Statement of Accounts

2020/2021
Statement of Accounts

Kent County Council
kent.gov.uk

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Narrative

The purpose of this Statement of Accounts (Accounts) is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees, and other interested parties clear information on the financial performance for the year 2020-21 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 2020-21.

• The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director of 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 and 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 and 25)

~ The Balance Sheet - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council. (See page 26)

~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 27)

• 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 28 to 29)

• 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 2021 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kent Holdco Group and Invicta Law. (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 176)

• 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 177 to 185)

• The Annual Governance Statement - the Council is required to carry out an annual review of the effectiveness of the systems of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2020-21. (See pages 186 to 204)

• 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 205 and 206 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 2020-21 are prepared on an IFRS basis.

There are no significant changes to accounting practice to report for 2020-21

Organisational Overview

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	Divisions
Adult Social Care & Health (ASCH)	Strategic Management & Directorate Budgets
	Adult Social Care & Health Operations
	Business Delivery
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets
	Special Educational Needs and Disabilities
	Education
	Integrated Children's Services (East & West)
	Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets
	Economic Development
	Highways, Transportation & Waste
	Environment, Planning & Enforcement
	Libraries, Registration & Archives
Strategic & Corporate Services (SCS)	Strategic Management & Directorate Budgets
	People and Communication
	Finance
	Governance, Law & Democracy
	Infrastructure
	Corporate Landlord
	Strategic Commissioning including Public Health
	Strategic, Policy, Relationships & Corporate Assurance
Financing Items & Unallocated (FI&U)	Financing Items - General
	Financing Items - Unallocated

Strategic and Corporate Plans

The 'Strategic Delivery Plan' (SDP) is our single business plan for 2020-2023 and brings our key activities together in one place. Due to the unprecedented impacts of Covid-19 on us and our activities, the SDP was revised to focus on the critical activities for 2020-21.

'Setting the Course' is our Interim Strategic Plan for 2021 and the first half of 2022 and was approved by County Council on 10 December 2020. The plan explains the immediate challenges the Council faces, and the actions we will prioritise to lead Kent through 2021 and into 2022. These actions in many cases will be the groundwork for longer-term change. The Plan sets out the challenges and vital opportunities we will focus on addressing to support the county to recover and build resilience and reset.

During 2019 and early 2020, we developed a draft 5 Year Plan. Due to the huge and unprecedented impact of COVID-19 this plan was not adopted and the decision was made to pause whist we took time to understand the new circumstances that Kent faced in responding to and recovering from the pandemic. The priorities that came out of the 5 year Plan consultation remain highly relevant and have strongly influenced the Interim Strategic Plan.

A new 5 Year Plan setting out the council's longer-term direction of travel and political priorities will be developed in 2021, aligning our strategic and financial planning cycles.

Financial Report

Setting the Revenue Budget for 2020-21 - the budget strategy

The Council has a tremendous financial track record and has delivered a small net surplus on its revenue budget in each of the last 20 years up to 2019-20. 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 an enormous and unprecedented financial challenge. This challenge arose from a combination of rising spending demands/costs, coupled with reductions in central government funding and freezes/limits on raising council tax. Combined, this has led the Council to make annual savings averaging around £72m each year since 2010 (totalling £683.6m over the 9 years between 2011-2 to 2019-20). The scale of savings has lessened in recent years as we have started to see increases in the Council's budget in cash terms. However, these cash increases should not be confused with real-term increases and are nowhere near enough to fund rising demands and costs.

2020-21 represented a departure from the pattern of the preceding 9 years. Although the settlement was only confirmed for one-year this was a rollover from the previous year with no reduction in the main core settlement funding assessment (comprising the baseline for business rates retention and revenue support grant), additional grants for social care services, and council tax increases up to but not exceeding 2% referendum limit and a further 2% increase for adult social care. This combination resulted in the largest increase in Core Spending Power in 10 years, and the first time in that period where grants from central government increased.

A high level presentation of the changes between the approved revenue budgets for 2019-20 and 2020-21 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.

	£m		**£m**
Additional spending growth	107.5	Council tax and business rates	39.9
Savings, income and reserves	-30.2	Net govt. grant increases	37.4
Change in Net Budget	**77.3**	**Change in Net Funding**	**77.3**

The one-year settlement from Government for 2020-21 meant that it was not appropriate to publish a medium-term financial plan (MTFP). The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that while there is statutory requirement to set an annual budget, a longer-term perspective is also essential if local authorities are to demonstrate their financial sustainability. CIPFA recognises that while formal publication of the MTFP may only reflect government settlements, it is the responsibility of the leadership of the organisation to have a long-term financial view. A summary of the longer-term scenarios was included in the report to Cabinet on 27 January 2020, which can be found on the Council's website, Kent.gov.uk.

Narrative

The final budget was approved by full Council on 13 February 2020. This included a net revenue budget of £1,063.6m for 2020-21 and a capital programme of £1,014.3m over the three years 2020-21 to 2022-23. This represented the culmination of a long evolution process starting in May 2019 with Corporate Management Team (CMT) and Cabinet, and included public consultation in the autumn and cabinet committee scrutiny of the final draft proposals. The budget was prepared and approved before the Covid-19 outbreak was announced as a pandemic on 11 March 2020.

In response to the pandemic Cabinet agreed on 22nd June 2020 that the 2020-21 revenue budget and 2020-23 capital programme should be reviewed, and an amended budget should be presented to full Council on 10 September 2020. This review and amendment included additional revenue spending associated with response to and recovery from the pandemic, delays to savings included in the original budget due to the pandemic, loss of income due to the pandemic, as well as changes to business as usual activities arising since the original budget was agreed. In total these amounted to a gross impact of £116.7m with mitigations totalling £80.4m leaving a change in the net budget of £36.3m. This increased the net budget from the original £1,063.6m to £1,099.9m.

The revenue amendment also included the additional un-ringfenced Covid-19 grant made available by government in the first three tranches and additional ring-fenced specific grants. The first tranche of emergency grant was received in 2019-20 with a balance of £37.4m held in a Covid-19 reserve at year end. Tranche 2 (£27.9m) and tranche 3 (£10.3m) were included as additional funding towards the increased net revenue budget, together with £0.6m of changes in other un-ringfenced grants confirmed after the original budget was approved, and forecast £2.5m loss of funding from the retained business rate growth in the Kent pool. In total the additional funding was sufficient to balance the £36.3m increase in net revenue budget.

The revised high level presentation of the change in revenue budget and funding between 2019-20 and 2020-21 following the amendment is:

	£m		**£m**
Additional spending growth	196.5	Council tax and business rates	36.9
Savings, income and reserves	-82.9	Net govt. grant increases	76.7
Change in Net Budget	**113.6**	**Change in Net Funding**	**113.6**

The capital programme did not require an amendment and any impact on delivery of projects and programmes were reported through the usual monitoring process.

Risk Strategy

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

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

Revenue Strategy

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

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

Funding Estimate

Original Budget

The early funding estimates for 2020-21 were difficult to predict in the absence of an indicative settlement from government and consequently were based on a prudent approach. The forecasts included:

- 1% increase in the council tax base (the increase in the final tax base estimate for 2019-20 had been 1.58%)
- Council tax referendum limit would allow an increase up to but not exceeding 2%
- The social care council tax levy that had been allowed in the previous 4 year settlement would not increase further
- No in-year collection surplus or deficit on council tax or business rate collection
- Retained business rates and business rate top-up grant would increase in line with inflationary uplifts to the business rate multiplier
- Revenue support grant (RSG) would be phased out by 2021-22
- All other un-ringfenced grants frozen at the same level as 2019-20

These assumptions resulted in an initial flat cash scenario with total funding roughly the same as the final total 2019-20 funding of £986.4m. The Chancellor of the Exchequer announced the outcome of the 2019 Spending Round (setting out government spending plans for 2020-21) on 4 September 2019. This included a general increase in council tax of up to but not exceeding 2% and additional funding for social care through grants and an extension of the adult social care council tax levy of a further 2% for 2020-21. All other grants (including RSG) were assumed to be rolled over at the same amount as 2019-20. This early announcement enabled funding forecasts to be increased to approx. £1,054m (an increase of 6.9%) including a revised forecast council tax base increase of 1.2% and forecasts for collection fund balances.

The provisional local government finance settlement was published on 20 December 2019. KCC's draft budget was published on 6 January 2020 although this had been prepared before the provisional settlement was published and thus still included estimated grant allocations and showed a total funding estimate of £1,054.3m. This included KCC's estimate for council tax base, retained business rates and collection fund balances as estimates had not been received from all district councils in time for publication.

The final local finance settlement was confirmed on 6 February 2020 and included no changes from the provisional settlement although some grants were still to be confirmed. KCC published the final draft budget book for County Council approval on the same day showing a final funding of £1,063.654m. This included the council tax base and retained business rates estimates as well as estimated in-year collection fund balances provided by districts. A full reconciliation of the funding changes between 2019-20 and 2020-21 is shown below.

	2019-20	2020-21 Estimate	Movement
	£'000	£'000	£'000
Council Tax			
Tax Base (incl previous year tax increase)	659,345	669,278	9,933
General increase up to referendum level		14,376	14,376
Social Care Levy	50,651	65,790	15,139
Collection Fund Balance	7,475	3,898	-3,577
Local Share of Business Rates			
Business Rates	54,319	55,938	1,619
Business Rates Collection Fund surplus/(deficit)	150	2,563	2,413
Un-ring fenced grants			
Revenue Support Grant	9,487	9,641	154
Business Rate Top-Up (Tariff)	136,210	138,429	2,219
Business Rate Compensation Grant	7,665	12,662	4,997
New Homes Bonus	6,388	6,430	42
Improved Better Care Fund	42,380	48,544	6,164
Social Care Support Grant	10,531	34,367	23,836
Other Grants	1,773	1,738	-35
Total	**986,374**	**1,063,654**	**77,280**

The council tax base notification from District Councils shows a 1.51% increase over 2019-20. The tax base includes new dwellings and mandatory discounts as well as the impact of local decisions on the level of Council Tax discounts for working age tax payers in receipt of benefits/on low incomes through the Council Tax Reduction Scheme (CTRS) and other additional local discretion on Council Tax discounts and exemptions on empty properties permitted under the Local Government Finance Act 2012.

Households had an increase in the County Council's element of council tax of 1.995% plus the additional 1.995% for the Social Care precept levy for 2020-21. This increased the charge for a typical band C household (the most common band in Kent) from £1,155.04 in 2019-20 to £1,201.12 in 2020-21.

Budget Amendment

The budget amendment included the following additional un-ringfenced grants:

	£'000
Tranche 2 Covid-19 Emergency Grant	27,934
Tranche 3 Covid-19 Emergency Grant	10,313
2019-20 Business Rate Compensation reconciliation	182
	38,429

The amendment also included confirmation of revised amounts for other grants and business rate retention from the proceeds of the business rate pool.

	£'000
Extended Rights to Free School Travel	369
Retained Business Rates	-2,543
	-2,174
Total increase in funding	**36,255**

This represented a total increase of funding of £36,255k compared to the original budget, taking the total funding for the amendment to £1,099,909k

Spending, Savings and Income

Original Budget

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 impact of needing to replace one-off actions from reserves and underspends agreed as part of setting the 2019-20 budget is also shown as additional spending.

The final budget showed £107.5m of additional spending growth in 2020-21, the breakdown is as follows:
- £31.7m for staff pay awards, contractual price increases and negotiated contracts
- £21.9m for local service strategies and improvements
- £21.2m for forecast increases in demand and demographic changes
- £21.1m to replace one-offs used to fund base budget spending in 2019-20
- £10.2m for net budget realignments to reflect previous year activity/costs (realignments can reduce as well as increase spend reflecting past performance)
- £1.4m reduction in specific grant

Savings and Income

Although the 2020-21 funding settlement represented a significant improvement over previous years with additional funding both from government grants and local taxes, the total increase of £77.3m was not sufficient to fully fund the additional spending growth of £107.5m. Additional savings and income of £30.2m were required in order to balance the budget:

- £14.1m financing savings (including £8.4m planned draw-down from corporate and directorate reserves)
- £14.1m financing savings (including £8.4m planned draw-down from corporate and directorate reserves)
- £6.3m income generation
- £5.2m from efficiency savings from staffing, contracts and managing premises (doing the same job for less money)
- £1.8m increases in specific grants
- £1.1m policy savings (service reductions)
- -£6.2m removal of one-off specific grants and transfer of grant income into un-ringfenced grants

Amended Budget

The budget amendment included additional revenue spending associated with response to and recovery from the pandemic, delays to savings included in the original budget due to the pandemic, loss of income due to the pandemic, as well as changes to business as usual activities arising since the original budget was agreed. These were separated between the impact of Covid-19 and business as usual and between one-off and recurring impacts (which would affect future year's budgets). The changes to spending, income savings and reserves in the budget amendment are summarised in the table below.

	TOTAL	**Covid-19**		**Business as Usual**	
		Recurring	**One-off**	**Recurring**	**One-off**
	£m	**£m**	**£m**	**£m**	**£m**
Additional spending (including rollforward)	89.0	20.8	50.4	9.4	8.4
Loss of income	20.1		18.2	1.9	
Delays to Savings	7.6		6.9	0.7	
Sub Total (Gross)	**116.7**	**20.8**	**75.5**	**12.0**	**8.4**
Drawdown from Reserves	-43.6		-37.4		-6.2
In-year underspends	-24.0		-24.0		
Additional Savings	-12.8				-12.8
Change in Net Budget	**36.3**	**20.8**	**14.1**	**12.0**	**-10.6**

Throughout the year the impact of Covid-19 on the Council's budget has been monitored and reported separately. This includes regular reports to the Ministry of Housing Communities and Local Government (MHCLG) as well as internal monitoring reports to Cabinet and regular financial updates to Policy and Resources Committee.

Budget Consultation and Engagement

Consultation on the original budget strategy was launched on 16 October 2019 and was open for 6 weeks until 25 November 2019. The consultation sought views on council tax and spending priorities to help shape and balance the 2020-21 Budget. Responses were considered by elected Members (Councillors) at Cabinet Committee meetings during January 2020 in advance of the budget debate and approval by County Council on 13 February 2020.

Consultation on the budget amendment was launched on 13 July 2020 and was open for 6 weeks until 9 August 2020. The consultation sought views on the impact of Covid-19 on the Council's budget and the additional funding made available from government. The responses were considered as part of the full County Council debate and approval on 10th September.

Revenue Budget and Outturn

In February 2020 the Council approved a net revenue budget for 2020-21 of £1,063.6m. In September 2020 the Council approved a budget amendment and an additional £36.255m was added to the budget. We also received £17.7m additional emergency grant funding for Covid-19 and £11.3m Sales, Fees and Charges Compensation grant . The final outturn position for the year against the revised budget is set out in the table below, together with the sources of income from which the Council's net revenue expenditure was financed.

