaries  | -20,516         | -17,574         |
| KCS and Laser income generated through sales to Subsidiaries                                     | 343             | 537             |
|  | <b>-24,200</b>  | <b>-20,590</b>  |

## Note G3 - Tax Expenses of Group Entities

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

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| Tax in respect of the current year   | 572             | 785             |
| Adjustment in respect of prior years   | -34             | -8              |
| Deferred tax in respect of the current year  | -6              | -114            |
| Deferred tax on actuarial loss/(gain) for the year   | 0               | 0               |
| Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement | 9               | 160             |
| <b>Total Taxation Expenses</b>   | <b>541</b>      | <b>823</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<br>31 March<br>2023<br>£000 | Short Term Debtors<br>31 March<br>2022<br>£000 | Long Term Debtors<br>31 March<br>2023<br>£000 | Long Term Debtors<br>31 March<br>2022<br>£000 | Total Debtors<br>31 March<br>2023<br>£000 | Total Debtors<br>31 March<br>2022<br>£000 |
|---------------------|--|--|---|---|---|---|
| Medway Council      | 0  | 0  | 28,940  | 30,146  | 28,940                                    | 30,146                                    |
| Recoverable VAT     | 26,831   | 30,782   | 0   | 0   | 26,831                                    | 30,782                                    |
| Trade Receivables   | 154,715  | 104,389  | 0   | 0   | 154,715                                   | 104,389                                   |
| Payments in Advance | 33,283   | 31,616   | 0   | 0   | 33,283                                    | 31,616                                    |
| General Debtors     | 143,075  | 159,993  | 22,000  | 20,897  | 165,075                                   | 180,890                                   |
|                     | <b>357,904</b>                                 | <b>326,780</b>                                 | <b>50,940</b>                                 | <b>51,043</b>                                 | <b>408,844</b>                            | <b>377,823</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 31 March 2023<br>£000 | Short Term Creditors 31 March 2022<br>£000 | Long Term Creditors 31 March 2023<br>£000 | Long Term Creditors 31 March 2022<br>£000 | Total Creditors 31 March 2023<br>£000 | Total Creditors 31 March 2022<br>£000 |
|------------------------|--|--|---|---|---------------------------------------|---------------------------------------|
| Receipts in Advance    | 85,509                                     | 50,865                                     | -   | -   | 85,509                                | 50,865                                |
| VAT Payable            | 4,212                                      | 4,202                                      | -   | -   | 4,212                                 | 4,202                                 |
| Contract Liabilities   | 2,552                                      | 7,467                                      | -   | -   | 2,552                                 | 7,467                                 |
| Other HMRC Liabilities | 1,609                                      | 2,020                                      | -   | -   | 1,609                                 | 2,020                                 |
| Deferred Income        | 12,061                                     | 22,279                                     | 14,731                                    | -   | 26,792                                | 22,279                                |
| General Creditors      | 387,329                                    | 325,593                                    | 35  | 5,786                                     | 387,364                               | 331,379                               |
|                        | <b>493,272</b>                             | <b>412,426</b>                             | <b>14,766</b>                             | <b>5,786</b>                              | <b>508,038</b>                        | <b>418,212</b>                        |

## Note G6 - Cash & Cash Equivalents

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

|  | 31 March 2023<br>£000 | 31 March 2022<br>£000 |
|--|-----------------------|-----------------------|
| Single Entity Cash and Bank balances         | -4,244                | -16,256               |
| Subsidiary cash and bank balances            | 24,276                | 19,250                |
| Short term deposits with the Money Market    | 135,958               | 135,898               |
| <b>Total Group Cash and Cash Equivalents</b> | <b>155,990</b>        | <b>138,892</b>        |

## Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 138. The reserves of the subsidiaries include:

|  | 2021-22 Usable Reserves Retained Earnings<br>£000 |                                 | 2022-23 Usable Reserves Retained Earnings<br>£000 |
|--|---|---------------------------------|---|
| <b>Balance at 1 April 2021</b>                           | <b>4,538</b>                                      | <b>Balance at 1 April 2022</b>  | <b>6,931</b>                                      |
| Profit/(Loss) for the year                               | 3,014   |                                 | 2,132   |
| Share of surplus/(deficit) of associate or joint venture | 329   |                                 | 545   |
| Dividends paid/declared                                  | -950  |                                 | -1,150  |
| <b>Balance at 31 March 2022</b>                          | <b>6,931</b>                                      | <b>Balance at 31 March 2023</b> | <b>8,458</b>                                      |

The disclosure note description relating to associate and joint venture has been amended to reflect the same description as in the Group Comprehensive Income and Expenditure Statement on pages 136 & 137.

## Note G8 - Financial Instruments

### Categories of Financial Instruments

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

#### Financial Assets

|                                     | 31 March 2023<br>Long term<br>£000 | 31 March 2023<br>Short term<br>£000 | 31 March 2022<br>Long term<br>£000 | 31 March 2022<br>Short term<br>£000 |
|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <b>Investments:</b>                 |                                    |                                     |                                    |                                     |
| - Fair value through profit or loss | 186,789                            | 134,708                             | 202,067                            | 130,898                             |
| - Amortised cost                    | 125,782                            | 59,473                              | 100,708                            | 41,334                              |
|                                     | <b>312,571</b>                     | <b>194,181</b>                      | <b>302,775</b>                     | <b>172,232</b>                      |
| <b>Debtors:</b>                     |                                    |                                     |                                    |                                     |
| - Amortised cost                    | 31,640                             | 294,678                             | 33,014                             | 261,401                             |
| - Amortised cost - Soft Loans       | 19,300                             | 6,332                               | 18,029                             | 5,079                               |
| - Non-financial assets              |                                    | 56,894                              |                                    | 60,300                              |
|                                     | <b>50,940</b>                      | <b>357,904</b>                      | <b>51,043</b>                      | <b>326,780</b>                      |
| Cash & Cash Equivalents             |                                    | 24,276                              |                                    | 19,250                              |
| <b>Total</b>                        | <b>363,511</b>                     | <b>576,361</b>                      | <b>353,818</b>                     | <b>518,262</b>                      |

#### Financial Liabilities

|                             | 31 March 2023<br>Long term<br>£000 | 31 March 2023<br>Short term<br>£000 | 31 March 2022<br>Long term<br>£000 | 31 March 2022<br>Short term<br>£000 |
|-----------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <b>Borrowing</b>            |                                    |                                     |                                    |                                     |
| - Amortised cost            | 721,893                            | 90,155                              | 762,470                            | 73,839                              |
| - Non-financial liabilities | 187,489                            | 8,458                               | 195,947                            | 8,447                               |
|                             | <b>909,382</b>                     | <b>98,613</b>                       | <b>958,417</b>                     | <b>82,286</b>                       |
| <b>Creditors</b>            |                                    |                                     |                                    |                                     |
| - Amortised cost            | 35                                 | 389,881                             | 5,786                              | 333,060                             |
| - Non-financial assets      | 14,731                             | 103,391                             |                                    | 79,366                              |
|                             | <b>14,766</b>                      | <b>493,272</b>                      | <b>5,786</b>                       | <b>412,426</b>                      |
| Cash & Cash Equivalents     |                                    | 4,244                               |                                    | 16,256                              |
| <b>Total</b>                | <b>924,148</b>                     | <b>596,129</b>                      | <b>964,203</b>                     | <b>510,968</b>                      |