DIRECTORATE		Budget £000's	Outturn £000's	Variance £000's
Adult Social Care & Health including Disabled Children's Services	**ASCH**	418,731	414,625	-4,106
Children, Young People & Education	**CYPE**	261,470	260,046	-1,424
Growth, Environment & Transport	**GET**	182,746	182,227	-519
Strategic & Corporate Services including Public Health	**S&CS**	96,453	93,562	-2,891
Financing Items & Unallocated	**FI&U**	169,465	111,412	-58,053
		1,128,865	1,061,872	-66,993
Schools' Delegated Budgets	**CYPE**	0	8,937	8,937
		1,128,865	1,070,809	-58,056
FUNDED BY:				
Formula Grant		-9,642	-9,642	0
Council Tax Yield including Collection Fund		-753,342	-753,342	0
Local Share of Business Rates & Business Rate Collection Fund		-58,957	-58,957	0
Local Share of Business Rates & Business Rate Collection Fund - Impact of Covid-19		3,000		-3,000
Business Rate Tariff		-138,429	-138,429	0
Business Rate Compensation Grant		-12,844	-12,883	-39
New Homes Bonus (NHB) & NHB Adjustment Grants		-6,430	-6,430	0
Improved Better Care Fund (iBCF)		-48,544	-48,544	0
Social Care Support Grant		-34,367	-34,367	0
Covid-19 Emergency Grant		-55,947	-55,947	0
Sales, Fees and Charges Compensation Grant		-11,256	-11,256	0
Compensation for Covid-19 related Business Rate Reliefs Grant		-25,613	-25,613	0
Compensation for Covid-19 related Business Rate Reliefs - Transfer to Reser		25,613	25,613	0
Compensation for irrecoverable Local Taxation Losses Grant		-7,535	-7,013	522
Compensation for irrecoverable Local Taxation Losses - Transfer to Reserves		7,535	7,013	-522
Other Un-ringfenced Grants		-2,107	-2,107	0
Total Funding		-1,128,865	-1,131,904	-3,039
NET OUTTURN POSITION		0	-61,095	-61,095

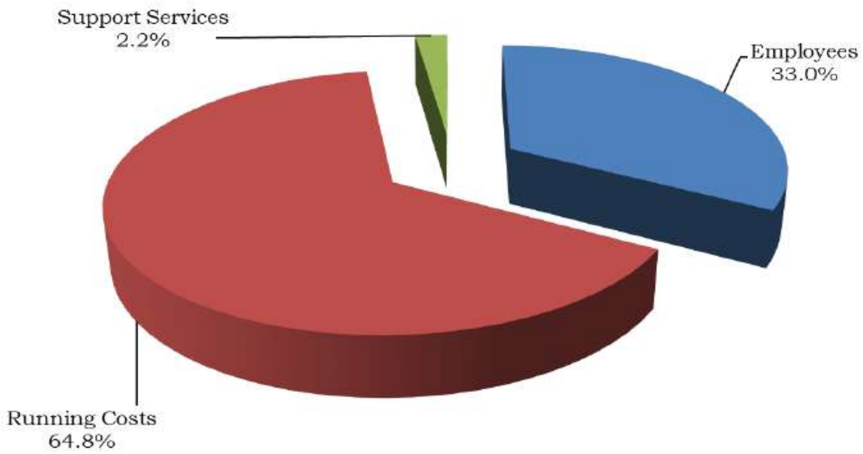
The net underspending within the directorates is £70.032m, being -£66.993m and -£3.039m funding variance (excluding £8.937m delegated schools overspend) of which £42.484m are roll forward requests and will be added to the 2021-22 budget to support the rescheduling of projects. This leaves an underlying underspend of £27.548m, £26.773m of Covid-19 emergency grant which will support further Covid-19 spend and £0.775m that is being transferred into reserves to support resilience.

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

Narrative

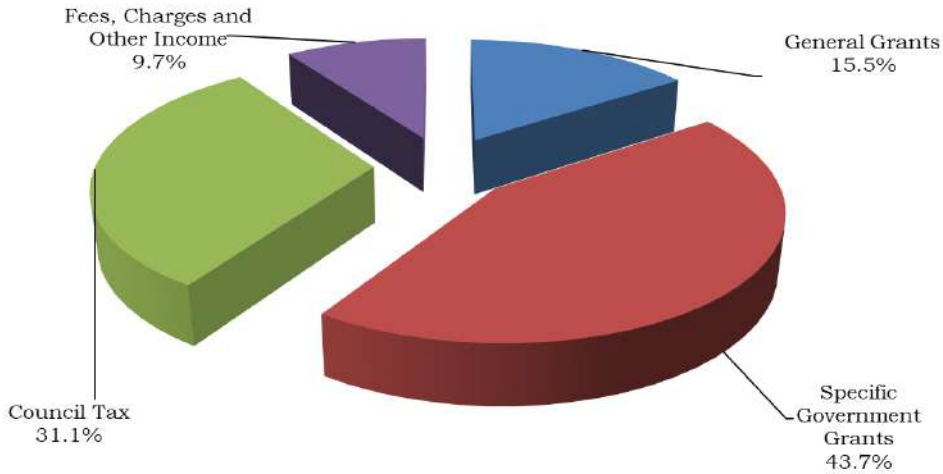
The charts below present a breakdown of the figures shown in the table above:

What the money is spent on



Employees costs account for 33.0% (35.4% in 2019-20) of the Council's expenditure. Running costs including cost of premises, transport, supplies and services, and third party payments account for 64.8% (62.3% in 2019-20) of the expenditure.

Where the money came from



43.7% of our income came from Specific Government Grants which includes the Dedicated Schools Grant (41.9% in 2019-20), 31.1% of our income came from residents through council tax (32.3% in 2019-20), 15.5% of our income came from general grants, including business rates (14.4% in 2019-20), and 9.7% of our income came from users of our services (11.1% in 2019-20).

Impact of Covid-19

Expenditure and Income in response to Covid-19 Outbreak in 2020-21

Of the £70,032m underspend £55.583m related to the impact of Covid-19 and has been transferred to a specific Covid-19 reserve. Of the underspend there are £28.810m of roll forward requests to be added to the 2021-22 to support the rescheduling of Covid-19 projects. The remaining underlying underspend of £26.773m will be used to support future Covid-19 related spend.

During 2020-21 the authority faced additional expenditure but the pandemic had a direct impact on the delivery of our services leading to an underspend of £53.037m that could be directly seen as a consequence of Covid-19.

Emergency funding of £94.9m was received from MHCLG in March, April, August and November of 2020, the amounts provided were £39m, £27.9m, £10.3m and £17.7m respectively. Of the £39m received in 2019-20 £37.3m was transferred to a specific Covid-19 reserve to be used to support the additional spending/income shortfalls during 2020-21. The table below sets out the 2020-21 Covid-19 position:

	£'000
Covid-19 2020-21 Emergency Grant Allocation	**-92,924**
Categories	
Real spend	30,292
Underspends	-53,037
Loss of income	18,108
Unrealised savings	5,343
Market sustainability - one off payments	18,428
Payments for undelivered services (variable fee)	9,727
	-64,063
Contribution to Public Health Reserve	1,182
Contribution to Reserves	7,298
Covid-19 Variance	**-55,583**
Roll forward requests	28,810
Revised Variance	**-26,773**

The significant areas of additional Covid-19 related expenditure or income shortfall in 2020-21 includes:

• £17.207m of one-off payments in ASCH. Supporting the Residential and Homecare markets by providing £13.5m, the equivalent of 2 weeks payments. Providing financial support to the VCSE (Voluntary, Community and Social Enterprise) sector through additional contracts totalling £3.7m.

• £7.462m of additional spend in ASCH relating to the cost of supporting additional demand for services including: equipment to support clients in the community, additional care packages after hospital discharge, increases in bad debts, essential system improvements and domestic abuse.

• £3.650m shortfall of income in ASCH mainly due to reduced activity as a result of Covid-19.

• £3.310m unrealised savings in ASCH mainly due to the directorate being unable to realise the planned Whole System Change saving.

• £4.232m where additional spend in CYPE across a range of services including increase costs of placing looked after children due to the reduced availability of foster care provision, increase support for children with a disability and an increase number of Education Health and Care Plan referrals.

• £2.589m shortfall of income in CYPE mainly due to 16+ travel saver and adult learning services.

• £9.322m of additional spend in GET for a range of additional services including emergency mortuary and associated staffing costs. Increased waste-related areas of expenditure including: increase in kerbside tonnes being presented at Waste Transfer Stations, additional support to districts for Waste Collection, impact on commodity prices for recycled materials and costs associated with closing and re-opening Household Waste Recycling Centres.

• £9.443m shortfall of income in GET including the Kent Travel Saver, reduced operations at Libraries, Registration and Country Parks.

• £4.023m in GET to maintain financial stability mainly in public transport.

• £9.245m of additional spend in S&CS for additional council-wide costs including: provision of PPE and sanitiser across all services, additional staffing to handle increased call volumes in the Contact Centre and additional ICT infrastructure to enable staff to work from home. Costs related to the re-opening of buildings ensuring they are Covid-19 secure.

Specific Covid-19 Grants received in 2020-21

As well as the MHCLG emergency grants we received specific grants amounting to £135.471m. These have been used to fund additional activity. We also received additional S31 compensation grants and these have been set aside to fund the collection fund deficit. The table below sets out the grant received and the accounting treatment:

Grant Name	Amount Received £'000	Principal/ Agent
Covid-19 Test & Trace grant	1,309	Principal
Covid-19 Adult Social Care Infection Control grant	18,154	Principal
Covid-19 Adult Social Care Infection Control grant - tranche 2	16,644	Principal
Covid-19 NHS Hospital Discharge claim	8,848	Principal
Covid-19 Bus Services Support Grant	4,295	Principal
Covid-19 Emergency Active Travel Fund (tranche 1)	470	Principal
Covid-19 Bus Services Support Grant Restart scheme	620	Principal
Covid-19 Emergency Assistance Grant for Food & Essential Supplies	1,669	Principal
Covid-19 School & College Transport Capacity funding	4,214	Principal
Covid-19 Targeted support for UASC	794	Principal
Covid-19 Wellbeing for Education Return project	206	Principal
Covid-19 Contain Outbreak Management Fund	8,434	Principal
Covid-19 Compensation for Loss of Sales, Fees & Charges	11,256	Principal
Covid-19 Winter Grant Scheme	4,470	Principal
Covid-19 Clinically Extremely Vulnerable	4,624	Principal
Covid-19 NHS Hospital Discharge claim Part 2	1,736	Principal
Covid-19 Asymptomatic Community Testing	7,193	Principal
Covid-19 Adult Social Care Rapid Testing Fund	4,686	Principal
Covid-19 Adult Social Care Workforce Capacity Fund	3,082	Principal
Covid-19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	7,013	Principal
Covid-19 Compensation for Covid related business rate reliefs	25,613	Principal
Covid-19 Operation Barton (targeted testing for South African variant)	63	Principal
Covid-19 Working in Partnership to support the vaccination delivery programme	78	Principal
	135,471	

The unspent balances of the Wellbeing for Education Return project and Critically Extremely Vulnerable grants of £0.121m and £3.211m respectively have been requested to roll forward to support the rescheduling of these projects.

The £11.256m Compensation for Loss of Sales, Fees and Charges grant has been transferred to an earmarked reserve to support the 2021-22 budget.

The Compensation for irrecoverable local taxation losses and Compensation for Covid-19 related business rate reliefs grants of £7.13m and £25.613m respectively have been transferred to earmarked reserves to fund the deficit on the Collection Fund Accounts. These reserves are not available to support services.

Financial Assessment of Impact and Resilience

A review of our reserves has been undertaken and the impact on our resilience index will be completed in the autumn.

Schools

In total, schools' reserves have increased by £20.607m, this amount is made up of a reduction of £0.715m for local authority schools converting to academies, a decrease in the value of schools' deficit balances of £1.415m and an increase in schools' surplus balances of £19.907m.

In addition, there was a £29.544m net overspend on the Central DSG Reserve made up of £32.560m overspend on High Needs budgets, £1.374m underspend relating to pupil growth and falling rolls and other net underspends of £1.642m.

Schools reserves, including the Central DSG reserve, have therefore reduced by £8.937m in 2020-21 (£20.607m schools reserves less £29.544m Central DSG). Schools now have £55.950m of revenue reserves as reflected in note 23 on page 89 and there is a deficit balance of £51.048m in the Central DSG Reserve as reflected in note 24 on page 90.

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 £359.786m and Note 25 on pages 98 to 103 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2021. The general reserve position at 31 March 2021 is £37.213m, which is unchanged from the position as at 31 March 2020.

At 31 March 2021 the Council has usable capital reserves of £80.207m as shown on 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 2021 totalled £29.216m, see Note 26 on page 104.

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.

Capital

Capital expenditure is defined as expenditure on the purchase, improvement, or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure is funded from a variety of sources including: grants, capital receipts, borrowing, external contributions including developer contributions, and revenue contributions. Capital expenditure for the year was £354.961m. The expenditure analysed by portfolio was:

PORTFOLIO	Revised Budget £'000s	Outturn £'000s	Variance £'000s
Children, Young People & Education	155,983	121,085	-34,898
Adult Social Care & Health	5,243	1,330	-3,913
Growth, Environment & Transport	295,441	213,263	-82,178
Strategic & Corporate Services	71,536	7,634	-63,902
	528,203	343,312	-184,891
Devolved Capital to Schools	10,500	11,649	1,149
TOTAL	538,703	354,961	-183,742

Expenditure excluding that incurred by schools under devolved arrangements was £184.891m less than cash limits. Of this, £175.296m reflected re-phasing of capital expenditure plans across all services and £9.595m was due to real variations on a small number of projects. Rephased capital resources will be carried forward into 2021-22 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2020-21was £11.649m.

Details of the financing of capital expenditure are on pages 92 and 93.

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 2021 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 104.

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 2020-21 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £1,635m. This is a increase in the deficit of £272m in year.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2020-21, earlier years and for future years. The balance currently stands at £865m (short- and long-term) as shown on the balance sheet on page 26. 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 2020-21 the transactions and balances of EKO relating to KCC have been incorporated into the financial statements and notes of the Council's Statement of Accounts.

2021-22 onwards

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

The 2021-22 budget was agreed by the County Council on 11 February 2021. The 2021-22 budget was prepared against the highly uncertain background following the outbreak of the Covid-19 pandemic which meant that aspects of the budget that can usually be predicted with a reasonable degree of accuracy such as spending demands and council tax base were much more uncertain. Coupled with this was a one-year settlement from government for 2020-21 which meant for the second successive year we had no indicative settlement on which plans could be based. As a consequence, the budget was developed based on different scenarios for spending projections, funding assumptions and savings/income necessary to continue to set a balanced budget. These scenarios resulted in a wide range of possibilities.

Consultation on the budget was launched on 14 October 2020 and was open for 6 weeks until 24 November 2020. The consultation identified the wide range of possibilities with spending growth ranging between £70m to £120m, council tax collection loses of between £10m to £20m in 2020-21, council tax base reductions for 2021-22 of between £25m to £40m, and business rate reductions of between £5m to £8m. This represented a budget challenge of between £110m to £188m to be resolved by a combination of council tax increases, government settlement and savings/income.

The Chancellor of the Exchequer announced the outcome of Spending Review 2020 (SR2020) on 25 November 2020. For local government this included another rollover of existing grants, a further extra grant to support demands on social care services, additional compensation for business rates reliefs, no new legacy payments through New Homes Bonus and council tax referendum principles allowing up to 2% general increase and up to a further 3% through the social care levy (all or some of which could be deferred until 2022-23). The government estimated this would amount to an average 4.6% increase in the Core Spending Power (5.5% for KCC) compared to 2020-21. However, this assumed council tax base growth consistent with pre-pandemic levels.

In addition SR2020 also included a further round of Covid-19 grants in 2021-22 to support additional spending associated with the pandemic, compensation for council tax losses (in addition to the ability to write collection fund deficits off over 3 years) and compensation for loss of income from sales, fees and charges. The provisional local government finance settlement was published on 17 December 2020 confirming the individual allocations of grants following SR2020 announcement.

Narrative

KCC published the draft budget report for 2021-22 on 6 January 2021. The report set out the national and local context, details of the local government finance settlement, and council tax and budget spending and savings/income proposals. These were summarised as follows:

Change in Net Spending	£m	Change in Net Funding	£m
Proposed additional spending	98.0	Changes in un-ringfenced govt. grants	54.5
Proposed savings from spending reductions	-37.4	Change in council tax base	-7.8
Proposed changes in income	-2.5	Proposed increase in council tax rate	37.0
Changes in specific govt. grants	-2.6	Change in retained business rates	-7.2
Proposed net change in reserves	9.2	Change in collection fund balances	-11.8
total Change in Net Spending	**64.7**	**Total Change in Net Funding**	**64.7**

The final local government finance settlement was published on 4 February 2021. This included no changes from the provisional local government finance settlement although guidance on the accounting arrangements for compensation for collection losses on business rates and council tax required presentational changes with grants paid into reserves in 2020-21 and drawn down to fund 2021-22 budget. The final net revenue budget approved by County Council on 11 February 2021 was £1,132.4m and comprised of the following key changes from the original 2020-21 budget of £1,063.6m:

Change in Net Spending	£m	Change in Net Funding	£m
Proposed additional spending	110.1	Changes in un-ringfenced govt. grants	51.2
Proposed savings from spending reductions	-34.4	Change in council tax base	-7.8
Proposed changes in income	-2.5	Proposed increase in council tax rate	37.0
Changes in specific govt. grants	-2.6	Change in council tax collection fund	-6.9
Proposed net change in reserves	-1.8	Drawdown from reserves for S31 compensation grant for tax losses	2.5
		Change in retained business rates	-4.1
		Change in business rate collection fund	-29.8
		Drawdown from reserves for S31 compensation grant for tax losses	26.7
total Change in Net Spending	**68.8**	**Total Change in Net Funding**	**68.8**

The provisional and final local government finance settlements only relate to funding identified for local government from MHCLG and does not include funding from other departments via ring-fenced specific grants e.g. Department for Education, Department for Health and Social Care, Department for Transport, etc. KCC's policy is to contain spending on functions supported by these specific grants within the funding allocated.

The council tax decisions resulted in the KCC element for a band C household (the most common band in Kent) increasing from £1,201.12 in 2020-21 to £1,261.12 in 2021-22. The increase was agreed as necessary to help to fund rising spending growth and to avoid the need to find further savings which would impact on front-line services. Increases up to the referendum level and for social care were supported by more of the respondents to KCC's budget consultation than those opposed to council tax increases. The increases are also in line with the Government's published spending plans in the Core Spending power calculation.

The Council also needs to support a significant capital programme. The Council has identified a pressing need to provide additional school places through the Kent Commissioning Plan to meet the rapidly growing demand, particularly in the secondary sector. Loan funding has been made available within the programme to support the existing schools commissioning plan and at this stage it is assumed that future basic need grant settlements would be sufficient to fund the places needed in future plans. The Council also faces a pressing need to provide capital funding to maintain other buildings and assets, including roads, in order to ensure these remain safe and in usable condition.

Narrative

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

- Ongoing impact of the Covid-19 pandemic on revenue and capital spending
- 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, but this will also require a response from government to provide additional funding for SEND in the short and medium term, and introduce structural reforms to help curb demand
- Shortfalls in capital grants for highways asset management
- Backlog in demand for social care services for clients awaiting assessments
- Ongoing increases in the cost of providing care packages due to demographic changes and market financial sustainability concerns
- Rental costs for premises currently not subject to lease agreements

The outlook beyond 2021-22 remains highly uncertain. We have no detailed spending plans from central government or indicative settlement. The trajectory of recovery from the pandemic is also uncertain at this stage. The 2021-22 budget report to County Council on 11 February 2021 included high level projections of spending, funding and savings under different scenarios. It is likely that future spending will need to be based on a number of scenarios for the foreseeable future. The scenarios presented to full council were similar to those used by the Office for Budget Responsibility (OBR) identifying an upside scenario (recovery from the pandemic is secured following successful roll-out of vaccine programme and supressing the virus), a downside scenario with continued periods of lockdown, and a central case. A summary of these scenarios was published in the final budget report to council.

	Upside Scenario		**Central Case**		**Downside Scenario**	
	2022-23	**2023-24**	**2022-23**	**2023-24**	**2022-23**	**2023-24**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Spending Growth Forecasts						
Business as usual	57.0	57.0	68.0	68.0	79.0	79.0
Covid-19			14.0	7.0	21.0	21.0
Replace one-offs from unstable sources in 2021-22	13.0		13.0		13.0	
Remove One-ff spending in 2021-22	-10.0		-10.0		-10.0	
Existing savings and policy	-27.0	-20.0	-27.0	-20.0	-27.0	-20.0
Total Spending Growth	**33.0**	**37.0**	**58.0**	**55.0**	**76.0**	**80.0**
Funding Change Forecasts						
Council Tax Base	15.6	16.5	7.8	8.2	-15.6	7.9
Assumed 2%+2% Tax increases	31.8	33.7	31.5	33.0	30.5	30.5
Government Core Grants	12.5	13.1	0.8	0.8	-12.5	-13.1
Covid-19 Grants	-46.7		-46.7		-46.7	
Total Funding Change	**13.2**	**63.3**	**-6.6**	**42.0**	**-44.3**	**25.3**
Gap	**19.8**	**-26.3**	**64.6**	**13.0**	**120.3**	**54.7**

We will not have any additional certainty until the outcome of the Spending Review anticipated sometime in 2021. The Fair Funding review of relative needs and resources (which affects the redistribution of business rates and remaining Revenue Support Grant (RSG) and the review of business rates retention have both been deferred. These reviews are considered essential along with sufficient funding within the settlement to better reflect spending demands on council services and to improve financial planning. We are also anticipating reforms to the funding of social care services, New Homes Bonus and fundamental review of the basis for business rates in the future. We have also requested government to consider reforms to council tax arrangements. These potential reforms add to the uncertainty.

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 of 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.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 30 November 2021 on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee
30 November 2021

The Corporate Director of 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 2021.

In preparing this Statement of Accounts the Corporate Director of 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 2021.

Certificate of the Corporate Director of Finance

Zena Cooke
Corporate Director of Finance
30 November 2021

Comprehensive Income and Expenditure Statement

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

	Notes	**Year ended 31 March 2021**		
Service		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
Adult Social Care & Health	**ASCH**	640,735	211,602	429,133
Children, Young People & Education	**CYPE**	1,344,341	971,555	372,786
Growth, Environment & Transport	**GET**	455,001	159,682	295,319
Strategic & Corporate Services including Public Health	**S&CS**	227,697	119,104	108,593
Financing Items & Unallocated	**FI&U**	5,201	13,926	-8,725
Cost of Services		**2,672,975**	**1,475,869**	**1,197,106**
Other operating Expenditure	**13**			45,242
Net Surplus on trading accounts	**34**			-2,993
Financing and Investment Income and Expenditure	**14**			62,408
Taxation and Non Specific Grant Income	**15**			-1,195,949
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	**15**			-32,626
(Surplus) or deficit on Provision of Services				**73,188**
(Surplus)/deficit arising on revaluation of non current assets				-169,605
Remeasurement of the net defined benefit liability				148,166
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-22,389**
Total Comprehensive Income and Expenditure				**50,799**

Comprehensive Income and Expenditure Statement

Service	Notes	Year ended 31 March 2020 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health	ASCH	546,037	152,595	393,442
Children, Young People & Education	CYPE	1,270,897	936,785	334,112
Growth, Environment & Transport	GET	329,495	57,135	272,360
Strategic & Corporate Services including Public Health	S&CS	202,469	98,641	103,828
Financing Items & Unallocated	FI&U	29,280	3,262	26,018
Cost of Services		**2,378,178**	**1,248,418**	**1,129,760**
Other operating Expenditure	13			61,452
Net Surplus on trading accounts	34			-4,509
Financing and Investment Income and Expenditure	14			95,159
Taxation and Non Specific Grant Income	15			-1,077,812
(Surplus) or deficit on Provision of Services				**204,050**
(Surplus)/deficit arising on revaluation of non current assets				-581,875
Remeasurement of the net defined benefit liability				-78,590
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-661,415**
Total Comprehensive Income and Expenditure				**-457,365**

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 2020				
	General Fund Balance	**Earmarked GF Reserves**	**S31 - 75% Tax Income Guarantee grant and Business Rates Relief Grant Reserves**	**Total GF incl. Earmarked Reserves**	**Capital Receipts Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019	**-37,054**	**-213,345**	**0**	**-250,399**	**-39,279**
Movement in reserves during 2019-20					
Total Comprehensive Expenditure & Income	**204,050**			**204,050**	
Adjustments between accounting basis & funding basis under regulations - Note 12	-238,513			**-238,513**	8,351
Net increase/Decrease before Transfers to Earmarked Reserves	**-34,463**	**0**	**0**	**-34,463**	**8,351**
Transfer between Usable and Unusable Reserves				**0**	
Transfers to/from Earmarked Reserves (total of *s on Note 23)	34,334	-34,334		**0**	
Increase/Decrease (movement) in Year	**-129**	**-34,334**	**0**	**-34,463**	**8,351**
	Year ended 31 March 2021				
Balance at 31 March 2020 carried forward	**-37,183**	**-247,678**	**0**	**-284,861**	**-30,928**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020		-21,505		**-21,505**	
Movement in reserves during 2020-21					
Total Comprehensive Expenditure & Income	**73,188**			**73,188**	
Adjustments between accounting basis & funding basis under regulations - Note 12	-220,347			**-220,347**	503
Net increase/Decrease before Transfers to Earmarked Reserves	**-147,159**	**0**	**0**	**-147,159**	**503**
Transfer between Usable and Unusable Reserves				**0**	
Transfers to/from Earmarked Reserves (total of *s on Note 23)	147,267	-114,641	-32,626	**0**	
Increase/Decrease (movement) in Year	**108**	**-114,641**	**-32,626**	**-147,159**	**503**
Balance at 31 March 2021 carried forward	**-37,075**	**-383,824**	**-32,626**	**-453,525**	**-30,425**

Movement in Reserves Statement

	Capital Grants Unapplied	Total Usable Reserves	Unusable reserves	Total Council Reserves
	Year ended 31 March 2020			
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019	**-134,325**	**-424,003**	**38,491**	**-385,512**
Movement in Reserves during 2019-20				
Total Comprehensive Expenditure and Income		**204,050**	**-661,415**	**-457,365**
Adjustments between accounting basis & funding basis under regulations - Note 12	57,087	**-173,075**	173,075	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**57,087**	**30,975**	**-488,340**	**-457,365**
Transfer between Usable and Unusable Reserves		**0**	0	**0**
Transfers to/from Earmarked Reserves (total of *s on Note 23)		**0**	0	**0**
Increase/Decrease (movement) in Year	**57,087**	**30,975**	**-488,340**	**-457,365**
	Year ended 31 March 2021			
Balance at 31 March 2020 carried forward	**-77,238**	**-393,027**	**-449,850**	**-842,877**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020		**-21,505**	21,505	**0**
Movement in reserves during 2020-21				
Total Comprehensive Expenditure & Income		**73,188**	**-22,389**	**50,799**
Adjustments between accounting basis & funding basis under regulations - Note 12	27,455	**-192,389**	192,389	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**27,455**	**-119,201**	**170,000**	**50,799**
Transfer between Usable and Unusable Reserves		**0**	0	**0**
Transfers to/from Earmarked Reserves (total of *s on Note 23)		**0**	0	**0**
Increase/Decrease (movement) in Year	**27,455**	**-119,201**	**170,000**	**50,799**
Balance at 31 March 2021 carried forward	**-49,783**	**-533,733**	**-258,346**	**-792,079**

Balance Sheet

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

		31 March 2021		31 March 2020
	Notes	**£'000**	**£'000**	**£'000**
Property Plant & Equipment	**17**	3,161,042		3,010,836
Heritage Assets	**21**	6,821		6,650
Investment Property	**18**	52,295		61,971
Intangible assets		4,809		6,311
Long-term investments	**39**	257,485		266,329
Long-term debtors	**27**	52,862		65,061
Total long-term assets			3,535,314	3,417,158
Inventories		4,225		4,389
Assets held for sale (<1yr)		1,546		1,491
Short-term debtors	**27**	287,894		209,518
Short-term investments	**39**	141,441		84,307
Cash and Cash equivalents	**29**	144,197		57,640
Total current assets			579,303	357,345
Temporary borrowing	**39**	-128,759		-81,465
Short-term Lease Liability	**39**	-8,149		-8,124
Short-term provisions	**26**	-19,893		-18,786
Creditors	**28**	-393,099		-316,612
Total Current liabilities			-549,900	-424,987
Creditors due after one year	**28**	-11,536		-40
Provisions	**26**	-9,325		-9,621
Long-term borrowing	**39**	-735,969		-813,624
Other Long-Term Liabilities	**38/39**	-1,870,688		-1,608,456
Capital Grants Receipts in Advance	**16**	-145,120		-74,898
Long-Term Liabilities			-2,772,638	-2,506,639
Net Assets/(Liabilities)			792,079	842,877
Usable Reserves	**23**	-533,733		-393,027
Unusable Reserves	**24**	-258,346		-449,850
Total Reserves			-792,079	-842,877

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	2020-21 £'000	2019-2020 £'000
Net (Surplus) or deficit on the provision of services		73,188	204,050
Adjustments to net surplus or deficit on the provision of services for non cash movements	30	-500,095	-447,414
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	262,702	118,441
Net cash flows from operating activities		-164,205	-124,923
Investing Activities	31	44,872	121,584
Financing Activities	32	32,776	26,074
Net increase (-) or decrease in cash and cash equivalents		-86,557	22,735
Cash and cash equivalents at the beginning of the reporting period		57,640	80,375
Cash and cash equivalents at the end of the reporting period	29	**144,197**	**57,640**

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 2021		
	As reported to Management	**Adjustments to arrive at the net amount chargeable to the General Fund Balance**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care & Health	414,626	-2,396	412,230	16,903	**429,133**
Children, Young People & Education	260,046	-19,604	240,442	132,345	**372,787**
Growth, Environment & Transport	182,227	68	182,295	113,024	**295,319**
Strategic & Corporate Services including Public Health	93,562	-5,908	87,654	20,938	**108,592**
Financing Items & Unallocated	111,411	-119,832	-8,421	-304	**-8,725**
Schools' Delegated Budgets	8,937	-8,937	0	0	**0**
Cost of Services	**1,070,809**	**-156,609**	**914,200**	**282,906**	**1,197,106**
Other Income and Expenditure	-1,131,904	70,545	-1,061,359	-62,559	**-1,123,918**
Surplus or Deficit	**-61,095**	**-86,064**	**-147,159**	**220,347**	**73,188**
Opening General Fund Balance			-284,861		
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020			-21,505		
Less/Plus Surplus or (Deficit) on General Fund in Year			-147,159		
Transfers between Usable & Unusable Reserves			0		
Closing General Fund Balance at 31 March 2021			**-453,525**		

Note 10a on pages 47 to 50 provides a explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Note 1a - Expenditure and Funding Analysis

	Year ended 31 March 2020				
	As reported to Management	Adjustments to arrive at the net amount chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	367,392	11,664	379,056	14,386	**393,442**
Children, Young People & Education	247,083	14,731	261,814	72,299	**334,113**
Growth, Environment & Transport	171,744	2,542	174,286	98,074	**272,360**
Strategic & Corporate Services including Public Health	79,287	6,206	85,493	18,334	**103,827**
Financing Items & Unallocated	172,134	-170,821	1,313	24,705	**26,018**
Schools' Delegated Budgets	13,046	-13,046	0	0	**0**
Net Cost of Services	**1,050,686**	**-148,724**	**901,962**	**227,798**	**1,129,760**
Other Income and Expenditure	-1,043,867	107,442	-936,425	10,715	**-925,710**
Surplus or Deficit	**6,819**	**-41,282**	**-34,463**	**238,513**	**204,050**

Opening General Fund Balance	-250,399
Less/Plus Surplus or (Deficit) on General Fund in Year	-34,463
Transfers between Usable & Unusable Reserves	0
Closing General Fund Balance at 31 March 2020	**-284,862**

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 2020-21 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

Accounting for Schools

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

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body. Each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

Intangible Assets

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

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

Fair Value Measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in Note 39. The Council also measures some of its non-financial assets such as surplus assets, investment properties and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. 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 2020-21 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 as result of the Covid-19 pandemic, there has been a further one-year deferral to 2022-23. 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. £243m worth of assets in the balance sheet have not been revalued in 2020-21. 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 2020-21 is not materially different to their current value at the balance sheet date.

Impairment and Expected Credit Losses

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

Trade Receivables are impaired on a simplified approach. The value of our Trade Receivables for 2020-21 is £80.7m and these are impaired by £8.0m.

Related Parties - Interest in Companies

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. A test of control on these companies shows they are outside of the scope for group accounts. This is because we have no overall control or influence over these companies, and our level of control is less than or equal to 50%. Payments made to any entity we have an interest in are shown in Note 37 on page 111. 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 2021 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2.08m for every year that useful lives had to be reduced. Over a period of 3 years (before the next valuation takes place) this could result in an error of £6.2m - this is not material.
	Under component accounting the Authority has applied a de minimus threshold for each category of asset that is revalued in the current year. In 2020-21 the following de minimus thresholds were applied: Primary Schools: £2m Secondary Schools: £8m Special Schools: £2m Families & Social Care establishments: £2m Highways & Waste Depots: £2m County Offices: £2m Libraries: £2m Youth & Community Centres: £2m	If all assets had been componentised the difference between depreciation under componentisation and non componentisation is £5.3m. Over 3 years this would give a difference of £15.9m - this is not material.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The increase in pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities. Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Asset performance being less than expected over the year has led to an increase in pension deficit. During 2020-21, the Council's actuaries advised that the net pensions liability had increased by £272m attributable to the updating of financial assumptions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates. Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 17, 18 and 39.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.