## Supporting the Cash Flow

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

The cash flows for operating activities include the following items:

|                         | <b>2022-23</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> |
|-------------------------|-------------------------------|-------------------------------|
| Interest received       | -12,182                       | -10,837                       |
| Interest paid           | 55,470                        | 58,991                        |
| Employee Costs          | 1,007,642                     | 938,879                       |
| Income from Council Tax | -885,685                      | -840,236                      |
| Government Grants       | -1,687,069                    | -1,653,466                    |

| <b>The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:</b> | <b>2022-23</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> |
|--|-------------------------------|-------------------------------|
| Movement in pension liability  | -20,245                       | -163,012                      |
| Carrying amount of non-current assets sold   | -123,999                      | -78,290                       |
| Carrying amount of Capital Inventory sold  | -1,723                        |                               |
| Carrying amount of Financial Assets held at FVPL   | -18,863                       | 11,480                        |
| Amortisation of fixed assets   | -2,673                        | -2,882                        |
| Depreciation of fixed assets   | -103,298                      | -99,738                       |
| Impairment and downward valuations   | -2,936                        | 8,932                         |
| Income from shares in group undertakings   | 0                             | 0                             |
| Increase/(decrease) debtors  | 23,695                        | 21,241                        |
| (Increase)/decrease creditors  | -86,927                       | -18,744                       |
| Increase/(decrease) stock  | 4,357                         | -239                          |
| Change in provisions   | 116                           | -106                          |
| Movement on investment properties  | -1,749                        | -1,550                        |
| REFCUS   | -61,631                       | -157,052                      |
| Other non-cash items charged to the net surplus/deficit on the Provision of Services                               | 21,080                        | 37,332                        |
| Taxation   | 0                             |                               |
|  | <b>-374,796</b>               | <b>-442,628</b>               |

| <b>The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:</b> | <b>2022-23</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Proceeds from the sale of property plant and equipment, investment property, and intangible assets  | <b>12,914</b>                 | <b>10,612</b>                 |
| <b>Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities:</b> |                               |                               |
| Capital grants applied  | 217,251                       | 263,862                       |
| Payment of Collection Fund Deficit  | 22,749                        | 30,507                        |
|   | <b>252,914</b>                | <b>304,981</b>                |

## Note G10 - Group Cash Flow Statement - Investing Activities

|   | <b>2022-23</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Purchase of property, plant and equipment, investment property, and intangible assets           | 254,126                       | 355,652                       |
| Purchase of short-term and long-term investments  | 1,108,337                     | 1,322,415                     |
| Proceeds from capital inventory   | -2,046                        |                               |
| Other payments for investing activities   | 0                             | 0                             |
| Proceeds from sale of property, plant and equipment, investment property, and intangible assets | -10,391                       | -10,600                       |
| Proceeds from short-term and long-term investments  | -1,062,165                    | -1,370,876                    |
| Other receipts from investing activities  | -229,263                      | -276,506                      |
| <b>Net cash flows from investing activities</b>   | <b>58,598</b>                 | <b>20,085</b>                 |

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

|   | <b>2022-23</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Cash receipts of short- and long-term borrowing               | -76,020                       | 0                             |
| Relating to finance leases and on-balance sheet PFI contracts | 4,370                         | 3,648                         |
| Repayments of short- and long-term borrowing                  | 99,199                        | 27,761                        |
| Other payments from financing activities                      | 950                           | 1,543                         |
| <b>Net cash flows from financing activities</b>               | <b>28,499</b>                 | <b>32,952</b>                 |

## Pension Fund Accounts

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2023 available from the Fund's website at [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk).

### Fund Account for the year ended 31 March:

|   | Notes | 2022-23<br>£000  | 2021-22<br>£000  |
|---|-------|------------------|------------------|
| <b>Dealings with members, employers and others directly involved in the Fund</b>          |       |                  |                  |
| Contributions   | 7     | 297,692          | 280,431          |
| Transfers in from other pension funds   | 8     | 17,306           | 10,636           |
|   |       | 314,998          | 291,067          |
| Benefits  | 9     | -270,995         | -257,277         |
| Payments to and on account of leavers   | 10    | -15,184          | -28,114          |
|   |       | -286,179         | -285,391         |
| <b>Net additions from dealings with members</b>   |       | <b>28,819</b>    | <b>5,676</b>     |
| Management expenses   | 11    | -32,502          | -34,840          |
| <b>Net withdrawals including fund management expenses</b>                                 |       | <b>-3,683</b>    | <b>-29,164</b>   |
| <b>Returns on investments</b>   |       |                  |                  |
| Investment Income   | 13    | 153,112          | 133,600          |
| Taxes on Income   |       | -198             | -157             |
| Profit and loss on disposal of investments and changes in the market value of investments | 15a   | -3,704           | 84,514           |
| <b>Net return on investments</b>  |       | <b>149,210</b>   | <b>217,957</b>   |
| <b>Net increase in the net assets available for benefits during the year</b>              |       | <b>145,527</b>   | <b>188,793</b>   |
| <b>Opening net assets of the scheme</b>   |       | <b>7,702,425</b> | <b>7,513,632</b> |
| <b>Closing net assets of the scheme</b>   |       | <b>7,847,952</b> | <b>7,702,425</b> |

### Net Assets Statement as at 31 March

|  | Notes | 2022-23<br>£000  | 2021-22<br>£000  |
|--|-------|------------------|------------------|
| Investment assets  |       | 7,860,392        | 7,711,217        |
| Investment liabilities   |       | -12,323          | -14,178          |
| <b>Net investment assets</b>                                   | 15    | <b>7,848,069</b> | <b>7,697,039</b> |
| Current assets   | 21    | 29,503           | 32,036           |
| Current liabilities  | 22    | -29,620          | -26,650          |
| <b>Net assets available to fund benefits at the period end</b> |       | <b>7,847,952</b> | <b>7,702,425</b> |

## 1. Description of the Fund

### General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

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

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body.

Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 301 employers actively participating in the Fund and the profile of members is as detailed below:

|                     | Kent County Council<br>31-Mar-23 | Kent County Council<br>31-Mar-22 | Other Employers<br>31-Mar-23 | Other Employers<br>31-Mar-22 | Total<br>31-Mar-23 | Total<br>31-Mar-22 |
|---------------------|----------------------------------|----------------------------------|------------------------------|------------------------------|--------------------|--------------------|
| Contributors        | 21,885                           | 21,041                           | 31,468                       | 31,788                       | 53,353             | 52,829             |
| Pensioners          | 24,878                           | 24,090                           | 23,705                       | 22,616                       | 48,583             | 46,706             |
| Deferred Pensioners | 24,618                           | 25,024                           | 25,284                       | 24,553                       | 49,902             | 49,577             |
| Total               | 71,381                           | 70,155                           | 80,457                       | 78,957                       | 151,838            | 149,112            |

### Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate,

which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 12.3% to 39.3% of pensionable pay.

## Benefits

Pension benefits under the LGPS are based on the following:

|                 | <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.<br><br>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.<br><br>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.<br><br>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 2022-23 financial year and its position at 31 March 2023.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

### Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 82% of the Fund's investments can be converted into cash within 3 months.