Note 6. Officers Remuneration

<u>Accounting Policy</u>

Employee Benefits

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

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

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

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

Note 6 - Officers Remuneration

- Teachers and former NHS Staff

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

- Other employees

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

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

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

Service cost comprising:

– current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

– past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

– net interest on the net defined benefit liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (assets) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

– net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure

– actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve, as Other Comprehensive Income and Expenditure

– contributions paid to the Kent Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Note 6 - Officers Remuneration

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2020 to 31 March 2021

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 2020-21, 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.

Remuneration	**Total number of employees**			
(£)	Non-Schools 31 March 2021	Schools 31 March 2021	Non-Schools 31 March 2020	Schools 31 March 2020
50,000 - 54,999	197	210	155	167
55,000 - 59,999	132	127	105	117
60,000 - 64,999	104	53	63	75
65,000 - 69,999	56	49	33	52
70,000 - 74,999	22	28	24	26
75,000 - 79,999	22	14	23	19
80,000 - 84,999	14	10	15	11
85,000 - 89,999	13	5	5	12
90,000 - 94,999	9	4	11	7
95,000 - 99,999	10	4	3	4
100,000 - 104,999	8	2	5	1
105,000 - 109,999	2		3	3
110,000 - 114,999	2	1	2	1
115,000 - 119,999	1		7	2
120,000 - 124,999	4		1	
125,000 - 129,999	2		3	
130,000 - 134,999				
135,000 - 139,999	1			
140,000 - 144,999			1	
145,000 - 149,999			1	
150,000 - 154,999	3		1	
155,000 - 159,999	1			
160,000 - 164,999			1	
165,000 - 169,999				
170,000 - 174,999				
175,000 - 179,999				

Note 6 - Officers Remuneration

Remuneration	Total number of employees			
(£)	Non-Schools 31 March 2021	Schools 31 March 2021	Non-Schools 31 March 2020	Schools 31 March 2020
180,000 - 184,999				
185,000 - 189,999	1			
190,000 - 194,999			3	
195,000 - 199,999				
200,000 - 204,999	1			
205,000 - 209,999				
210,000 - 214,999			1	
215,000 - 219,999	1			
Total	**606**	**507**	**466**	**497**

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. 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 2020-21 is as follows:

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

Note 6 - Officers Remuneration

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

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remuneration excl pension Contributions £	Employer Pension Contributions £	Total Remuneration incl pension Contributions £
Corporate Director Engagement, Organisation Design & Development - Amanda Beer		147,152				6,794	153,946	32,483	186,429
General Counsel - Ben Watts		117,432		14,475		3,692	135,599	28,611	164,210
Director Public Health - Andrew Scott-Clark		117,432				3,692	121,124	17,418	138,542

* This includes all contractual entitlements.

Note 6 - Officers Remuneration

Notes	**The remuneration paid to the Authority's senior employees for 2020-21 is as follows:**
1	Mrs Southern left the post of Corporate Director Adult Social Care & Health on 8th April 2020. The annualised salary for this post is £153,600.
2	Mr Smith has been Corporate Director Adult Social Care & Health since 15 March 2021. The annualised salary for this post is £175,000

Note 6 - Officers Remuneration

The remuneration paid to the Authority's senior employees for 2019-20 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remuneration excl pension Contributions £	Employer Pension Contributions £	Total Remuneration incl pension Contributions £
Corporate Director Strategic & Corporate Services - David Cockburn		204,208				6,652	210,860	44,281	255,141
Corporate Director Adult Social Care & Health - Penny Southern*		153,600					153,600	32,256	185,856
Corporate Director Children, Young People & Education - Matt Dunkley CBE		194,560					194,560	40,858	235,418
Corporate Director Growth, Environment & Transport - Barbara Cooper		164,278					164,278	34,498	198,776
Corporate Director Finance - Zena Cooke	1	121,039		4,241			125,280	35,644	160,924
Corporate Director Engagement, Organisation Design & Development - Amanda Beer		144,550				4,709	149,259	31,344	180,603

Note 6 - Officers Remuneration

The remuneration paid to the Authority's senior employees for 2019-20 is as follows:

Post Holder	Notes	Salary (Including Fees & Allowances) £	Bonuses £	Allowances £	* Compensation for loss of Office e.g. Redundancy Payment £	Other £	Total Remun-eration excl pension Contributions £	Employer Pension Contributions £	Total Remun-eration incl pension Contributions £
Section 151 Officer - Dave Shipton	2	N/A		16,103			16,103	3,382	19,485
General Counsel - Ben Watts		115,356		4,475		2,278	122,109	25,643	147,752
Director Public Health - Andrew Scott-Clark		115,356				229	115,585	16,621	132,206

* This includes all contractual entitlements.

Note 6 - Officers Remuneration

Notes **The remuneration paid to the Authority's senior employees for 2019-20 is as follows:**

1 Mrs Cooke was on maternity leave between February 2019 and September 2019. The remuneration for this post is £150,000.

2 Mr Shipton covered the Section 151 Statutory Officer role in addition to his substantive post between February 2019 and September 2019 and for this was remunerated an additional £16,103.

Note 6 - Officers Remuneration

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 74% 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 2020-21 of £0.6m includes schools and commitments in 2021-22.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20 £**	**2020/21 £**
40,001 - 80,000	**1**	**4**	**1**	**0**	**2**	**4**	81,968	216,107
20,001 - 40,000	**4**	**4**	**7**	**1**	**11**	**5**	346,785	152,199
0 - 20,000	**9**	**22**	**20**	**9**	**29**	**31**	212,849	219,934
Total	**14**	**30**	**28**	**10**	**42**	**40**	**641,602**	**588,240**

Note 7 - Members Allowances, Note 8 - Deposits in Icelandic Banks and Note 9 - Material Items of Income and Expenditure

Note 7. Members Allowances

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

	2020-21 £'000	2019-20 £'000
Allowances	1,959	1,916
Expenses	10	114
Total	**1,969**	**2,030**

In 2020-21 the cost of the County Cars was £4.3k (£7.4k in 2019-20).

Note 8. Deposits in Icelandic banks

All the Icelandic banks deposits have been repaid.

Note 9. 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 £43.2m includes a loss of £19.7m which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

Note 10a. 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.

2020-21	Drawdown to/from Reserves (Note 1)	Investment Income reported at Directorate Level (Note 1)	Strategic & Corporate Services Recharges (Note 1)	Realignment of Financing Items for Accounting Purposes (Note 1)	Adjustments for Trading Activities (Note 1)
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	-2,760		364		
Children, Young People & Education	-22,335	2,407	189	135	
Growth, Environment & Transport	-1,791	481	1,543		-165
Strategic & Corporate Services including Public Health	-4,704	1,947	-2,096		-1,055
Financing Items & Unallocated	-13,212	9,979		-116,599	
Schools' Delegated Budgets	-8,937				
Net Cost of Services	**-53,739**	**14,814**	**0**	**-116,464**	**-1,220**
Other income and expenditure from the Expenditure and Funding Analysis	-32,626	-14,814		116,464	1,521
Total	**-86,365**	**0**	**0**	**0**	**301**

2020-21	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (Note 2)	Net change for the Pensions Adjustments (Note 3)	Other Differences (Note 4)	Total Adjustment between Funding and Accounting Basis
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	**-2,396**	823	16,116	-36	**16,903**
Children, Young People & Education	**-19,604**	50,203	53,503	28,639	**132,345**
Growth, Environment & Transport	**68**	103,061	10,059	-96	**113,024**
Strategic & Corporate Services including Public Health	**-5,908**	12,336	9,656	-1,053	**20,939**
Financing Items & Unallocated	**-119,832**		3	-308	**-305**
Schools' Delegated Budgets	**-8,937**				**0**
Net Cost of Services	**-156,609**	**166,423**	**89,337**	**27,146**	**282,906**
Other income and expenditure from the Expenditure and Funding Analysis	**70,545**	-141,085	34,186	44,340	**-62,559**
Total	**-86,064**	**25,338**	**123,523**	**71,486**	**220,347**

Note 10a - Note to the Expenditure and Funding Analysis

2019-20	Drawdown to/from Reserves (Note 1)	Investment Income reported at Directorate Level (Note 1)	Strategic & Corporate Services Recharges (Note 1)	Realignment of Financing Items for Accounting Purposes (Note 1)	Adjustments for Trading Activities (Note 1)
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care & Health	11,605		60		
Children, Young People & Education	11,969	2,427	235	100	-117
Growth, Environment & Transport	1,739	229	691		-223
Strategic & Corporate Services including Public Health	6,877	538	-986		
Financing Items & Unallocated	-67,266	11,733		-115,289	
Schools' Delegated Budgets	-13,046				
Net Cost of Services	**-48,122**	**14,927**	**0**	**-115,189**	**-340**
Other income and expenditure from the Expenditure and Funding Analysis	7,326	-14,928		115,189	-145
Total	**-40,796**	**-1**	**0**	**0**	**-485**

2019-20	Total to arrive at amount charged to the General Fund	Adjustments for Capital Purposes (Note 2)	Net change for the Pensions Adjustments (Note 3)	Other Differences (Note 4)	Total Adjustment between Funding and Accounting Basis
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult Social Care & Health	**11,665**	3,727	10,466	193	**14,386**
Children, Young People & Education	**14,614**	37,710	34,723	-134	**72,299**
Growth, Environment & Transport	**2,436**	90,523	6,351	1,200	**98,074**
Strategic & Corporate Services including Public Health	**6,429**	12,968	6,187	-821	**18,334**
Financing Items & Unallocated	**-170,822**		25,013	-308	**24,705**
Schools' Delegated Budgets	**-13,046**				**0**
Net Cost of Services	**-148,724**	**144,928**	**82,740**	**130**	**227,798**
Other income and expenditure from the Expenditure and Funding Analysis	**107,442**	-24,197	25,267	9,645	**10,715**
Total	**-41,282**	**120,731**	**108,007**	**9,775**	**238,513**

Note 10a - Note to the Expenditure and Funding Analysis

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

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

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

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

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

2. Adjustments for Capital Purposes

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

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

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

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

3. Net Change for the Pensions Adjustments

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

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

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

4. Other Differences

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

For services this represents the following:

i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.

ii) The officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis that is different from the remuneration charged in the year in accordance with statutory requirements.

iii) The Schools Budget deficit charged to the Comprehensive Income and Expenditure Statement.

Note 10a - Note to the Expenditure and Funding Analysis, Note 10b - Segmental Income and Note 11 - Expenditure and Income Analysed by Nature

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

Note 10b. Segmental Income

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

	2020-21 £000's	2019-20 £000's
Adult Social Care & Health	-80,708	-77,979
Children, Young People & Education	-67,891	-85,176
Growth, Environment & Transport	-28,405	-37,587
Strategic & Corporate Services	-26,405	-26,540
Financing Items & Unallocated	-17,184	-6,792
Total Income analysed on a segmental basis	**-220,593**	**-234,074**

Note 11. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2020-21 £000's	2019-20 £000's
Expenditure		
Employee benefits expenses	924,009	865,998
Other services expenses	1,653,541	1,408,296
Support service recharges	55,050	52,569
Depreciation, amortisation, impairment	116,378	159,641
Interest payments including interest on Defined Liability of the Pension Fund	94,738	93,083
Precepts and levies	2,015	1,918
Gain on the disposal of assets	43,163	59,332
Total expenditure	**2,888,894**	**2,640,837**
Income		
Fees, charges and other service income	-256,165	-271,029
Interest and investment income	-13,565	-13,334
Income from council tax and non-domestic rates	-767,166	-765,584
Government grants and contributions	-1,778,810	-1,386,840
Total income	**-2,815,706**	**-2,436,787**
Surplus or Deficit on the Provision of Services	**73,188**	**204,050**

Included in the 2020-21 'Fees, charges and other services income' is £71.4m of Revenue from Contracts with Service Recipients specifically relating to Social Care.

Note 12. Adjustments between accounting basis and funding basis under regulations

31 March 2021	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-146,974			146,974
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	11,869			-11,869
Movements in the fair value of Investment Properties	-5,538			5,538
Amortisation of intangible assets	-2,134			2,134
Capital Grants and contributions applied	238,673			-238,673
Income in relation to donated assets	168			-168
In year revenue expenditure funded from capital under statute	-181,236			181,236
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	-11,819			11,819
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-45,742			45,742
Realised & unrealised gains/(losses) on financial assets held at FVPL	3,605			-3,605
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	59,096			-59,096
Capital expenditure charged against the General Fund	13,578			-13,578
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	21,850		-21,850	0
Application of grants to capital financing transferred to the Capital Adjustment Account			49,304	-49,304
Cessation of recyclable grant repaid to accountable body	-1,296	1,296		0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,562	-2,562		0

Note 12 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	727	-727		0
Use of the Capital Receipts Reserve to finance new capital expenditure		10,308		-10,308
Loan repayments	17	-7,812		7,795
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,186			-1,186
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	17,256			-17,256
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-201,028			201,028
Employer's pensions contributions and direct payments to pensioners payable in the year	77,505			-77,505
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-29,544			29,544
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-45,133			45,133
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,005			-2,005
Total Adjustments	**-220,347**	**503**	**27,454**	**192,390**

Note 12. Adjustments between accounting basis and funding basis under regulations

31 March 2020	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	-162,299			162,299
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	24,913			-24,913
Movements in the fair value of Investment Properties	-6,642			6,642
Amortisation of intangible assets	-2,279			2,279
Capital Grants and contributions applied	92,904			-92,904
Income in relation to donated assets	3,969			-3,969
In year revenue expenditure funded from capital under statute	-68,606			68,606
Revenue expenditure funded from capital under statute - long term debtor adjustments	-93			93
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	-71,992			71,992
Realised & unrealised gains/(losses) on financial assets held at FVPL	2,190			-2,190
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	59,314			-59,314
Capital expenditure charged against the General Fund	8,871			-8,871
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,468		-8,468	0
Application of grants to capital financing transferred to the Capital Adjustment Account			65,555	-65,555
Cessation of recyclable grant repaid to accountable body	-243	243		0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,663	-12,663		0

Note 12 - Adjustments between accounting basis & funding basis under regulations

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable reserves
	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	299	-299		0
Use of the Capital Receipts Reserve to finance new capital expenditure		26,539		-26,539
Loan repayments	138	-5,469		5,331
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-22			22
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/(losses) on financial assets held at FVPL	-22,306			22,306
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-181,082			181,082
Employer’s pensions contributions and direct payments to pensioners payable in the year	73,075			-73,075
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-10,793			10,793
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,040			-1,040
Total Adjustments	**-238,513**	**8,351**	**57,087**	**173,075**

Note 13. Other Operating Expenditure

	2020-21 £000's	2019-20 £000's
Levies	2,015	1,918
Gains/Losses on the disposal of non-current assets	43,163	59,331
Assets held for Sale - revaluation movements	64	203
	45,242	61,452

Note 14. Financing and investment income and expenditure

	2020-21 £000's	2019-20 £000's
Interest payable and similar charges	61,585	62,426
Net interest on the net defined benefit liability	33,531	30,987
(Gain)/loss from settlements	-1,384	-7,271
Pensions - Administration expenses and curtailments	2,039	1,551
Interest receivable and similar income	-13,480	-15,405
Income & expenditure in relation to investment properties and changes in fair value	3,754	5,789
Changes in fair value of Financial Assets held at fair value through profit and loss	-20,861	19,976
Other investment income	-2,776	-2,894
	62,408	95,159

Note 15. 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 2021 the Council's estimated share of these liabilities is £9.6m.

Note 15 - Taxation and non specific grant income and Note 16 - Grant Income

	2020-21 £000's	2019-20 £000's
Income from Council Tax	-739,401	-711,031
Non-domestic rates income and expenditure	-27,765	-54,060
Non-ringfenced government grants	-352,230	-261,831
Capital Grants and Contributions	-109,179	-50,890
	-1,228,575	-1,077,812

KCC's share of deficit on the Council Tax is £8.9m (2019-20 surplus of £5.0m). For 2020-21 the Business Rate Collection Fund has a deficit of £28.8m (2019-20 a surplus of £2.4m). See the Collection Fund Adjustment Account detailed in Note 24.

Note 16. 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 2020-21:

	2020-21 £'000	2019-20 £'000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Yield including Collection Fund	-739,401	-711,031
Local Share of Business Rates & Business Rate Collection Fund	-27,765	-54,060
Revenue Support Grant (RSG)	-9,642	-9,487
Social Care Support Grant	-34,367	-10,531
Business Rate Top-Up	-138,429	-136,210
Business Rate Compensation Grant	-12,883	-14,747
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-48,544	-42,380
New Homes Bonus (NHB) & NHB Adjustment Grants	-6,430	-6,388
Covid-19 Grant	-55,947	-39,012
Covid 19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	-7,013	0
Covid 19 Compensation for Covid related business rate reliefs	-25,613	0
Covid 19 Compensation for Loss of Sales, Fees & Charges	-11,256	0
Other Un-ringfenced Grants	-2,106	-3,076
Capital Government Grants & Contributions	-109,179	-50,890
Total	-1,228,575	-1,077,812

The Compensation for irrecoverable local taxation losses and Compensation for Covid-19 related business rate relief grants have been transferred to earmarked reserves to fund the Collection Fund deficits.

	2020-21 £'000	2019-20 £'000
Credited to Services		
Dedicated Schools Grant	-713,810	-682,278
Education Funding Agency	-87,917	-69,241
Other DFES Grants	-61,247	-59,474
Department of Health Grants	-145,946	-67,467
Department for Transport	-93,890	-6,242
Asylum	-24,095	-21,462
Ministry of Housing, Communities & Local Government	-16,661	-31,174
Other	-66,323	-48,600
Total	-1,209,889	-985,938

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:

	2020-21 £'000	2019-20 £'000
Capital Grants Receipts in Advance		
Department for Education	-197	-197
Other Grants	-76,755	-20,421
Other Contributions	-68,167	-54,280
Total	-145,119	-74,898

Note 17. Property, Plant and Equipment

Accounting Policy

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

Note 17 - Property, Plant and Equipment

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

Impairment

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

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

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

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

Depreciation

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

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- 3-60 years (as determined by the valuer)
Vehicles, plant and equipment	- 3-25 years
Roads & other highways infrastructure	- 20 years
Community assets	- nil
Assets under construction	- nil
Investment properties, Assets Held for Sale	- nil
Heritage Assets	- nil

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

Property will be split into five components:

Land

Structure

Mechanical and Electrical

Fixtures and Furnishings

Temporary Buildings.

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

In determining the extent to which we apply componentisation we have taken into consideration the material impact of not componentising assets within individual asset classes below a certain threshold. More detail on this can be found under the estimation techniques note on page 34.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Note 17 - Property, Plant and Equipment

Disposals and Non-Current Assets Held for Sale

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

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

Gains and Losses on Disposal of Non Current Assets

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

Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £43.2m includes a loss of £19.7m which relates to schools transferring to academy status.

Capital receipts

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

Charges to Revenue for Non-Current Assets

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

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

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

Note 17. Property, Plant & Equipment
Movement on balances - Movements in 2020-21

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
at 1 April 2020	2,229,038	103,644	1,875,251	10,477	89,687	65,418	4,373,515	400,965
Additions	37,759	6,883	104,334	28	47,998	2,901	199,903	2,497
Donations	4,208						4,208	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	72,050					49,381	121,431	3,786
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	5,144					-540	4,604	3,572
Derecognition - Disposals	-48,239	-1,738				-307	-50,284	

Note 17 - Property, Plant and Equipment

Property, Plant & Equipment - Movements in 2020-21

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
Derecognition - Other	-8,817						-8,817	
Assets reclassified (to) / from Held for Sale						-1,610	-1,610	
Other Movements in cost or valuation*	8,351				-48,345	1,904	-38,090	
At 31 March 2021	**2,299,494**	**108,789**	**1,979,585**	**10,505**	**89,340**	**117,147**	**4,604,860**	**410,820**

* This line shows a movement of -£38,090k which includes a net movement of -£48,345k relating to amounts removed from and transferred to the AUC balance following our annual review of AUC and completed capital works.

Property, Plant & Equipment - Movements in 2020-21

	Land and Buildings £'000	Vehicles, Plant and Equipment £,000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment at 1 April 2020	-25,633	-85,251	-1,251,395	0	0	-401	-1,362,680	-7,640
Depreciation Charge	-47,555	-5,875	-93,763			-493	-147,686	-11,046
Depreciation written out to the Revaluation Reserve	47,357					686	48,043	14,290
Depreciation written out to the Surplus / Deficit on the Provision of Services	7,238					92	7,330	2,013
Impairment (losses) / reversals recognised in the Revaluation Reserve							0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	1,078	-8	-6		-348	-4	712	

Property, Plant & Equipment - Movements in 2020-21

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
Derecognition - Disposals	193	1,671				14	1,878	
Derecognition - Other	8,817						8,817	
Other movements in Depreciation and Impairment	-626	8	6		348	31	-233	
At 31 March 2021	**-9,131**	**-89,455**	**-1,345,158**	**0**	**0**	**-75**	**-1,443,819**	**-2,383**
Net Book Value								
At 31 March 2021	**2,290,363**	**19,334**	**634,427**	**10,505**	**89,340**	**117,072**	**3,161,041**	**408,437**
At 31 March 2020	**2,203,405**	**18,393**	**623,856**	**10,477**	**89,687**	**65,017**	**3,010,835**	**393,325**

Note 17. Property, Plant & Equipment
Movement on balances - Movements in 2019-20

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
at 1 April 2019	1,719,622	100,254	1,803,797	10,070	62,789	63,820	3,760,352	357,795
Additions	29,991	3,826	71,454	407	49,945	43	155,666	3,609
Donations						3,969	3,969	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	520,183					4,673	524,856	39,653
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	19,924					-4,138	15,786	-92
Derecognition - Disposals	-60,545	-436				-11,576	-72,557	

Property, Plant & Equipment - Comparative Movements in 2019-20

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation								
Derecognition - Other							0	
Assets reclassified (to) / from Held for Sale						699	699	
Other Movements in cost or valuation*	-137				-23,047	7,928	-15,256	
At 31 March 2020	**2,229,038**	**103,644**	**1,875,251**	**10,477**	**89,687**	**65,418**	**4,373,515**	**400,965**

* This line shows a movement of -£15,256k which includes -£23,047k which relates to amounts removed from the AUC balance following our annual review of AUC and completed capital works.

Property, Plant & Equipment - Comparative Movements in 2019-20

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment at 1 April 2019	-27,249	-79,780	-1,161,205	0	0	-23	-1,268,257	-4,026
Depreciation Charge	-65,789	-5,898	-90,190			-619	-162,496	-10,192
Depreciation written out to the Revaluation Reserve	56,618					26	56,644	6,571
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,183					147	9,330	7
Impairment (losses) / reversals recognised in the Revaluation Reserve							0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	142				56		198	

Property, Plant & Equipment - Comparative Movements in 2019-20

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Roads and other Highways Infrastructure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
Derecognition - Disposals	1,600	427				73	2,100	
Derecognition - Other							0	
Other movements in Depreciation and Impairment	-138				-56	-5	-199	
At 31 March 2020	**-25,633**	**-85,251**	**-1,251,395**	**0**	**0**	**-401**	**-1,362,680**	**-7,640**
Net Book Value								
At 31 March 2020	**2,203,405**	**18,393**	**623,856**	**10,477**	**89,687**	**65,017**	**3,010,835**	**393,325**
At 31 March 2019	**1,692,373**	**20,474**	**642,592**	**10,070**	**62,789**	**63,797**	**2,492,095**	**353,769**

Note 17 - Property, Plant and Equipment

Valuations of Property, Plant and Equipment carried at current value

The following statement shows an analysis of the Net Book Value of revalued assets by the year of valuation. The valuations as at 31 March 2021 were carried out by Wilks Head & Eve, overseen by Guy Harbord MRICS.

Valuation date of revalued assets:	Land & Buildings NBV £'000	Surplus Assets NBV £'000	Total NBV £'000
31/03/2018	62		**62**
31/03/2019	18,143		**18,143**
31/03/2020	224,223		**224,223**
31/03/2021	2,047,935	117,072	**2,165,007**
TOTAL	**2,290,363**	**117,072**	**2,407,435**

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 2020-21 all land and buildings which have not had a valuation within the last four years have been valued. All schools, social care establishments, county office and surplus assets 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 2020-21 and are confident that the carrying amount of these assets as at 31 March 2021 is not materially different to their current value as at 31 March 2021.

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

Note 17 - Property, Plant and Equipment

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2021 are shown below. This excludes purchases of £2.861m made in 20-21 as fair value hierarchy information is obtained when assets are revalued, not purchased.

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

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2020 (excluding in year additions) are as follows:

Recurring fair value measurements using:	**Level 2 inputs**	**Level 3 inputs**	**Fair value as at 31 March 2020**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
	£000's	**£000's**	**£000's**		
Residential developments/conversions	13,439	38,821	52,260	*Market approach*	*Market approach*
Residential institutions	800		800	*Market approach*	
Residential dwellings	907	969	1,876	*Market approach*	*Market approach*
Extra Care Accommodation		990	990		*Market approach*
Non-residential institutions		1,106	1,106		*Income & Market approach*
Assembly & Leisure		530	530		*Income approach*
Industrial development/commercial development/amenity land/educational land/woodland/agricultural land		4,509	4,509		*Market approach*
Industrial warehousing/units	2,809	138	2,947	*Income approach*	*Income approach*
	17,955	**47,063**	**65,018**		

NB The Council does not have any Level 1 valuations

Note 17 - Property, Plant and Equipment

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

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

	2020-21 £000's	2019-20 £000's
Opening balance	47,063	36,737
Transfers into Level 3	18,604	8,244
Transfers out of Level 3	-4,465	
Additions	40	43
Donations	106	3,969
Derecognition		-2,121
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	-452	-4,055
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	49,226	4,548
Depreciation charge	-480	-318
Other changes		16
Closing balance	109,642	47,063

£0.5m of losses arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £49m 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 31/03/21 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	86,077	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,800,000 - £4,750,000 per hectare reduced by 15% - 50% 2) £250,000 per unit less construction costs and fees £178,000	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	57	1) Estimated rent 2) Estimated yield	1) £100 per permit 2) 6%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Residential Dwellings	1,740	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and location discount	1) £1,400 - £9,000 per annum 2) YP in Perp 4% 3) £180,000 - £360,000	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	3,409	1) Estimated rent 2) Estimated yield	1) £1,800 - £6,200 per annum and £90 per square metre 2) 6.5% - 8%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	276	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £45 per square metre 2) £150 per annum 3) 8% - 10%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

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

	Fair Value as at 31/03/21 £000's	Unobservable input	Quantitative Information	Sensitivity
Amenity land /woodland/grazing land	3,702	1) Estimated land value	1) £19,760 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Educational land/agricultural land	776	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £750 - £4,500 per annum 2) 5% - 9% 3) £150,000 per hectare	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
Industrial development/Commercial development/Mixed Development	13,071	1) Land value reduced to reflect uncertainty	1) £1,300,000 - £3,800,000 per hectare reduced by 15% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Commercial warehousing/units	534	1) Estimated rent 2) Estimated yield	1) £90 - £129 per square metre 2) 9% - 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**109,642**			

Valuation Process for Surplus Assets

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

Highest & Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of 36 of the 101 assets is their current use. Of the remaining 65 assets, 58 are vacant, and 7 have alternative uses as a result of existing lease arrangements.

Contractual Commitments

The Council have contractual commitments to make payments of £41.4m in future years (£0m in 2019-20).

Note 18 - 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:

	2020-21	2019-20
	£000's	£000's
Rental income from Investment Property	1,963	554
Direct operating expenses arising from Investment Property	-906	-177
Net gain/(loss)	1,057	377

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

Note 18 - Investment Property

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

	2020-21 £000's	2019-20 £000's
Balance at start of the year	61,971	43,907
Additions:		
• Purchases		24,272
• Construction		
• Subsequent expenditure		37
Disposals	-384	-311
Net gains/losses from fair value adjustments	-5,154	-6,331
Transfers:		
• to/from Inventories		
• to/from Property, Plant & Equipment	-4,162	385
Other Changes	24	12
Balance at end of the year	**52,295**	**61,971**

Fair Value Hierarchy

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

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

Note 18 - Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

Recurring fair value measurements using:	**Level 2 inputs**	**Level 3 inputs**	**Fair value as at 31 March 2020**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
	£000's	**£000's**	**£000's**		
Residential developments	6,200	15,615	21,815	*Market approach*	*Market approach*
Offices	4,512	1,912	6,424	*Income approach*	*Market approach*
Assembly & Leisure		43	43		*Income approach*
Industrial development/commercial development/amenity land/educational land	63	581	644	*Market approach*	*Income & Market approach*
Residential dwellings	895	1,106	2,001	*Market approach*	*Income approach*
Non-residential institutions		1,888	1,888		*Income & Market approach*
Car Park		310	310		*Income approach*
Ransom Strip	1,500		1,500	*Market approach*	
Golf Course	360		360	*Income approach*	
Industrial units	2,345	354	2,699	*Income approach*	*Income approach*
Agricultural Land		15	15		*Income approach*
	15,875	**21,824**	**37,699**		

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:

	2020-21	**2019-20**
	£000's	**£000's**
Opening balance	21,824	16,869
Transfers into Level 3	3,919	3,468
Transfers out of Level 3	-3,653	-2,026
Additions from prior year	15,451	
Disposals		-311
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	-5,157	3,775
Other changes		49
Closing balance	32,384	21,824

£5.2m of losses arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

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

	Fair Value as at 31/03/21 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	9,979	1) Estimated revenue streams, costs, fees, profit margins 2) Estimated land value reduced to reflect uncertainty (hope value, costs and access)	1) £325,000 per unit less construction costs of £1,296 per square metre, 15% fees and 17.5% profit margins 2) £2,700,000 - £3,370,000 per hectare reduced by 50% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	19,089	1) Estimated rent 2) Estimated yield 3) Void period	1) £134 - £258 per square metre 2) 7.5% - 9% 3) 1.5 - 3 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development	995	1) Estimated land value 2) Discount for uncertainty	1) £1,100,000 - £1,300,000 per hectare 2) 15%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	316	1) Estimated rent 2) Estimated yield	1) £91 per square metre 2) 8% - 11%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	422	1) Estimated rent 2) Estimated yield	1) £250 - £1,000 per space 2) 5% - 7%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

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

	Fair Value as at 31/03/21 £000's	Unobservable input	Quantitative Information	Sensitivity
Industrial Units	503	1) Estimated rent 2) Estimated yield 3) Void period	1) £39,000 per annum 2) 6% - 7% 3) 1.5 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Affordable Housing	1,080	1) Estimated rent 2) Estimated yield 3) Management and associated costs	1) £3,120 per annum per unit 2) 6.5% 3) 25% of gross income	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**32,384**			

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of 17 of the 27 properties is their current use. Of the remaining 10 properties, 6 are held for capital appreciation as investments, 1 has an alternative use as a result of existing lease arrangements and 3 are currently vacant.

Note 19. Capital Expenditure and Financing

Accounting Policy

Government Grants and Contributions

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

Revenue expenditure funded from capital under statute

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

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

Note 19 - Capital Expenditure and Financing and Note 20 - PFI and Similar Contracts

	2020-21	2019-20
	£000's	£000's
Opening Capital financing requirement	1,284,954	1,284,512
Capital investment		
Property, Plant and Equipment	167,618	144,092
Revenue expenditure funded from capital under statute	181,236	67,340
Long-Term Debtors	6,011	12,910
Other	297	29,282
	1,640,116	1,538,136
Sources of finance		
Capital receipts	-10,308	-26,539
Government grants and other contributions	-287,977	-158,459
Direct revenue contributions	-13,578	-8,871
(MRP/loans fund principal)	-59,097	-59,313
Closing Capital Financing Requirement	1,269,156	1,284,954
Movement	**-15,798**	**442**

	2020-21	2019-20
	£000's	£000's
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	-15,798	442
Assets acquired under PFI contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**-15,798**	**442**

Note 20. PFI and Similar Contracts

Accounting Policy

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

Note 20. PFI and Similar Contracts

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

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

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

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

Value of assets

	6 schools	**Swanscombe Schools**	**Westview/ Westbrook**	**Better Homes, Active Lives**	**3 BSF Schools**	**Excellent Homes for All**	**TOTAL** £'000
As at 31 March 2020	168,275	8,891	10,706	78,913	55,737	70,447	392,971
Additions	1,160	31	565	382	289	70	2,497
Transfers in	0	0	0	0	0	0	0
Revaluations	11,011	834	11,012	-5,850	6,848	-195	23,660
Depreciation	-3,633	-173	-2,642	-1,870	-1,239	-1,476	-11,033
As at 31 March 2021	176,813	9,583	19,641	71,575	61,635	68,846	408,095

NB The value of PFI assets in Note 17 includes £341.0k in relation to service concession arrangements (IFRC12) assets that are not included in this note.