### 3. Summary of Significant Accounting Policies

#### Fund account - revenue recognition

##### a) Contribution income

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

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

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

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

##### c) Investment income

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

#### Fund Account - expense items

##### d) Benefits payable

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

##### e) Taxation

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

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

## f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

## Net Assets Statement

### g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed income securities are recorded at net market value based on their current yields
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

## **h) Freehold and Leasehold Properties**

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2022. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2023. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

## **i) Derivatives**

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations, the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

## **j) Foreign currency transactions**

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

## **k) Cash and cash equivalents**

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

## **l) Financial Liabilities**

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

## **m) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

## **n) Contingent assets and liabilities**

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in

circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required, or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### **o) Pooling expenses**

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

### **p) Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

## **4. Critical judgements in applying accounting policy**

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

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

| <b>Item</b>   | <b>Uncertainties</b>   | <b>Effect if actual results differ from assumption</b>  |
|---|--|---|
| Actuarial present value of promised retirement benefits (Note 20)         | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £112m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £290m. |
| Private equity and infrastructure and other level 3 investments (Note 17) | Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.  | The total private equity including infrastructure and other level 3 investments on the financial statements are £618m. Potential change in valuation due to changes in these factors is estimated in Note 17.   |

|   |   |   |
|---|---|---|
| Freehold and leasehold property and pooled property funds (Note 17) | Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. | The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £78m on a fair value of £782m. Details of potential factors affecting the valuation are in Note 17. |
|---|---|---|

## 6. Events after the reporting date

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

## 7. Contributions receivable

|                                       | 2022-23<br>£000 | 2021-22<br>£000 |
|---------------------------------------|-----------------|-----------------|
| <b>By category</b>                    |                 |                 |
| Employees' contributions              | 66,582          | 63,125          |
| Employers' contributions              |                 |                 |
| -normal contributions                 | 192,792         | 182,404         |
| -deficit recovery contributions       | 35,993          | 30,445          |
| -augmentation contributions           | 2,325           | 4,457           |
| Total Employers' contributions        | 231,110         | 217,306         |
| <b>Total contributions receivable</b> | <b>297,692</b>  | <b>280,431</b>  |
| <b>By type of employer</b>            |                 |                 |
| Kent County Council                   | 109,234         | 104,902         |
| Scheduled bodies                      | 174,513         | 161,935         |
| Admission bodies                      | 13,945          | 13,594          |
|                                       | <b>297,692</b>  | <b>280,431</b>  |

## 8. Transfers in from other pension funds

|                    | 2022-23<br>£000 | 2021-22<br>£000 |
|--------------------|-----------------|-----------------|
| <b>By category</b> |                 |                 |
| Individual         | 17,306          | 10,636          |
| Group              | 0               | 0               |
|                    | <b>17,306</b>   | <b>10,636</b>   |

## 9. Benefits payable

|  | 2022-23<br>£000 | 2021-22<br>£000 |
|--|-----------------|-----------------|
| <b>By Category</b>                           |                 |                 |
| Pensions                                     | 227,129         | 216,199         |
| Retirement commutation and lump sum benefits | 36,188          | 34,572          |
| Death benefits                               | 7,678           | 6,506           |
|  | <b>270,995</b>  | <b>257,277</b>  |
| <b>By type of employer</b>                   |                 |                 |
| Kent County Council                          | 121,133         | 115,210         |
| Scheduled bodies                             | 133,453         | 126,398         |
| Admission bodies                             | 16,409          | 15,669          |
|  | <b>270,995</b>  | <b>257,277</b>  |

## 10. Payments to and on account of leavers

|   | 2022-23<br>£000 | 2021-22<br>£000 |
|---|-----------------|-----------------|
| Group transfers                                   | 0               | 11,320          |
| Individual transfers                              | 14,009          | 15,364          |
| Payments/refunds for members joining state scheme | 3               | 0               |
| Refunds of contributions                          | 1,172           | 1,430           |
|   | <b>15,184</b>   | <b>28,114</b>   |

## 11. Management expenses

|                                | Notes | 2022-23<br>£000 | 2021-22<br>£000 |
|--------------------------------|-------|-----------------|-----------------|
| Administration costs           |       | 3,684           | 3,645           |
| Governance and oversight costs |       | 992             | 843             |
| Investment management expenses | 12    | 27,665          | 30,220          |
| Audit fees                     |       | 46              | 41              |
| Pooling expenses               |       | 115             | 91              |
|                                |       | <b>32,502</b>   | <b>34,840</b>   |

## 12. Investment management expenses

|                          | Notes | 2022-23<br>£000 | 2021-22<br>£000 |
|--------------------------|-------|-----------------|-----------------|
| Investment managers fees | 12a   | 27,448          | 29,525          |
| Transaction costs        |       | 166             | 652             |
| Custody fees             |       | 51              | 43              |
| <b>Total</b>             |       | <b>27,665</b>   | <b>30,220</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.

## 12a. Investment management fees

|                                 | 2022-23<br>£000 | 2021-22<br>£000 |
|---------------------------------|-----------------|-----------------|
| Fixed income                    | 3,802           | 4,004           |
| Equities                        | 13,343          | 14,755          |
| Private equity / infrastructure | 6,907           | 7,243           |
| Property                        | 3,396           | 3,523           |
| <b>Total</b>                    | <b>27,448</b>   | <b>29,525</b>   |

## 13. Summary of Income from Investments

|                                 | Notes     | 2022-23<br>£000 | 2022-23<br>% | 2021-22<br>£000 | 2021-22<br>% |
|---------------------------------|-----------|-----------------|--------------|-----------------|--------------|
| Bonds                           |           | 15,606          | 10.2         | 14,423          | 10.8         |
| Equities                        |           | 7,257           | 4.7          | 4,682           | 3.5          |
| Pooled investments              |           | 97,769          | 63.9         | 84,048          | 62.9         |
| Private equity / infrastructure |           | 11,271          | 7.4          | 9,190           | 6.9          |
| Property                        | <b>14</b> | 11,456          | 7.4          | 14,533          | 10.9         |
| Pooled property investments     |           | 7,028           | 4.6          | 6,449           | 4.8          |
| Cash and cash equivalents       |           | 2,621           | 1.7          | 217             | 0.2          |
| Stock lending                   |           | 103             | 0.1          | 58              | 0.0          |
| <b>Total before taxes</b>       |           | <b>153,112</b>  | <b>100.0</b> | <b>133,600</b>  | <b>100.0</b> |

## 14. Property Income and Expenditure

|   | 2022-23<br>£000 | 2021-22<br>£000 |
|---|-----------------|-----------------|
| Rental income from investment properties  | 19,962          | 20,799          |
| Direct operating expenses                 | -8,506          | -6,266          |
| <b>Net operating income from property</b> | <b>11,456</b>   | <b>14,533</b>   |

Rental income for 2022-23 is net of provision for doubtful debts of £4.7m (2021-22 £4.5m).

## 15. Investments

|  | Market Value<br>as at<br>31 March 23<br>£000 | Market Value<br>as at<br>31 March 22<br>£000 |
|--|--|--|
| <b>Investment assets</b>               |  |  |
| Bonds                                  | 356,101                                      | 379,028                                      |
| Equities                               | 363,714                                      | 371,946                                      |
| Pooled investments                     |  |  |
| Fixed income                           | 711,013                                      | 721,635                                      |
| Equities                               | 4,312,029                                    | 4,125,358                                    |
| Absolute return                        | 573,683                                      | 567,162                                      |
| Private equity/infrastructure funds    | 614,963                                      | 464,955                                      |
| Property                               | 501,584                                      | 577,934                                      |
| Pooled property investments            | 280,305                                      | 324,285                                      |
| Derivatives-forward currency contracts | 5,562  | 472  |
| Investment cash and cash equivalents   | 127,035                                      | 155,306                                      |
| Investment income due                  | 14,404                                       | 13,800                                       |
| Amounts receivable for sales           | 0  | 788  |
| Margin cash                            | 0  | 8,548  |
| <b>Total investment assets</b>         | <b>7,860,392</b>                             | <b>7,711,217</b>                             |
| <b>Investment liabilities</b>          |  |  |
| Amounts payable for purchases          | -2,169                                       | -800   |
| Margin cash liability                  | -5,010                                       | 0  |
| Provision for doubtful debts           | -4,735                                       | -4,544                                       |
| Derivatives-forward currency contracts | -409   | -8,834                                       |
| <b>Total investment liabilities</b>    | <b>-12,323</b>                               | <b>-14,178</b>                               |
| <b>Net investment assets</b>           | <b>7,848,069</b>                             | <b>7,697,039</b>                             |

Investment income due (debtors) includes a sum of £7.5m (2021-22 £7.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.7m (2021-22 £4.5m) has therefore been made for doubtful rent debts.