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

Finance Lease Liability

	6 schools	**Swanscombe Schools**	**Westview/ Westbrook**	**Better Homes, Active Lives**	**3 BSF Schools**	**Excellent Homes for All**	**TOTAL** £'000
As at 31 March 2020	62,913	7,284	11,781	49,552	52,891	33,326	217,748
Additions							0
Liability repaid	-2,334	-556	-353	-1,469	-2,006	-1,246	-7,964
As at 31 March 2021	60,579	6,729	11,428	48,083	50,885	32,081	209,784

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

Note 20 - PFI and Similar Contracts

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	2,288	5,333	3,638	1,464	12,724
Within 2-5 years	9,909	19,358	15,486	8,266	53,019
Within 6-10 years	17,986	18,650	21,637	11,411	69,683
Within 11-15 years	30,396	8,817	24,480	7,421	71,114

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	574	988	821	414	2,797
Within 2-5 years	3,746	2,898	3,505	1,401	11,550
Within 6-10 years	2,409	501	1,380	266	4,556

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	521	884	1,760	331	3,496
Within 2-5 years	1,813	3,151	7,557	2,678	15,199
Within 6-10 years	4,379	2,904	10,733	1,447	19,462
Within 11-15 years	4,715	831	4,740	538	10,825

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	1,479	3,415	0	477	5,371
Within 2-5 years	6,312	12,674	0	2,498	21,484
Within 6-10 years	11,989	12,736	0	2,130	26,855
Within 11-15 years	16,037	8,040	0	2,777	26,855
Within 16-20 years	12,265	1,676	0	382	14,323

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

Note 20 - PFI and Similar Contracts

3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year	1,827	4,728	2,310	853	9,718
Within 2-5 years	8,539	17,059	9,831	4,894	40,323
Within 6-10 years	13,779	16,461	13,736	9,463	53,439
Within 11-15 years	26,740	8,170	13,311	3,649	51,870

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	1,291	1,463	1,097	81	3,931
Within 2-5 years	5,242	5,265	4,387	830	15,724
Within 6-10 years	6,609	5,268	5,484	2,295	19,655
Within 11-15 years	8,185	3,624	5,484	2,362	19,655
Within 16-20 years	10,754	1,608	4,935	2,358	19,655

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

TOTAL for all PFI Contracts

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL
					£'000
Within 1 year - short term	7,980	16,811	9,626	3,620	38,037
Within 2-5 years	35,561	60,406	40,766	20,566	157,299
Within 6-10 years	57,150	56,520	52,969	27,011	193,650
Within 11-15 years	86,074	29,482	48,015	16,748	180,319
Within 16-20 years	23,019	3,283	4,935	2,740	33,978
Total	209,784	166,503	156,311	70,685	603,283

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

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

Note 20 - PFI and Similar Contracts

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School, Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddled both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08 (Ellington School for Girls, The Malling and Aylesford). From September 2009 Ellington School for Girls merged with Hereson Boys School to become Ellington and Hereson School, which is also a Trust. The school has now been renamed the Royal Harbour Academy.

The 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 2020-21 the Council made payments of £4.5m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Council is committed to making payments of £4.6m for 2021-22 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 2021-22 the Council is committed to making payments estimated at £3.5m per year under a contract with NHS Property Services, of which an estimated £3.1m will be paid by NHS Property Services to Land Securities Group Plc for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, and is also dependent on the performance of Land Securities in delivering the services under the contract (£3.4m was invoiced in 2020-21, of which £3.0m 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 2020-21 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 2020-21 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 21. Heritage Assets

Accounting Policy

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

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

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

	Historic Buildings **£000s**	Artwork - Paintings & Sculptures **£000s**	Archives **£000s**	Historical & Archaeo-logical Artefacts **£000s**	Civic Regalia **£000s**	Total Heritage Assets **£000s**
Cost or Valuation						
At 1 April 2019	**1,213**	**2,321**	**2,734**	**188**	**18**	**6,474**
Additions	85					**85**
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		47	44			91
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2020	**1,298**	**2,368**	**2,778**	**188**	**18**	**6,650**
Cost or Valuation						
At 1 April 2020	**1,298**	**2,368**	**2,778**	**188**	**18**	**6,650**
Additions	129					**129**
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		21	20		1	**42**
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2021	**1,427**	**2,389**	**2,798**	**188**	**19**	**6,821**

Note 21 - Heritage Assets

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £1.316m, which represents spend on these assets including £129k spent on them in 2020-21. 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 £653k.

The Antony Gormley Boulders Sculpture, the sculptors' first professional commission, valued at £768k. The sculpture is a single piece, in that the two parts are inextricably linked. The hollow bronze piece is a facsimile of the granite stone. The work represents the "old and the new" sitting side by side in harmony and is located at the Kent History and Library Centre.

Contemporary collection of c. 200 artworks (6 out 7 collections) in storage in Sessions House, valued at £299k.

KCC Sessions House collection, valued at £74k.

Glass Screen by Chris Ofili valued at £439k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

Kent History Tree & Leaves valued at £155k. The "History Tree" at the Kent History and Library Centre was installed in September 2013, created by Anne Schwegmann-Fielding in collaboration with Michael Condron. It is an 8 metre stainless steel tree, adorning the front of the building, with translucent mosaic at its base and 17 steel and mosaic leaves changing from green to red blowing along the pillars.

Note 21 - Heritage Assets

Archive Collections

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

General archive collections - £775k

Knatchbull/Brabourne Manuscripts. £1,501k. Family and estate papers relating to the Knatchbull/Brabourne family comprising of accounts, correspondence, legal papers, and manorial records.

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

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

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

Archaeological & Historical Artefacts

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

KCC owns approximately 4,000 objects of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman bust & portrait**, found at Lullingstone Villa, dating back to 2nd Century AD are valued at £60k and £40k respectively. These are currently on long term loan from Sevenoaks Museum to the British Museum. The museum holds a **painting by John Downton** and a **18th/19th soldier's quilt** recently valued at £50k by an industry expert.
There is a collection of around 100 artefacts kept at **Ramsgate Library**, remnants of a fire at the library in 2004, including prize cups, watches, signs & plaques, pots, printing plates, weights and measures.

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

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

Civic Regalia

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

Note 22. Leases

Accounting Policy

Leasing

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Operating Leases

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

Note 22 - Leases

The Council as Lessee

Operating Leases

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

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

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

	31 Mar 2021 £'000	31 Mar 2020 £'000
Not later than one year	8,900	5,329
Later than one year and not later than five years	15,292	12,734
Later than five years	15,810	17,007
	40,002	35,070

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 £14.1m over the remaining life of the 25 year lease.

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

	31 Mar 2021 £'000	31 Mar 2020 £'000
Minimum lease payments	9,975	5,032
Contingent rents	498	531
Sublease payments receivable	-807	-782
	9,666	4,781

Note 23. Usable Reserves

Accounting Policy

The Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Reserve	**Balance 1 April 2020 £'000**	**Net Movement in year £'000**	**Balance 31 March 2021 £'000**	**Purpose of Reserve**
Usable Capital Receipts	-30,928	503	-30,425	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-37,213	0	-37,213	Resources available to meet future unforeseen events
General Fund - Commercial Services	30	108	138	
Capital Grants unapplied	-77,238	27,455	-49,783	See note below
Earmarked Reserves*	-232,784	-127,002	-359,786	See Note 25
Schools Reserve*	-35,343	-20,607	-55,950	See over page
Surplus on Trading Accounts*	-1,056	342	-714	Commercial Services
Total	**-414,532**	**-119,201**	**-533,733**	

Capital grants unapplied of £49.8m as at 31 March 2021 includes the schools capital reserves of £0.6m. This has decreased from the surplus of £1.6m held by schools as at 31 March 2020. The remainder reflects Government grants and contributions received in year for projects in progress.

The Schools Reserve balance as at 1 April 2020 reflects the transfer of the £21.5m deficit to the DSG Adjustment Account within Unusable Reserves. Please see Note 24 Unusable Reserves on page 91 which shows the DSG Adjustment Account.

School Reserves

At 31 March 2021 funds held in school revenue reserves stood at £55,950k. These reserves are detailed in the table below.

	Balance at 1 April 2020 £'000	Movement £'000	Balance at 31 Mar 2021 £'000
School delegated revenue budget reserves - committed	-9,412	-12,453	-21,865
School delegated revenue budget reserves - uncommitted	-25,761	-8,176	-33,937
Unallocated Schools budget	0		0
Community Focused Extended School Reserves	-170	22	-148
	-35,343	-20,607	-55,950

The deficit of £21.5m held in the 'Unallocated Schools budget' reserve was transferred to the DSG Adjustment Account on 1 April 2020 as set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020. The DSG Adjustment Account in an unusable reserve and shown in Note 24.

Note 24. Unusable Reserves

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

Reserve	Balance 1 April 2020 £'000	Net Movement in year £'000	Balance 31 March 2021 £'000	Purpose of Reserve
Revaluation Reserve	-1,217,897	-132,482	-1,350,379	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-648,895	-22,487	-671,382	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	25,269	-2,136	23,133	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	-7,397	45,133	37,736	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves				
- KCC	1,361,983	271,682	1,633,665	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
- DSO	1,220	7	1,227	
Pooled Investment Adjustment Account	22,088	-17,256	4,832	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	9,449	-605	8,844	This absorbs the differences on the General Fund from accruing for untaken annual leave

Note 24 - Unusable Reserves

Reserve	Balance 1 April 2020 £'000	Net Movement in year £'000	Balance 31 March 2021 £'000	Purpose of Reserve
Post Employment Account	4,330	-1,401	2,929	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	21,505	29,544	51,049	Recognition of deficits in respect of the schools budget
Total	**-428,345**	**169,999**	**-258,346**	

The DSG Adjustment Account was set up as set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020. The deficit balance as at 31 March 2020 held in the Schools Reserves was transferred to the DSG Adjustment Account on the 1 April 2020.

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.

	2020-21 £'000		2019-20 £'000	
Balance as at 1st April		-1,217,897		-689,581
Upward revaluation of assets	-207,484		-605,675	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	37,878		23,800	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-169,606		-581,875
Difference between fair value depreciation and historical cost depreciation	20,626		25,004	
Accumulated gains on assets sold or scrapped	16,498		28,555	
Amount written off to the Capital Adjustment Account		37,124		53,559
Balance at 31 March		-1,350,379		-1,217,897

Note 24 - Unusable Reserves

Capital Adjustment Account

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

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

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

Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2020-21		2019-20	
	£'000		£'000	
Balance at 1 April		-648,894		-628,322
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	146,974		162,298	
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	-11,869		-24,913	
- Income in relation to donated assets	-168			
- Amortisation of intangible assets	2,134		2,280	
- Revenue expenditure funded from capital under statute	193,055		68,699	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	45,742		71,992	
- Realised and unrealised gains/losses on financial assets held at FVPL	-3,606		-2,190	
		372,262		278,166
Adjusting amounts written out of the Revaluation Reserve		-37,124		-53,559
Net written out amount of the cost of non-current assets consumed in the year		-313,756		-403,715

Note 24 - Unusable Reserves

	2020-21		2019-20	
	£'000		£'000	
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	-10,308		-26,539	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-238,673		-92,904	
- Application of grants to capital financing from the Capital Grants Unapplied Account	-49,304		-65,555	
- Statutory provision for the financing of capital investment charged against the General Fund	-59,096		-59,314	
- Capital expenditure charged against the General Fund	-13,578		-8,871	
		-370,959		-253,183
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		5,538		6,642
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement				-3,969
Write down of long-term debtors		7,795		5,331
Balance at 31 March		-671,382		-648,894

Note 24 - Unusable Reserves

Financial Instruments Adjustment Account

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

	2020-21		2019-20	
	£'000		£'000	
Balance at 1 April		25,268		26,197
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-950		-950	
		-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		-1,186		21
Balance at 31 March		23,132		25,268

Note 24 - Unusable Reserves

Pensions Reserve

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

	2020-21	2019-20
	£'000	£'000
Balance at 1 April	1,363,203	1,333,786
Remeasurement of the net defined liability/(asset)	148,166	-78,590
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	201,028	181,082
Employer's pension contributions and direct payments to pensioners payable in the year	-77,505	-73,075
Balance at 31 March	1,634,892	1,363,203

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.

	2020-21	2019-20
	£'000	£'000
Balance at 1 April	-7,397	-18,190
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	45,133	10,793
Balance at 31 March	37,736	-7,397

Note 24 - Unusable Reserves

Accumulated Absences Account

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

	2020-21		2019-20	
	£'000		£'000	
Balance at 1 April		9,448		9,701
Settlement or cancellation of accrual made at the end of the preceding year	-9,448		-9,701	
Amounts accrued at the end of the current year	8,844		9,448	
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		-604		-253
Balance at 31 March		8,844		9,448

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.

	2020-21		2019-20	
	£'000		£'000	
Balance at 1 April		4,330		5,118
Settlement or cancellation of accrual made at the end of the preceding year	-2,213		-2,540	
Amounts accrued at the end of the current year	812		1,752	
		-1,401		-788
Amount by which post employment costs are charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from costs chargeable in the year in accordance with statutory requirements				
Balance at 31 March		2,929		4,330

Note 24 - Unusable Reserves

Pooled Investment Adjustment Account

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

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

	2020-21		2019-20	
	£'000		£'000	
Balance at 1 April		22,088		-218
Upward revaluation of investments	-17,256		22,306	
Downward revaluation of investments				
Change in impairment loss allowances				
		-17,256		22,306
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income				
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balance for financial assets designated to fair value through other comprehensive income				
Balance at 31 March		4,832		22,088

DSG Adjustment Account

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

	2020-21
	£'000
Balance at 1 April	21,505
In year Schools budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Accounts in accordance with statutory requirements	29,544
Balance at 31 March	51,049

Note 25. Earmarked Reserves

Our reserves were reviewed as part of the 2020-21 budget setting process and as a result a further draw down of reserves is planned for 2020-21. 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 reserves took place in 2020-21.

The following describes each of the Earmarked Reserve accounts where the balance is in excess of £0.5m either on 31 March 2020 or 31 March 2021, the sum of which are shown in the tables on pages 102 and 103.

Vehicles, plant and equipment (VPE)

This is a reserve for the replacement and acquisition of vehicles, plant and equipment.

Special funds

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

Kings Hill development smoothing reserve

Comprises the County Council share of distribution from proceeds of the Kings Hill development received in accordance with the terms of the Development Agreement. These distributions can vary considerably from year to year so this reserve is used to smooth the impact on the revenue budget over the medium term.

Swanscombe School PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments for the Swanscombe School PFI scheme. The reserve will comprise of contributions from the Education revenue budget and a proportion of grant funding received from the UK Government.

Six Schools PFI Reserve

This has been established to equalise, over time, the budget impact of the unitary charge payments for the 6 schools PFI scheme. The reserve comprises of contributions from the Education revenue budget, contributions from schools and a proportion of grant funding received from the UK Government.

Three Schools PFI Reserve

This has been established to equalise, over time, the budget impact of the unitary charge payments for the 3 schools PFI scheme. The reserve comprises of contributions from the Education revenue budget, contributions from schools and a proportion of grant funding received from the UK Government.

Excellent Homes for All PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, Section 31 pooled budget contributions and government grant funding for the Excellent Homes for All PFI scheme.

Westview and Westbrook PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, Section 31 pooled budget contributions and government grant funding for the Westview and Westbrook PFI scheme.

Better Homes, Active Lives PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, contract management costs and government grant funding for the Better Homes, Active Lives scheme.

Note 25 - Earmarked Reserves

Responding to Government Deficit Reduction Reserve

This reserve is to support further transformation of services in order for the Council to be able to set future budgets that reflect continuing demand for services within reducing government funding levels.

Corporate Reserve for Social Care funding issues

This reserve is to cover several new and ongoing issues within Social Care, including; Better Care Fund, Care Act, transforming care, and Deprivation of Liberty Safeguards, where we are at risk that funding levels being insufficient.

Payments Reserve

This reserve provides funding for a proportion of unreceipted orders between KCC and suppliers and potential future iProc obligations relating to previous years. The need for and level of the reserve will be reviewed each year.