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

|  | Market Value<br>as at<br>31 March 22<br>£000 | Purchases<br>at cost<br>£000 | Sales<br>proceeds<br>£000 | Change<br>in<br>market<br>value<br>£000 | Market Value<br>as at<br>31 March 23<br>£000 |
|--|--|------------------------------|---------------------------|---|--|
| Bonds                                  | 379,027                                      | 62,081                       | -73,921                   | -11,086                                 | 356,101                                      |
| Equities                               | 371,946                                      | 127,202                      | -124,305                  | -11,129                                 | 363,714                                      |
| Pooled investments                     | 5,414,155                                    | 84,969                       | -1,309                    | 98,909                                  | 5,596,724                                    |
| Private equity/infrastructure          | 464,955                                      | 132,147                      | -36,525                   | 54,386                                  | 614,963                                      |
| Property                               | 577,934                                      | 0                            | 0                         | -76,350                                 | 501,584                                      |
| Pooled property investments            | 324,287                                      | 1,251                        | -6,983                    | -38,250                                 | 280,305                                      |
|  | 7,532,304                                    | 407,650                      | -243,043                  | 16,480                                  | 7,713,391                                    |
| Derivative contracts                   |  |                              |                           |   |  |
| - Forward currency contracts           | -8,362                                       | 3,286,774                    | -3,252,871                | -20,388                                 | 5,153  |
|  | <b>7,523,942</b>                             | <b>3,694,424</b>             | <b>-3,495,914</b>         | <b>-3,908</b>                           | <b>7,718,544</b>                             |
| Other investment balances              |  |                              |                           |   |  |
| - Investment cash and cash equivalents | 155,305                                      |                              |                           | 206                                     | 127,035                                      |
| - Amounts receivable for sales         | 788  |                              |                           |   | 0  |
| - Amounts payable for purchases        | -800   |                              |                           |   | -2,169                                       |
| - Margin cash liability                | 8,548  |                              |                           |   | -5,010                                       |
| - Investment income due                | 13,800                                       |                              |                           |   | 14,404                                       |
| - Provision for doubtful debt          | -4,544                                       |                              |                           |   | -4,735                                       |
| <b>Net investment assets</b>           | <b>7,697,039</b>                             |                              |                           | <b>-3,702</b>                           | <b>7,848,069</b>                             |

|  | Market Value as at 31 March 21<br>£000 | Purchases at cost<br>£000 | Sales proceeds<br>£000 | Change in market value<br>£000 | Market Value as at 31 March 22<br>£000 |
|--|--|---------------------------|------------------------|--------------------------------|--|
| Bonds                                  | 401,001                                | 98,117                    | -99,920                | -20,171                        | 379,027                                |
| Equities                               | 348,033                                | 100,464                   | -100,596               | 24,045                         | 371,946                                |
| Pooled investments                     | 5,343,724                              | 565,122                   | -347,421               | -147,270                       | 5,414,155                              |
| Private equity/infrastructure          | 274,023                                | 141,701                   | -57,219                | 106,450                        | 464,955                                |
| Property                               | 493,314                                |                           |                        | 84,620                         | 577,934                                |
| Pooled property investments            | 281,718                                | 2,031                     | -6,264                 | 46,802                         | 324,287                                |
|  | 7,141,813                              | 907,435                   | -611,420               | 94,476                         | 7,532,304                              |
| Derivative contracts                   |  |                           |                        |                                |  |
| - Forward currency contracts           | 962                                    | 3,098,406                 | -3,097,674             | -10,056                        | -8,362                                 |
|  | <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 asset                    | 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>                       |

## 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<br>£000 | Currency sold | Local value<br>£000 | Asset value<br>£000 | Liability value<br>£000 |
|--|-----------------|---------------------|---------------|---------------------|---------------------|-------------------------|
| Up to one month  | GBP             | 75,124              | EUR           | -85,014             | 423                 | 0                       |
| Up to one month  | GBP             | 1,142               | EUR           | -1,293              | 6                   | 0                       |
| Up to one month  | EUR             | 46                  | GBP           | -41                 | 0                   | -1                      |
| Up to one month  | GBP             | 2,074               | EUR           | -2,338              | 20                  | 0                       |
| Up to one month  | GBP             | 129                 | EUR           | -146                | 1                   | 0                       |
| Up to one month  | EUR             | 806                 | GBP           | -723                | 0                   | -14                     |
| Up to one month  | EUR             | 2,600               | GBP           | -2,295              | 0                   | -10                     |
| Up to one month  | EUR             | 607                 | GBP           | -535                | 0                   | -2                      |
| Up to one month  | GBP             | 1,412               | EUR           | -1,599              | 7                   | 0                       |
| Up to one month  | EUR             | 86,296              | GBP           | -76,082             | 0                   | -255                    |
| Up to one month  | GBP             | 77                  | USD           | -95                 | 0                   | 0                       |
| Up to one month  | GBP             | 40                  | USD           | -49                 | 0                   | 0                       |
| Up to one month  | USD             | 49                  | GBP           | -40                 | 0                   | 0                       |
| Up to one month  | GBP             | 57                  | EUR           | -65                 | 0                   | 0                       |
| Up to one month  | GBP             | 40                  | USD           | -49                 | 0                   | 0                       |
| Up to two months                                       | GBP             | 2,292               | USD           | -2,815              | 17                  | 0                       |
| Up to two months                                       | USD             | 2,323               | GBP           | -1,929              | 0                   | -52                     |
| Up to two months                                       | GBP             | 113,355             | USD           | -137,389            | 2,335               | 0                       |
| Up to two months                                       | GBP             | 113,375             | USD           | -137,389            | 2,355               | 0                       |
| Up to two months                                       | USD             | 1,387               | GBP           | -1,151              | 0                   | -30                     |
| Up to one month  | GBP             | 420                 | USD           | -508                | 9                   | 0                       |
| Up to one month  | GBP             | 1,455               | USD           | -1,734              | 54                  | 0                       |
| Up to one month  | USD             | 397                 | GBP           | -328                | 0                   | -7                      |
| Up to one month  | GBP             | 2,212               | USD           | -2,671              | 53                  | 0                       |
| Up to one month  | USD             | 3,610               | GBP           | -2,943              | 0                   | -26                     |
| Up to one month  | USD             | 336                 | GBP           | -273                | 0                   | -2                      |
| Up to one month  | GBP             | 2,180               | USD           | -2,673              | 20                  | 0                       |
| Up to one month  | USD             | 329                 | GBP           | -268                | 0                   | -2                      |
| Up to one month  | USD             | 3,183               | GBP           | -2,580              | 0                   | -8                      |
| Up to one month  | USD             | 378                 | GBP           | -305                | 0                   | 0                       |
| Up to one month  | GBP             | 428                 | USD           | -530                | 0                   | 0                       |
| Up to one month  | GBP             | 702                 | USD           | -868                | 0                   | 0                       |
| Up to one month  | GBP             | 76,361              | EUR           | -86,340             | 262                 | 0                       |
|  |                 |                     |               |                     | 5,562               | -409                    |
| <b>Net forward currency contracts at 31 March 2023</b> |                 |                     |               |                     |                     | <b>5,153</b>            |
| Prior year comparative                                 |                 |                     |               |                     |                     |                         |
| Open forward currency contracts at 31 March 2022       |                 |                     |               |                     | 472                 | -8,834                  |
| <b>Net forward currency contracts at 31 March 2022</b> |                 |                     |               |                     |                     | <b>-8,362</b>           |

### 15c. Property Holdings

|                              | Year ending 31<br>March 23<br>£000 | Year ending<br>31 March 22<br>£000 |
|------------------------------|------------------------------------|------------------------------------|
| <b>Opening Balance</b>       | 577,934                            | 493,314                            |
| Additions                    | 0                                  | 0                                  |
| Disposals                    | 0                                  | 0                                  |
| Net increase in market value | -76,350                            | 84,620                             |
| <b>Closing Balance</b>       | <b>501,584</b>                     | <b>577,934</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<br>March 23<br>£000 | Year ending<br>31 March 22<br>£000 |
|----------------------------|------------------------------------|------------------------------------|
| Within one year            | 16,935                             | 16,584                             |
| Between one and five years | 41,290                             | 42,579                             |
| Later than five years      | 32,204                             | 33,268                             |
|                            | <b>90,429</b>                      | <b>92,431</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.