Local Taxation Equalisation Reserve

This reserve is to (a) smooth the impact of changes in Council Tax discounts, (b) fund joint work with individual district councils with the aim of achieving higher future tax yields e.g. through Counter Fraud Initiatives and (c) smooth the impact of fluctuations in the Business Rates baseline.

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.

Rolling budget reserve

This reserve represents the roll forward of funds to cover re-scheduling of revenue expenditure from previous years.

Emergency Conditions reserve

This reserve is to cover the cost of emergencies which cannot be accommodated within normal revenue allocations, such as the costs associated with severe weather conditions.

Safety Camera Partnership reserve

This reserve is funding from Kent Police and Medway Council for use by the Kent & Medway Safety Camera Partnership and is to fund the digitalisation of speed cameras.

Elections reserve

This reserve is to cover the costs of the County Council elections, which occur every 4 years, and by-elections. A contribution is made to the reserve each year in order to even the impact upon the council tax.

Dilapidations reserve

This reserve is to provide for the potential dilapidation costs that the Council faces when existing leases for office accommodation cease.

Modernisation of the Council (formerly Workforce Reduction) reserve

This reserve is to provide for the redundancy and other costs relating to modernising the services of the Council and for potential staffing reductions required to achieve budget savings.

IT Asset Maintenance reserve

This reserve will contribute to the funding of the IT refresh programme which will give the Council ongoing and sustainable capacity to replace ageing technology.

Earmarked Reserve to support future year's budget

The approved medium term plan for 2020-22 includes support from central reserves from the residual underspending in 2019-20 and from a review of reserve balances. These funds have been transferred to the reserve to be drawndown over the medium term in line with the approved budget proposals.

Note 25 - Earmarked Reserves

Prudential Equalisation Reserve

A reserve to smooth the impact on the revenue budget over the medium term of prudential borrowing costs i.e. the costs of borrowing to support the capital programme, which are not supported by Government grant.

Dedicated Schools Grant (Central Expenditure) Reserve

This reserve holds any unspent Dedicated Schools Grant for central expenditure, which in accordance with the DFE grant regulations must be carried forward for use in future years and spent in accordance with school financial regulations.

Turner Contemporary Investment Reserve

This reserve has been created from the settlement from the original Turner Contemporary gallery design and will be supplemented at the end of each year by the interest earned from its investment as part of KCC balances. It is used to part fund the annual contribution to the Turner Contemporary trust under the grant agreement dated 30th March 2010.

Kent Lane Rental Scheme Reserve

This is a scheme, approved by the Department of Transport, where companies, such as utility companies, pay to rent lanes on the most critical/busiest roads of our network, whilst they undertake works. The Council will retain revenues obtained from operating the scheme to meet the costs incurred in operating the scheme, with any surplus revenue used for initiatives associated with the objectives of the scheme. A board, including representatives from each utility area and from Kent County Council, oversee the administration of the surplus revenues in this reserve.

PIF Property Reserve

PIF is a capital (only) fund available to fund property investments. A number of income generating properties were purchased through PIF to provide revenue funding to cover any necessary revenue costs associated with the purchase/sale and holding costs of the investment properties. This revenue income is held within a reserve to be drawn down, as required, to cover costs that cannot be capitalised.

Bus Services Operator Grant

This reserve relates to grant funding received from the Department for Transport and to be used to fund bus companies.

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.

Financial Instruments Smoothing Reserve

A reserve to smooth the impact of gains or losses in respect of derecognition of financial assets treated as Investments in Equity Instruments designated at Fair Value through Other Comprehensive Income.

Fast Track Bus Maintenance Reserve

This reserve is to be used on maintenance and other specified services relating to the Fast Track bus lanes.

KPSN Re-procurement Reserve

This reserve represents a 2% surcharge on all services provided to partners under the KPSN contract, to be used to fund the re-procurement of the contract.

Covid-19 Reserve

This reserve relates to the emergency grant funding received from MHCLG. This reserve is to be used to fund our response to the Covid-19 outbreak.

S31 Grant Compensation for irrecoverable Business Rates losses (Covid-19) reserve

This reserve has been funded from the S31 grant received from MHCLG and is to be used to help fund the deficit on the Collection Fund.

Note 25 - Earmarked Reserves

S31 Grant Compensation for irrecoverable Council Tax losses (Covid-19) reserve

This reserve has been funded from the S31 grant received from MHCLG and is to be used to help fund the deficit on the Collection Fund.

S31 Grant Compensation for Covid-19 related Business Rate reliefs reserve

This reserve has been funded from the S31 grant received from MHCLG and is to be used to help fund the deficit on the Collection Fund.

Corporate ICT reserve

This reserve is has been created to cover major ICT projects and smoothing the impact of IT Asset maintenance.

Capital feasibility & abortive costs reserve

This reserve has been created to cover the feasibility and abortive costs where a capital project is aborted.

Community Discharge Payments Reserve

This reserve relates to grant funding received from the Department of Health & Social Care and it to be used for discharges into the community to reduce the net number of inpatients with learning disabilities and/or autism.

Supported Bus Services Reserve

This reserve relates to grant funding received from the Department for Transport and to be used for the Supported Bus Services Scheme.

Strategic Acquisition Major Refurb

This reserve has been created to meet the ongoing cost of Strategic Acquisitions. The reserve is to cover financing costs, repairs and maintenance, and the cost to return buildings to their original condition.

Other

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2020-21 or future years as initiatives are completed. All balances on these reserves are below £0.5m.

Note 25 - Earmarked Reserves

Other Earmarked Reserves	**Balance at 1 April 2020**	**Movement**	**Balance at 31 Mar 2021**
	£'000	£'000	£'000
VPE reserve	-17,171	-446	-17,617
Special funds	-522	-76	-598
Kings Hill development smoothing reserve	-4,607	-13,478	-18,085
Swanscombe School PFI equalisation reserve	-152	248	96
Six schools PFI	-1,815	-814	-2,629
Three schools PFI	-4,813	-1,449	-6,262
Excellent Homes for All PFI	-2,260	88	-2,172
Westview/Westbrook PFI equalisation reserve	-3,985	-99	-4,084
Better Homes Active Lives PFI equalisation reserve	-3,516	-100	-3,616
Responding to Government Deficit Reduction reserve	-11,422	2,587	-8,835
Corporate Reserve for Social Care Funding Issues	-9,663	-7,315	-16,978
Payments reserve	-5,778	0	-5,778
Local Taxation Equalisation reserve	-24,506	-3,929	-28,435
Public Health reserve	-5,877	-5,249	-11,126
Rolling budget reserve	-25,166	-11,291	-36,457
Emergency Conditions reserve	-1,635	-750	-2,385
Elections reserve	-1,010	-354	-1,364
Dilapidations reserve	-3,045	-78	-3,123
Modernisation of the Council (formerly Workforce Reduction) reserve	-12,064	-914	-12,978
IT Asset Maintenance reserve	-3,446	-1,851	-5,297
Earmarked reserve to support future year's budget	-6,751	-21,674	-28,425
Prudential Equalisation reserve	-10,710	0	-10,710
Turner Contemporary Investment reserve	-690	279	-411
Kent Lane Rental Scheme reserve	-2,995	-996	-3,991
PIF Property Reserve	-783	-46	-829
Bus Services Operator Grant	-582	90	-492
Financial Instruments Revaluation Reserve	-647	0	-647
Fast Track Bus Maintenance reserve	-620	-164	-784
KPSN Re-procurement reserve	-815	-165	-980
Covid-19 reserve	-37307	-18,276	-55,583
S31 Grant Compensation for irrecoverable Business Rates losses (Covid-19) reserve	0	-2,156	-2,156
S31 Grant Compensation for irrecoverable Council Tax losses (Covid-19) reserve	0	-4,856	-4,856
S31 Grant Compensation for Covid-19 related Business Rate reliefs reserve	0	-25,613	-25,613
Corporate ICT reserve	0	-3,025	-3,025
Capital feasibility & abortive costs reserve	0	-500	-500
Community Discharge Payments reserve	0	-558	-558
Supported Bus Services reserve	0	-840	-840
Strategic Acquisition Major Refurb reserve	0	-1,283	-1,283
Other	-3,678	-1,138	-4,816
Total	-208,031	-126,191	-334,222
Insurance Reserve			
KCC	-16,119	-661	-16,780
	-224,150	**-126,852**	**-351,002**
Commercial Services Earmarked Reserves	-3,233	0	-3,233
EKO	-4,981	0	-4,981
Royal Mail Sorting Office	-421	-150	-571
Total Earmarked Reserves	**-232,785**	**-127,002**	**-359,787**

Note 25 - Earmarked Reserves

Other Earmarked Reserves	**Balance at 1 April 2019**	**Movement**	**Balance at 31 Mar 2020**
	£'000	£'000	£'000
VPE reserve	-16,560	-611	-17,171
Special funds	-592	70	-522
Kings Hill development smoothing reserve	-2,557	-2,050	-4,607
Swanscombe School PFI equalisation reserve	-411	259	-152
Six schools PFI	-1,048	-767	-1,815
Three schools PFI	-2,677	-2,136	-4,813
Excellent Homes for All PFI	-2,362	102	-2,260
Westview/Westbrook PFI equalisation reserve	-3,850	-135	-3,985
Better Homes Active Lives PFI equalisation reserve	-3,416	-100	-3,516
Responding to Government Deficit Reduction reserve	-10,371	-1,051	-11,422
Corporate Reserve for Social Care Funding Issues	-7,552	-2,111	-9,663
Payments reserve	-4,443	-1,335	-5,778
Local Taxation Equalisation reserve	-16,793	-7,713	-24,506
Public Health reserve	-6,036	159	-5,877
Rolling budget reserve	-37,173	12,007	-25,166
Emergency Conditions reserve	-1,635	0	-1,635
Elections reserve	-587	-424	-1,011
Dilapidations reserve	-3,062	17	-3,045
Modernisation of the Council (formerly Workforce Reduction) reserve	-10,999	-1,065	-12,064
IT Asset Maintenance reserve	-1,783	-1,663	-3,446
Earmarked reserve to support future year's budget	-5,682	-1,069	-6,751
Prudential Equalisation reserve	-10,382	-328	-10,710
Turner Contemporary Investment reserve	-965	275	-690
Kent Lane Rental Scheme reserve	-2,679	-316	-2,995
Public Inquiries reserve	-520	68	-452
PIF Property Reserve	-845	62	-783
Bus Services Operator Grant	-459	-123	-582
Financial Instruments Revaluation Reserve	-647	0	-647
Highways Adverse Weather Reserve	-500	423	-77
Deprivation of Liberty Safeguards (DoLs) Reserve	-1,047	903	-144
Fast Track Bus Maintenance reserve	-597	-23	-620
Leap Year reserve	-842	842	0
KPSN Re-procurement reserve	-692	-123	-815
Covid-19 reserve	0	-37,307	-37,307
Other	-3,715	711	-3,004
Total	-163,479	-44,552	-208,031
Insurance Reserve			
KCC	-13,647	-2,472	-16,119
	-177,126	**-47,024**	**-224,150**
Commercial Services Earmarked Reserves	-3,233	0	-3,233
EKO	-4,981	0	-4,981
Royal Mail Sorting Office	-198	-223	-421
Total Earmarked Reserves	**-185,538**	**-47,247**	**-232,785**

Note 26. 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	Post Employment	Accumulat-ed Absences	Other Provisions	Total
	£'000		£'000	£'000	£'000
Short Term					
Balance at 1 April 2020	-3,312	-2,300	-9,448	-3,726	-18,786
Additional Provisions made in 2020-21	-2,369	-1,542	-5,578	-2,677	-12,166
Amounts used in 2020-21	2,284	2,227	6,182	366	11,059
Unused amounts reversed in 2020-21	0	0	0	0	0
Balance at 31 March 2021	**-3,397**	**-1,615**	**-8,844**	**-6,037**	**-19,893**
Long Term					
Balance at 1 April 2020	-7,504	-2,117	0	0	-9,621
Additional/Reduction in Provisions made in 2020-21	-434	0	0	0	-434
Amounts used in 2020-21	0	730	0	0	730
Unused amounts reversed in 2020-21	0	0	0	0	0
Balance at 31 March 2021	**-7,938**	**-1,387**	**0**	**0**	**-9,325**
Total Provisions at 31 March 2021	**-11,335**	**-3,002**	**-8,844**	**-6,037**	**-29,218**

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 2021. 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 27 - Amounts owed to the Council by debtors

31 March 2021	**Short Term**	**Long Term**	**Total**
	£'000	**£'000**	**£'000**
Medway Council (transferred debtor)		31,402	**31,402**
Recoverable VAT	36,773		**36,773**
Trade Receivables	72,670		**72,670**
Payments in Advance	35,491		**35,491**
General Debtors	142,960	21,460	**164,420**
Total	**287,894**	**52,862**	**340,756**

31 March 2020	**Short Term**	**Long Term**	**Total**
	£'000	**£'000**	**£'000**
Medway Council (transferred debtor)		32,710	**32,710**
Recoverable VAT	7,418		**7,418**
Trade Receivables	74,824		**74,824**
Payments in Advance	22,364		**22,364**
General Debtors	104,912	32,351	**137,263**
Total	**209,518**	**65,061**	**274,579**

Capital short term debtors amounting to £11.4m are included in the Accounts at 31 March 2021 (£12.8m in 2019-20). These relate to grants and external funding towards capital expenditure incurred in 2020-21 which had not been received by 31 March 2021 along with loan repayments funded from capital falling due in 2021-22.

Note 28. Amounts owed by the Council to creditors

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

31 March 2020	Short Term	Long Term	Total
	£'000	£'000	£'000
Receipts in Advance	48,811		**48,811**
Contract Liabilities	1,665		**1,665**
Deferred Income	620		**620**
General Creditors	265,516	40	**265,556**
Total	**316,612**	**40**	**316,652**

Capital creditors amounting to £21.7m are included in the Accounts at 31 March 2021 (£29.3m in 2019-20).

Note 29. Cash and Cash Equivalents

Accounting Policy

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

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

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

	At 31 March 2021	At 31 March 2020
	£000's	£000's
Bank current accounts	9,232	956
Call accounts (same day access funds)	134,965	56,684
Total Cash and Cash Equivalents	144,197	57,640

Note 30. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2020-21	2019-20
	£'000	£'000
Interest received	-13,750	-15,318
Interest paid	61,474	62,487
Employee Costs	838,922	784,612
Income from Council Tax	-767,166	-765,584
Government Grants	-1,722,484	-1,298,167

	2020-21 £'000	2019-20 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-123,523	-108,007
Carrying amount of non-current assets sold	-45,742	-71,992
Carrying amount of Financial Assets held at FVPL	20,861	-20,116
Amortisation of fixed assets	-2,134	-2,279
Depreciation of fixed assets	-146,974	-162,299
Impairment and downward valuations	11,869	24,913
Increase/(decrease) debtors	86,896	-2,181
(Increase)/decrease creditors	-57,830	-19,943
Increase/(decrease) stock	-164	-531
Movement on investment properties	-5,538	-6,642
REFCUS	-193,055	-68,699
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-44,761	-9,638
	-500,095	-447,414
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	3,306	13,100
Capital grants applied	259,396	105,341
	262,702	118,441

Notes 31 and 32 - Cash Flow - Investing and Financing Activities and Note 33. Reconciliation of Liabilities arising from Financing Activities

Note 31. Cash Flow Statement - Investing Activities

	2020-21	2019-20
	£'000	£'000
Purchase of property, plant and equipment, investment property, and intangible assets	362,158	260,322
Purchase of short-term and long-term investments	1,641,439	456,222
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-3,289	-12,962
Proceeds from short-term and long-term investments	-1,614,661	-470,690
Other receipts from investing activities	-340,775	-111,308
Net cash flows from investing activities	44,872	121,584

Note 32. Cash Flow Statement - Financing Activities

	2020-21	2019-20
	£'000	£'000
Cash receipts of short- and long-term borrowing	-145	-682
Relating to finance leases and on-balance sheet PFI contracts	2,682	3,691
Repayments of short- and long-term borrowing	30,239	23,065
Net cash flows from financing activities	32,776	26,074

Note 33. Reconciliation of Liabilities arising from Financing Activities

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

Note 33. Reconciliation of Liabilities arising from Financing Activities and Note 34 - Trading Operations

	2019-20 1 April	Financing cash flows	Non-cash changes		2019-20 31 March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	-854,311	40,687		0	-813,624
Short-term borrowings	-63,552	-6,647		-11,266	-81,465
• IFRIC 12	-2,556	128			-2,428
• Lease Liabilities	-514	23			-491
• On balance sheet PFI liabilities	-224,428	6,680			-217,748
Total liabilities from financing activities	**-1,145,361**	**40,871**	**0**	**-11,266**	**-1,115,756**

Note 34. Trading Operations

The results of the various trading operations for 2020-21 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-) 2020-21	Surplus/ Deficit(-) 2019-20
	£'000	£'000	£'000	£'000
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly and professional services	27,806	26,287	1,519	2,157
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	9,796	8,325	1,471	2,352
Transport Services Provision of lease cars, minibuses and lorries, plus vehicle maintenance and repairs	715	712	3	0
Total surplus	38,317	35,324	2,993	4,509

Note 35. Audit Costs

In 2020-21 the following fees were paid relating to external audit and inspection:

	2020-21	Restated 2019-20
	£'000	£'000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	191	187
Fees payable in respect of other services provided by the appointed auditor	13	24
	204	211

The 2020-21 fee payable for external audit services represents the audit fee of £191k includes £40.4k proposed increased to be agreed. The £13k fee payable for other services relates to the CFO insights services. The 2019-20 audit fees have been restated to reflect the final audit fee which includes £22.7k for the impact of Covid-19.