## 15d. Investments analysed by fund manager

|  | Market Value<br>as at 31<br>March 2023<br>£000 | Market Value<br>as at 31<br>March 2023<br>% | Market Value<br>as at 31<br>March 2022<br>£000 | Market Value<br>as at 31<br>March 2022<br>% |
|--|--|---|--|---|
| Investments managed in the<br>ACCESS Pool      |  |   |  |   |
| Baillie Gifford                                | 1,071,672                                      | 13.7  | 1,190,077                                      | 15.5  |
| M&G  | 536,060  | 6.8   | 517,812  | 6.7   |
| Ruffer   | 191,519  | 2.4   | 191,066  | 2.5   |
| Schroders                                      | 1,589,355                                      | 20.3  | 1,543,993                                      | 20.1  |
|  | 3,388,606                                      | 43.2  | 3,442,948                                      | 44.7  |
| Investments managed outside<br>the ACCESS Pool |  |   |  |   |
| CQS  | 226,095  | 2.9   | 238,310  | 3.1   |
| DTZ  | 545,702  | 7.0   | 633,444  | 8.2   |
| Fidelity                                       | 141,308  | 1.8   | 163,219  | 2.1   |
| Goldman Sachs                                  | 385,314  | 4.9   | 400,917  | 5.2   |
| HarbourVest                                    | 259,578  | 3.3   | 233,070  | 3.0   |
| Impax  | 72,807   | 0.9   | 74,516   | 1.0   |
| Insight  | 1,039,867                                      | 13.2  | 791,269  | 10.3  |
| Kames  | 32,132   | 0.4   | 43,723   | 0.6   |
| Kent County Council investment<br>team         | 86,957   | 1.1   | 126,483  | 1.6   |
| M&G  | 314,552  | 4.0   | 308,336  | 4.0   |
| Partners Group                                 | 273,163  | 3.5   | 174,936  | 2.3   |
| Pyrford  | 382,164  | 4.9   | 376,095  | 4.9   |
| Sarasin  | 375,518  | 4.8   | 381,253  | 5.0   |
| Schroders                                      | 239,281  | 3.0   | 243,353  | 3.2   |
| YFM  | 82,222   | 1.0   | 56,948   | 0.7   |
| Link Fund Solutions (previously<br>Woodford)   | 2,803  | 0.0   | 8,219  | 0.1   |
|  | 4,459,463                                      | 56.8  | 4,254,091                                      | 55.3  |
| <b>Total</b>                                   | <b>7,848,069</b>                               | <b>100</b>                                  | <b>7,697,039</b>                               | <b>100</b>                                  |

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

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

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

## 15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below:

### 31 March 2023

| Loan Type | Market Value<br>£000 | Collateral Value<br>£000 | Collateral type                          |
|-----------|----------------------|--------------------------|--|
| Equities  | 6,483                | 6,751                    | Treasury Notes and other Government debt |
| Bonds     | 33,470               | 34,854                   | Treasury Notes and other Government debt |
|           | <b>39,953</b>        | <b>41,605</b>            |  |

### 31 March 2022

| Loan Type | Market Value<br>£000 | Collateral Value<br>£000 | Collateral type                          |
|-----------|----------------------|--------------------------|--|
| 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>            |  |

## 16. Financial instruments

### 16a. Classification of financial instruments

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

|                                  | 31 Mar 23<br>Fair value<br>through<br>profit and<br>loss<br>£000 | 31 Mar 23<br>Assets at<br>amortised<br>cost<br>£000 | 31 Mar 23<br>Financial<br>liabilities at<br>amortised<br>cost<br>£000 | 31 Mar 22<br>Fair value<br>through<br>profit and<br>loss<br>£000 | 31 Mar 22<br>Assets at<br>amortised<br>cost<br>£000 | 31 Mar 22<br>Financial<br>liabilities at<br>amortised<br>cost<br>£000 |
|----------------------------------|--|---|---|--|---|---|
| <b>Financial assets</b>          |  |   |   |  |   |   |
| Bonds                            | 356,101  |   |   | 379,027  |   |   |
| Equities                         | 363,714  |   |   | 371,946  |   |   |
| Pooled investments               | 5,596,724  |   |   | 5,414,154  |   |   |
| Property pooled<br>investments   | 280,305  |   |   | 324,285  |   |   |
| Private<br>equity/infrastructure | 614,963  |   |   | 464,955  |   |   |
| Derivative contracts             | 5,562  |   |   | 472  |   |   |
| Cash & cash<br>equivalents       | 116,870  | 11,894  |   | 144,833  | 13,151  |   |
| Other investment<br>balances     |  | 14,404  |   |  | 23,137  |   |
| Debtors/<br>receivables          |  | 6,474   |   |  | 7,942   |   |
|                                  | <b>7,334,239</b>   | <b>32,772</b>                                       | <b>0</b>  | <b>7,099,672</b>   | <b>44,230</b>                                       | <b>0</b>  |
| <b>Financial<br/>Liabilities</b> |  |   |   |  |   |   |
| Derivative contracts             | -409   |   |   | -8,834   |   |   |
| Other investment<br>balances     |  |   | -11,904   |  |   | -5,344  |
| Creditors                        |  |   | -11,874   |  |   | -11,019   |
|                                  | <b>-409</b>  | <b>0</b>  | <b>-23,778</b>  | <b>-8,834</b>  | <b>0</b>  | <b>-16,363</b>  |
| <b>Total</b>                     | <b>7,333,830</b>   | <b>32,772</b>                                       | <b>-23,778</b>  | <b>7,090,838</b>   | <b>44,230</b>                                       | <b>-16,363</b>  |

### 16b. Net gains and losses on financial instruments

| Financial assets                   | 31 March 2023<br>£000 | 31 March 2022<br>£000 |
|------------------------------------|-----------------------|-----------------------|
| Fair value through profit and loss | 72,442                | -200                  |
| Assets at amortised cost           | 206                   | 96                    |
| <b>Total</b>                       | <b>72,648</b>         | <b>-104</b>           |

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

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

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

Note: Quoted fund in administration refers to the UK equities Fund managed by Link (earlier Woodford). Bespoke fund for equity protection programme assets is managed by Insight.

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

|                           | Assessed valuation range (+/-) | Value as at 31 March 2023<br>£000 | Value on increase<br>£000 | Value on decrease<br>£000 |
|---------------------------|--------------------------------|-----------------------------------|---------------------------|---------------------------|
| Private equity            | 23.7%                          | 341,800                           | 422,807                   | 260,793                   |
| Infrastructure            | 11.7%                          | 273,163                           | 305,123                   | 241,203                   |
| Other level 3 investments | 23.7%                          | 2,803                             | 3,467                     | 2,139                     |
| Total                     |                                | 617,766                           | 731,397                   | 504,135                   |

|                           | Assessed valuation range (+/-) | Value as at 31 March 2022<br>£000 | Value on increase<br>£000 | Value on decrease<br>£000 |
|---------------------------|--------------------------------|-----------------------------------|---------------------------|---------------------------|
| Private equity            | 23.7%                          | 290,018                           | 358,752                   | 221,284                   |
| Infrastructure            | 11.7%                          | 174,936                           | 195,404                   | 154,468                   |
| Other level 3 investments | 23.7%                          | 8,219                             | 10,167                    | 6,271                     |
| Total                     |                                | 473,173                           | 564,323                   | 382,023                   |

## 17a. Fair Value Hierarchy

### Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

### Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

### Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2023 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair

values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting. The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

|  | Quoted<br>market<br>price<br>Level 1<br>£000 | Using<br>observable<br>inputs<br>Level 2<br>£000 | With<br>significant<br>unobservable<br>inputs<br>Level 3<br>£000 | Total<br>£000    |
|--|--|--|--|------------------|
| <b>Values at 31 March 2023</b>                                     |  |  |  |                  |
| <b>Financial assets at fair value through profit and loss</b>      |  |  |  |                  |
| Bonds  | 356,101                                      |  |  | 356,101          |
| Equities   | 363,714                                      |  |  | 363,714          |
| Pooled investments   | 694,252                                      | 4,899,671  | 2,803  | 5,596,725        |
| Pooled property investments  |  | 280,305  |  | 280,305          |
| Private equity and infrastructure                                  |  |  | 614,963  | 614,963          |
| Derivatives  |  | 5,562  |  | 5,562            |
| Cash deposits  | 128,764                                      |  |  | 128,764          |
| Other investment balances  | 9,393  |  |  | 9,393            |
| <b>Non- Financial assets at fair value through profit and loss</b> |  |  |  |                  |
| Property   |  | 501,584  |  | 501,584          |
| <b>Financial liabilities at fair value through profit and loss</b> |  |  |  | 0                |
| Derivatives  |  | (409)  |  | (409)            |
| Other investment liabilities                                       | (6,904)                                      |  |  | (6,904)          |
| <b>Net investment assets</b>                                       | <b>1,545,320</b>                             | <b>5,686,713</b>                                 | <b>617,766</b>   | <b>7,849,798</b> |

|  | Quoted<br>market<br>price<br>Level 1<br>£000 | Using<br>observable<br>inputs<br>Level 2<br>£000 | With<br>significant<br>unobservable<br>inputs<br>Level 3<br>£000 | Total<br>£000    |
|--|--|--|--|------------------|
| <b>Values at 31 March 2022</b>                                     |  |  |  |                  |
| <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> |

## 17b. Reconciliation of fair value measurements within level 3

|                            | Pvt Equity<br>£000 | Infrastructure<br>£000 | Other<br>£000 | Total<br>£000  |
|----------------------------|--------------------|------------------------|---------------|----------------|
| Market value 1 April 2022  | 290,018            | 174,936                | 8,220         | 473,174        |
| Transfers into level 3     |                    |                        |               | 0              |
| Transfers out of level 3   |                    |                        |               | 0              |
| Purchases during the year  | 53,759             | 78,389                 | 0             | 132,148        |
| Sales during the year      | (25,371)           | (11,153)               | (1,308)       | (37,832)       |
| Unrealised gains/ losses   | 8,254              | 29,813                 | (4,109)       | 33,958         |
| Realised gains/losses      | 15,140             | 1,178                  |               | 16,318         |
| Market value 31 March 2023 | <b>341,800</b>     | <b>273,163</b>         | <b>2,803</b>  | <b>617,766</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 Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

#### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

#### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments, and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2022-23 reporting period.

| Asset Type                    | Potential Market Movements (+/-) |
|-------------------------------|----------------------------------|
| UK Equities                   | 15.4                             |
| Overseas equities             | 15.6                             |
| Global pooled equities inc UK | 15.7                             |
| Bonds                         | 7.6                              |
| Property                      | 9                                |
| Infrastructure                | 11.7                             |
| Private equity                | 23.7                             |

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

| Asset Type                    | Value as at<br>31 March 23<br>£000 | Percentage<br>change % | Value on<br>increase<br>£000 | Value on<br>decrease<br>£000 |
|-------------------------------|------------------------------------|------------------------|------------------------------|------------------------------|
| Cash and cash equivalents     | 128,764                            | 0.00                   | 128,764                      | 128,764                      |
| Investment portfolio assets:  |                                    |                        |                              |                              |
| UK equities                   | 55,534                             | 15.40                  | 64,086                       | 46,982                       |
| Overseas equities             | 308,180                            | 15.60                  | 356,256                      | 260,104                      |
| Global pooled equities inc UK | 4,885,711                          | 15.70                  | 5,652,768                    | 4,118,655                    |
| Bonds incl bond funds         | 1,067,114                          | 7.60                   | 1,148,215                    | 986,013                      |
| Property pooled funds         | 280,305                            | 9.00                   | 305,533                      | 255,078                      |
| Private equity                | 341,800                            | 11.70                  | 381,791                      | 301,809                      |
| Infrastructure funds          | 273,163                            | 23.70                  | 337,903                      | 208,423                      |
| Derivative assets             | 5,562                              | 0.00                   | 5,562                        | 5,562                        |
| <b>Total</b>                  | <b>7,346,133</b>                   |                        | <b>8,380,878</b>             | <b>6,311,390</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 10% for equities over the year. The current programme will run until March 2024.

| Asset Type                    | Value as at 31<br>March 22<br>£000 | Percentage<br>change % | Value on<br>increase<br>£000 | Value on<br>decrease<br>£000 |
|-------------------------------|------------------------------------|------------------------|------------------------------|------------------------------|
| Cash and cash equivalents     | 157,984                            | 0.00                   | 157,984                      | 157,984                      |
| Investment portfolio assets:  |                                    |                        |                              |                              |
| UK equities                   | 40,908                             | 15.40                  | 47,208                       | 34,608                       |
| Overseas equities             | 331,038                            | 15.60                  | 382,680                      | 279,396                      |
| Global pooled equities inc UK | 4,692,519                          | 15.70                  | 5,429,244                    | 3,955,794                    |
| Bonds inc bond funds          | 1,100,662                          | 7.60                   | 1,184,312                    | 1,017,012                    |
| Property pooled funds         | 324,285                            | 9.00                   | 353,471                      | 295,099                      |
| Private equity                | 290,018                            | 11.70                  | 323,950                      | 256,086                      |
| Infrastructure funds          | 174,936                            | 23.70                  | 216,396                      | 133,476                      |
| Derivative assets             | 0                                  | 0.00                   | 0                            | 0                            |
| <b>Total</b>                  | <b>7,112,350</b>                   |                        | <b>8,095,245</b>             | <b>6,129,455</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 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

| Asset type                 | 31 March 23<br>£000s | 31 March 22<br>£000s |
|----------------------------|----------------------|----------------------|
| Cash and cash equivalents  | 127,035              | 155,309              |
| Cash balances              | 1,729                | 2,679                |
| Bonds                      |                      |                      |
| - Directly held securities | 356,101              | 379,027              |
| - Pooled funds             | 711,013              | 721,635              |
| <b>Total</b>               | <b>1,195,878</b>     | <b>1,258,650</b>     |

### Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

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

| <b>Asset type</b>                       | Carrying amount as at 31 March 22<br>£000 | Change in year in the net assets available to pay benefits +1%<br>£000 | Change in year in the net assets available to pay benefits +1%<br>£000 |
|---|---|--|--|
| Cash and cash equivalents               | 155,309                                   | 0  | 0  |
| Cash balances                           | 2,679                                     | 0  | 0  |
| Bonds                                   |   |  |  |
| - Directly held securities              | 379,027                                   | -14,100  | 14,100   |
| - Pooled funds                          | 721,635                                   | -2,442   | 2,442  |
| <b>Total change in assets available</b> | <b>1,258,650</b>                          | <b>-16,542</b>   | <b>16,542</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 2023 and 2022:

| Currency exposure - asset type                             | Asset value as at 31 March 23<br>£000 | Asset value as at 31 March 22<br>£000 |
|--|---------------------------------------|---------------------------------------|
| Overseas equities  | 308,180                               | 331,088                               |
| Overseas pooled funds                                      | 3,944,244                             | 3,781,449                             |
| Overseas bonds   | 0                                     | 0                                     |
| Overseas private equity, infrastructure and property funds | 532,741                               | 408,007                               |
| Non GBP cash   | 3,116                                 | 2,640                                 |
| <b>Total overseas assets</b>                               | <b>4,788,281</b>                      | <b>4,523,184</b>                      |

### Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2022-23 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Currency exposure - asset type                             | Asset value as at 31 March 23<br>£000 | Change to net assets available to pay benefits +7.2%<br>£000 | Change to net assets available to pay benefits -7.2%<br>£000 |
|--|---------------------------------------|--|--|
| Overseas equities  | 308,180                               | 330,368  | 285,991  |
| Overseas pooled funds                                      | 3,944,244                             | 4,228,230  | 3,660,259  |
| Overseas bonds   | 0                                     | 0  | 0  |
| Overseas private equity, infrastructure and property funds | 532,741                               | 571,098  | 494,384  |
| Non GBP cash   | 3,116                                 | 3,340  | 2,892  |
| <b>Total change in assets available</b>                    | <b>4,788,281</b>                      | <b>5,133,037</b>   | <b>4,443,524</b>   |

| Currency exposure - asset type                             | Asset value as at 31 March 22<br>£000 | Change to net assets available to pay benefits +7.2%<br>£000 | Change to net assets available to pay benefits -7.2%<br>£000 |
|--|---------------------------------------|--|--|
| Overseas equities  | 331,038                               | 354,873  | 307,203  |
| Overseas pooled funds                                      | 3,781,449                             | 4,053,713  | 3,509,185  |
| Overseas bonds   | 0                                     | 0  | 0  |
| Overseas private equity, infrastructure and property funds | 408,007                               | 437,384  | 378,630  |
| Non GBP cash   | 2,640                                 | 2,830  | 2,450  |
| <b>Total change in assets available</b>                    | <b>4,523,134</b>                      | <b>4,848,800</b>   | <b>4,197,468</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.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

|  | Rating | Balance as at<br>31 March 23<br>£000 | Balance as at<br>31 March 22<br>£000 |
|--|--------|--------------------------------------|--------------------------------------|
| <b>Money market funds</b>                    |        |                                      |                                      |
| Northern Trust Sterling Fund                 | AAAm   | 12,295                               | 8,615                                |
| SSGA Liquidity Fund                          | AAAm   | 0                                    | 0                                    |
| Blackrock ICS                                | AAAm   | 43,648                               | 2,072                                |
| Blackrock USD Government Liquidity Fund      | AAAm   | 3,047                                | 0                                    |
| Aberdeen Sterling Liquidity Fund             | AAAm   | 88                                   | 33,097                               |
| Goldman Sachs Liquid Reserve Government Fund | AAAm   | 17,481                               | 11,246                               |
| Aviva Investors Sterling Liquidity Fund      | AAAm   | 6,409                                | 56,926                               |
| Federated (PR) Short-term GBP Prime Fund     | AAAm   | 0                                    | 0                                    |
| Deutsche Managed Sterling Fund               | AAAm   | 3,923                                | 7                                    |
| HSBC Global Liquidity Fund                   | AAAm   | 0                                    | 23                                   |
| LGIM Liquidity Fund                          | AAAm   | 28,043                               | 32,847                               |
| Insight Sterling Liquidity Fund              | AAAm   | 0                                    | 0                                    |
|  |        | <b>114,933</b>                       | <b>144,833</b>                       |
| <b>Bank deposit accounts</b>                 |        |                                      |                                      |
| NatWest SIBA                                 | A+     | 1,799                                | 1,513                                |
|  |        | <b>1,799</b>                         | <b>1,513</b>                         |
| <b>Bank current accounts</b>                 |        |                                      |                                      |
| NatWest current account                      | A-     | 50                                   | 50                                   |
| NatWest current account - Euro               | A+     | 891                                  | 192                                  |
| NatWest current account - USD                | A+     | 651                                  | 10                                   |
| Northern Trust - current accounts            | AA-    | 8,214                                | 8,825                                |
| Barclays - DTZ client monies account         | A+     | 2,225                                | 2,561                                |
|  |        | <b>12,032</b>                        | <b>11,638</b>                        |
| <b>Total cash and cash equivalents</b>       |        | <b>128,764</b>                       | <b>157,984</b>                       |

### c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2023 are due within one year.

### Refinancing risk

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

## 19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

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

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

The 2022 actuarial assumptions were as follows:

|   |   |
|---|---|
| Valuation of Assets:                          | Assets have been valued at a 6 month smoothed market rate |
| Rate of return on investments (discount rate) | 4.5% p.a.   |
| Rate of general pay increases:                |   |
| Long term                                     | 3.9% p.a.   |
| Short Term                                    | n/a   |
| Assumed pension increases                     | 2.9% p.a.   |

## 20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

| <b>Actuarial present value of promised retirement benefits</b> | 31 March 23<br>£m | 31 March 22<br>£m |
|--|-------------------|-------------------|
| Present value of promised retirement benefits                  | -7,735.4          | -11,778.8         |
| Fair value of scheme assets at bid value                       | 7,831.8           | 7,702.4           |
| Net liability  | 96.4              | -4,076.4          |

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 101% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

| <b>Assumptions used:</b>         | <b>% p.a.</b> |
|----------------------------------|---------------|
| Salary increase rate             | 3.85%         |
| Inflation/Pensions increase rate | 2.85%         |
| Discount rate                    | 4.80%         |

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

## 21. Current assets

|                                 | 31 March 23<br>£000 | 31 March 22<br>£000 |
|---------------------------------|---------------------|---------------------|
| <b>Debtors</b>                  |                     |                     |
| - Contributions due - employees | 4,759               | 5,039               |
| - Contributions due - employers | 16,541              | 16,376              |
|                                 | 21,300              | 21,415              |
| Sundry debtors                  | 6,474               | 7,942               |
| <b>Total debtors</b>            | <b>27,774</b>       | <b>29,357</b>       |
| <b>Cash</b>                     | <b>1,729</b>        | <b>2,679</b>        |
| <b>Total current assets</b>     | <b>29,503</b>       | <b>32,036</b>       |

## 22. Current liabilities

|                                  | 31 March 23<br>£000 | 31 March 22<br>£000 |
|----------------------------------|---------------------|---------------------|
| <b>Creditors</b>                 |                     |                     |
| - Benefits payable               | 17,746              | 15,631              |
| - Sundry creditors               | 11,874              | 11,019              |
| <b>Total current liabilities</b> | <b>29,620</b>       | <b>26,650</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<br>2022-23<br>£000 | Prudential<br>2021-22<br>£000 | Standard<br>Life<br>2022-23<br>£000 | Standard<br>Life<br>2021-22<br>£000 | Utmost Life<br>2022-23<br>£000 | Utmost Life<br>2021-22<br>£000 |
|--------------------|-------------------------------|-------------------------------|-------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Value at 1 April   | 10,286                        | 9,711                         | 2,043                               | 2,032                               | 330                            | 404                            |
| Value at 31 March  | 10,054                        | 10,286                        | 1,914                               | 2,043                               | 277                            | 330                            |
| Contributions paid | 2,309                         | 1,762                         | 186                                 | 120                                 | 3                              | 1                              |

## 24. Related Party Transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Fund.

|   | 2022-23<br>£000 | 2021-22<br>£000 |
|---|-----------------|-----------------|
| Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:  | 83,624          | 79,585          |
| A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website                   |                 |                 |
| Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services. | 4,118           | 3,910           |
| Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund  | -6,934          | -6,181          |

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

## Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2022-23 was the Director of Finance (and their interim whilst the Director of Finance was on maternity leave) and the Head of Pensions and Treasury (new post appointed February 2022).

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

|                                  | 31 March 23<br>£000 | 31 March 22<br>£000 |
|----------------------------------|---------------------|---------------------|
| Salary                           | 303                 | 164                 |
| Allowances                       | 16                  | 9                   |
| Other                            | 0                   | 0                   |
| Employer's pension contributions | 58                  | 37                  |
| Total                            | 377                 | 210                 |

## 25. Contingent liabilities

There are no contingent liabilities as at 31 March 2023.

## 26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2023 totalled £386.82m (31 March 2022: £495.41m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

## 27. Contingent assets

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

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

## Report on the audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

In our evaluation of the Acting Corporate Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting

in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

### **Other information**

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts

and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

### **Responsibilities of the Authority, the Acting Corporate Director of Finance and Those Charged with Governance for the Financial Statements**

As explained more fully in the Statement of Responsibilities set out on page 21, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Corporate Director of Finance. The Acting Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Interim Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-

compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

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

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

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

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

- unusual journal entries made during the year and at the accounts production stage; and
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment.

Our audit procedures involved:

- Evaluation of the design effectiveness of controls that the Interim Corporate Director of Finance has in place to prevent and detect fraud;
- Journal entry testing, with a focus on testing unusual journal entries made during the year and accounts production stage for appropriateness and corroboration;
- Challenging assumptions and judgements made by management in its significant accounting estimates in respect of property plant and equipment land and buildings, investment property and defined benefit pensions liability valuations;
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to property, plant and equipment valuations and the valuation of the net pension liability.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team [and component auditors] included consideration of the engagement team's and component auditor's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

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

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

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

- On 06 February 2024, we identified that despite a number of programmes of work for improvement being undertaken by the Authority as a result of five key recommendations set out in the 2021/22 auditor's annual report, that the speed of which work progressed was not sufficient to prevent a downwards trend with respect to securing economy, efficiency and effectiveness in its use of resources. We recommended that the authority should:
  - Strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board.
- On 06 February 2024, we identified a significant weakness in relation to the future financial sustainability of the Authority. The savings plan put forward by the Authority to address the financial pressures from the continued budget overspends is unlikely to prevent the Authority from needing to make further difficult decisions around the services it can afford. We recommended that the authority should:
  - Take necessary steps to control expenditure which may in some cases mean withdrawing or to pare back existing services
  - Going forward, savings and growth plans will require robust business cases. Management actions will also need to be supported by realistic planning.
- On 06 February 2024, we identified a significant weakness in the financial sustainability of the SEND service, with education, health and care plan (EHCP) referral rates remaining above the national average. The Authority's arrangements are not effective in managing SEND demand in a financially sustainable way. We recommended that the Authority should:
  - Take a holistic approach towards managing SEND demand and SEND financial management issues in Kent. This will involve the ruling administration making some difficult decisions.
  - To place a focus on EHCP demand and approval processes in the coming five years to return SEND services to a sustainable footing.
- On 06 February 2024, we have identified a significant weakness in the arrangements in place for decision making, including in arrangements for strategic prioritisation, challenge and scrutiny. Compliance with the Authority's decision-making arrangements needs to be strengthened. We are not satisfied that the council has proper arrangements in place to secure the economy, efficiency and effectiveness in its use of resources in 2022/23. We recommend that the authority should:
  - Ensure members and officers understand their roles and comply with the Authority's governance arrangements. Issues and complaints raised with the Monitoring Officer should be addressed and feed into good practice for the future.
  - The effectiveness of the scrutiny and challenge functions should be carefully considered. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted.
  - Given the need to focus on costs, the effectiveness of members roles on school transport panels should also be considered.

- On 06 February 2024, we have identified a significant weakness in the implementation rates of internal audit findings. The rates for management action on internal audit recommendations are significantly lower than four years ago (50% compared to 62%). This is judged to be a key reason in why a high-profile report on SEND transport re-procurement issued in September 2022 has yet to be followed up on. We recommend that the authority should:
  - Aim to maintain full implementation rates for internal audit findings and complete its review of the internal audit lessons learnt from the SEND transport re-procurement report.
- On 06 February 2024, we have identified a significant weakness in the councils ability to improve the economy, efficient and effectiveness of resources. An external regulator has found that performance standards in the SEND service fell significantly below expectations despite there being a £61.3 million deficit to clear on the service. Continued high rates of demand for the service make progress with improvement difficult. We recommend that the authority should:
  - Liaise with its partners to determine and agree the improvements that will be made in SEND services. An action plan with clear accountability and regular monitoring and reporting is required to ensure the findings and recommendations from Ofsted and CQC inspection reports are addressed and implemented.
  - Develop strategies for managing demand and expectations
- On 06 February 2024, we have identified a significant weakness in the Authority's ability to improve the economy, efficient and effectiveness of resources. During 2022/23, internal audit recorded three limited assurance opinions on procurement and contract management. Our own testing confirmed that Voluntary Ex Ante Transparency (VEAT) notices are not always used when required and procurements can be slow. We recommend that the authority should:
  - Strengthen training around procurement strategy, policies and practice across the Council (for staff working in service lines as much as for staff working in commissioning and procurement team) to ensure an understanding of and compliance with procurement rules.
  - Specialists support should be clearly signposted across the organisation. Staff commissioning and procuring complex services should recognise and plan early when they need that support and know where to get that support once they recognise they need it.
  - Opportunities for value for money through procurement and contract management should be maximised. VEAT notices should be used when required.

## Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the years ending 31 March 2022 and 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: *Paul Dossett*

Paul Dossett, Key Audit Partner

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

London

Date: 18 March 2024

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

## Opinion on financial statements

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

In our evaluation of the Acting Corporate Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the

Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

## **Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## **Responsibilities of the Authority and the Acting Corporate Director of Finance**

As explained more fully in the Statement of Responsibilities set out on page 21, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Corporate Director of Finance. The Acting Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

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

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

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

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to the valuation of Level 2 and 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on year-end journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 Investments,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

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

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner

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

London

Date: March 18<sup>th</sup> 2024

## Glossary of terms

**Agency** - The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

**Budget** - A statement defining the Council's policy over a specified period and expressed in financial or other terms.

**Capital expenditure** - Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

**Capital receipts** - Money obtained on the sale of a capital asset.

**Derivatives** - A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

**Employee expenditure** - The salaries and wages of employees together with national insurance, superannuation, and all other pay-related allowances. Training expenses and professional fees are also included.

**Fair value** - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 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.

**Non-Delegated** - Spend on Education Services which is not delegated to schools.

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

**Public Works Loans Board** - A Government controlled agency that provides a source of borrowing for public authorities.

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

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

Revenue expenditure funded from capital under statute (Refcus) - Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants - See 'government grants'.

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

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

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

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

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