Note 36. 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 2018. 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 2020-21 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2020-21 before academy and high needs			1,308,307
Academy and high needs figure recouped for 2020-21			-594,494
Total DSG after academy and high needs recoupment for 2020-21			713,813
Brought forward from 2019-20			-21,505
Carry-forward to 2021-22 agreed in advance			
Agreed initial budget distribution in 2020-21	174,573	517,735	692,308
In-year adjustments	-9,078	8,095	-983
Final budgeted distribution for 2020-21	165,495	525,830	691,325
Less actual central expenditure	216,544		216,544
Less Actual ISB deployed to schools		525,830	525,830
Plus Local Council contribution for 2020-21			0
In year Carry Forward to 2021-22	-51,049	0	-51,049
Plus Carry-forward to 2021-22 agreed in advance			0
Carry-forward to 2021-22			-51,049

The deficit of £51.049m is expected to be cleared through future increases to the DSG High Needs budget. This deficit is offset in the DSG Adjustment Account in Note 24 on pages 90 to 97.

Note 37. 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 11 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 2020-21 is shown in Note 7 on page 46. During 2020-21 works and services to the value of £0.708m (£0.763m in 2019-20) were commissioned from a company which one Member 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 38 on pages 112 to 118 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 £3.797m and cash held by the Pension Fund on behalf of KCC is £6.089m.

Payments to other local authorities and health bodies, excluding precepts, totalled £92.5m.
Receipts from other local authorities and health bodies totalled £82.6m.

Director of Adult Social Care & Health

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

Entities Controlled or Significantly Influenced by the Council:

The Council has one active subsidiary company, the largest of which is Kent Holdco Ltd. During the year the total values of payments made to and received from Kent Holdco Ltd, were £65.2m and £7.3m respectively (£55.6m and £8.6m respectively in 2019-20)

Kent County Council also has an interest in the following companies:	**Payments made in 2020-21**
Active companies with less than or equal to 50% control	**£**
Visit Kent Ltd	326,857
Locate in Kent Ltd	1,317,167
Trading Standards South East Ltd	3,425
Kent PFI Holdings Company 1 Ltd	11,444,476
TRICS Consortium Ltd	3,450
Aylesham & District Community Workshop Trust	7,262
Discovery Park Technology Investments (GP) Ltd	1,375
Active companies with more than 50% control	
Produced in Kent (PINK) Ltd	115,533

Note 38. Pension Costs

Note 38a - 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 2020-21 Kent County Council paid £53.2m (£45.1m in 2019-20), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 23.7% (20.7% in 2019-20) 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 2020-21 these amounted to £4.7m (£4.8m in 2019-20), representing 2.1% (2.2% in 2019-20) 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 2020-21 Kent County Council paid £0.10m (£0.10m in 2019-20), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2019-20) of employees pensionable pay.

Note 38b. Defined Benefit Pension Scheme

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

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15d of the Pension Fund Accounts)

- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

Note 38 - Pension Costs

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

	Local Government Pension Scheme	
	2020-21	**2019-20**
Comprehensive Income and Expenditure Statement	£000's	£000's
Cost of Services:		
• Current service cost	-165,602	-127,324
• Past service costs	-1,240	-28,491
	-166,842	-155,815
Financing and Investment Income and Expenditure		
• Net interest expenses	-33,531	-30,987
• (Gain)/loss from settlements	1,384	7,271
• Administration expenses	-2,039	-1,551
Total Charged to the Surplus or Deficit on the Provision of Services	-201,028	-181,082

	2020-21	**2019-20**
	£000's	£000's
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expenses)	697,848	-236,584
• Actuarial gains and losses arising on changes in demographic assumptions	44,352	75,463
• Actuarial gains and losses arising on changes in financial assumptions	-950,491	326,496
• Experience loss/(gain) on defined benefit obligation	55,519	-91,391
• Other	4,606	4,606
Total Charged to the Comprehensive Income and Expenditure	-148,166	78,590
Total charged to Comprehensive Income and Expenditure Statement	**-349,194**	**-102,492**
Movement in Reserves statement		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	201,028	181,082
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	-77,505	-73,075
Total Movement in Reserves statement	**123,523**	**108,007**

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 2020-21, Kent County Council paid an employer's contribution of £77.5m (£73.1m in 2019-20) into the Pension Fund, representing 21% (22% in 2019-20) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2020-21 was based on the review carried out as at 31 March 2019. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Note 38 - Pension Costs

Pension Assets and Liabilities in the Balance Sheet

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

	Local Government Pension Scheme £'000	
	2020-21	**2019-20**
Present value of the defined benefit obligation	4,797,827	3,796,940
Fair value of plan assets	-3,211,663	-2,483,660
Sub total	1,586,164	1,313,280
Other movements in the liability/(asset)	48,728	49,923
Net liability arising from defined benefit obligation	**1,634,892**	**1,363,203**

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

	Local Government Pension Scheme £'000	
	2020-21	**2019-20**
Opening fair value of scheme assets	2,483,660	2,679,625
Interest on assets	46,071	64,054
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)	697,848	-261,924
• Other		25,340
Contributions from employer	82,111	77,681
Contributions from employees into the scheme	27,355	26,945
Benefits paid	-123,370	-117,130
Other	-2,012	-10,931
Closing fair value of scheme assets	**3,211,663**	**2,483,660**

The actual return on scheme assets in the year was £743,919k (2019-20: £197,870k)

Note 38 - Pension Costs

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

	Liabilities: Local Government Pension Scheme £'000	
	2020-21	**2019-20**
Opening balance at 1 April	3,846,863	4,013,411
Current service cost	165,602	127,324
Interest cost	79,602	95,041
Contribution from scheme participants	27,355	26,945
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	-44,352	-75,463
• Actuarial gains and losses arising on changes in financial assumptions	950,491	-326,496
• Experience loss/(gain) on defined benefit obligation	-55,519	91,391
• Other	-4,606	-4,606
Past service costs	1,240	28,491
Benefits paid	-118,764	-112,524
Liabilities extinguished on settlements	-1,357	-16,651
Closing balance at 31 March	**4,846,555**	**3,846,863**

Local Government Pension Scheme assets comprised:

	2020-21		**2019-20**	
	£'000	**%**	**£'000**	**%**
Equities	2,068,088	64.4%	1,527,948	61.5%
Gilts	19,085	0.6%	19,298	0.8%
Other Bonds	401,089	12.5%	323,720	13.0%
Property	332,391	10.3%	337,935	13.6%
Cash	159,250	5.0%	64,999	2.6%
Absolute return fund	231,760	7.2%	209,760	8.4%
Total assets	**3,211,663**	**100%**	2,483,660	100%

Note 38 - Pension Costs

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

		2020-21		2019-20	
		% Quoted	**% Unquoted**	**% Quoted**	**% Unquoted**
Fixed Interest Government Securities					
	UK				
	Overseas	0.6%		0.8%	
Corporate Bonds					
	UK	3.9%		4.2%	
	Overseas	8.6%		8.8%	
Equities					
	UK	14.3%		19.2%	
	Overseas	38.6%	8.1%	38.6%	
Property					
	All		10.3%		13.6%
Others					
	Absolute return portfolio	7.2%		8.4%	
	Private Equity		2.4%		2.5%
	Infrastructure		1.0%		1.1%
	Derivatives		0.0%		-0.3%
	Cash/Temporary Investments		4.7%		2.6%
Net Current Assets					
	Debtors		0.5%		0.6%
	Creditors		-0.3%		-0.3%
Total assets		**73.2%**	**26.7%**	**80.0%**	**19.8%**

The decrease in pension deficit during the year has arisen principally due to the technical increase 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 2020 levels then the pensions deficit would have been £950,491k lower at £684,401k.

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 2022 is £73,516k, this is in line with the revised IAS19 Standard.

Note 38 - Pension Costs

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020-21	**2019-20**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.8 years
Women	23.6 years	23.7 years
Longevity at 65 for future pensioners:		
Men	22.9 years	23.2 years
Women	25.1 years	25.2 years
Rate of inflation	3.20%	2.75%
Rate of increase in Consumer Price Index	2.80%	1.95%
Rate of increase in salaries	3.80%	2.95%
Rate of increase in pensions	2.80%	1.95%
Rate for discounting scheme liabilities	2.00%	2.35%
Take-up option to convert annual pension into retirement lump sum	50%	50%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	**Decrease in Assumption £'000**
Adjustment to discount rate (increase or decrease by 0.1%)	4,752,829	4,942,224
Adjustment to long-term salary increase (increase or decrease by 0.1%)	4,854,370	4,838,804
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	4,933,563	4,761,213
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	5,067,011	4,636,232

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £1.2m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2021 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 39. 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.

Note 39 - Financial Instruments

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 20
- trade payables for goods and services received.

Financial Assets

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

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies
- treasury bills issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- loans to other local authorities
- trade receivables for goods and services delivered.

Fair value through profit and loss (all other financial assets) comprising:
- money market funds
- shares in unlisted companies
- unquoted equity investments relating to KCC wholly owned companies
- pooled equity, bond, and property investment funds

Note 39 - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	31 March 2021		31 March 2020	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Investments				
- Fair value through profit or loss	204,114	134,965	181,311	56,684
- Amortised cost	53,371	141,441	85,018	84,307
	257,485	**276,406**	**266,329**	**140,991**
Debtors				
- Amortised cost		72,670		74,824
- Non financial assets	52,862	144,907	65,061	111,284
	52,862	**217,577**	**65,061**	**186,108**
Cash & Cash Equivalents		9,232		12,991
Total	**310,347**	**503,215**	**331,390**	**340,090**

Financial Liabilities

	31 March 2021		31 March 2020	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Borrowing				
- Amortised cost	735,969	128,759	813,624	81,465
- Non financial liabilities	204,395	8,149	212,543	8,124
	940,364	**136,908**	**1,026,167**	**89,589**
Creditors				
- Amortised cost		2,372		1,665
- Non financial assets	11,536	306,627	40	265,870
	11,536	**308,999**	**40**	**267,535**
Cash & Cash Equivalents				
Total	**951,900**	**445,907**	**1,026,207**	**357,124**

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 123.

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 123.

Note 39 - Financial Instruments

Income, Expense Gains / Losses

	2020-21		2019-20	
	Surplus or Deficit on the Provision of Services	Other Comprehen-sive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehen-sive Income and Expenditure
	£'000	£'000	£'000	£'000
Net gains/losses on:				
Financial assets measured at fair value through the profit or loss	-20,861		19,976	-
Financial assets measured at amortised cost			-	-
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-950	-950	-950	-950
Total net gain/losses	**-21,811**	**-950**	**19,026**	**-950**
Interest revenue				
Financial assets measured at amortised cost	724	-	1,966	-
Financial Assets measured at fair value through profit or loss	7,699		8,462	
Total interest revenue	**8,423**	**0**	**10,428**	**0**
Interest expenses	**-40,145**	**-**	**-40,980**	**-**
Fee income				
Financial assets or financial liabilities that are not at fair value through profit or loss		-		-
Trust and other fiduciary activities		-		-
Total fee income	**0**	**0**	**0**	**0**
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	-20,113	-	-20,166	-
Trust and other fiduciary activities		-		-
Total fee expense	**-20,113**	**0**	**-20,166**	**0**

Fair Value of Financial Assets

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

Financial assets measured at fair value

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2021 £'000	As at 31 Mar 2020 £'000
Fair value through Profit and Loss				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	134,965	56,684
Equity Shares	Level 1	Unadjusted quoted prices in active markets for identical shares	1	2
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	174,717	157,462
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	11,734	10,782
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	17,662	12,566
			339,079	**237,496**

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:

	2020-21 £'000	2019-20 £'000
Opening balance	12,566	12,059
Transfers into Level 3		
Transfers out of Level 3		-1,325
Additions	276	140
Derecognition		-56
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	4,820	1,748
Included in Other Comprehensive Income and Expenditure		
Closing Balance	17,662	12,566

Note 39 - Financial Instruments

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

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

	31 March 2021		31 March 2020	
Financial Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities held at amortised cost				
PWLB loans	456,437	588,753	480,334	617,408
Long-term LOBO and Market Loans	408,291	654,687	414,755	651,588
Other long-term loans				
PFI and finance lease liabilities	212,544	265,263	220,667	277,153
Total	**1,077,272**	**1,508,703**	**1,115,756**	**1,546,149**

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 2021) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2021		31 March 2020	
Financial Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets held at amortised cost				
- long-term investments	53,371	53,894	85,018	84,541
- short-term investments	141,441	141,633	83,807	83,807
- cash and cash equivalents	9,232	9,232	12,991	12,991
Long-term debtors	52,862	49,125	65,061	63,318
Total	**256,906**	**253,884**	**246,877**	**244,657**

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

Note 39 - Financial Instruments

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

	31 March 2021			
	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable inputs (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
Recurring fair value measurements using:	**£'000**	**£'000**	**£'000**	**£'000**
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		588,753		**588,753**
• Long-term LOBO and Market Loans		654,687		**654,687**
PFI and finance lease liabilities			265,263	**265,263**
Total	**0**	**1,243,440**	**265,263**	**1,508,703**
Financial Assets				
Financial assets held at amortised cost:				
• Soft loans to third parties			19,366	**19,366**
Total	**0**	**0**	**19,366**	**19,366**

	31 March 2020			
	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable inputs (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
Recurring fair value measurements using:	**£'000**	**£'000**	**£'000**	**£'000**
Financial Liabilities				
Financial liabilities held at amortised cost:				
• Long-term PWLB loans		617,408		**617,408**
• Long-term LOBO and Market Loans		651,588		**651,588**
PFI and finance lease liabilities			277,153	**277,153**
Total	**0**	**1,268,996**	**277,153**	**1,546,149**
Financial Assets				
Loans and receivables:				
• Soft loans to third parties			22,890	**22,890**
Total	**0**	**0**	**22,890**	**22,890**

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 2021 using the following methods and assumptions:

• PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans

• LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate

• PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)

• Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

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

Financial Assets	**Financial Liabilities**
• no early repayment or impairment is recognised	• no early repayment or impairment is recognised
• estimated ranges of interest rates at 31 March 2021 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2021 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 40. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA’s Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.
In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

• Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

• Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

• Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measurables as interest rates and stock market movements.

Note 40 - Nature and Extent of Risks Arising from Financial Instruments

Credit Risk: Treasury Investments

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

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

The credit quality of the £79.8m 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 2021**	**31 Mar 2020**
	£000's	**£000's**
AAA	214,635	141,602
AA-	9,400	0
A+	10,000	0
A	35,000	30,000
A-	0	0
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	174,717	157,462
Equity	29,396	23,159
Other Local Authorities	51,000	53,807
Total Investments	**524,148**	**406,030**

All deposits outstanding as at 31 March 2021 met the Council's credit rating criteria on 31 March 2021.

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 2021 was £3.4m.

Note 40 - Nature and Extent of Risks Arising from Financial Instruments

Liquidity risk

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

Time to maturity	**31 Mar 2021**	**31 Mar 2020**
Years	**£000's**	**£000's**
Not over 1	27,761	30,199
Over 1 but not over 2	23,499	27,761
Over 2 but not over 5	76,992	73,312
Over 5 but not over 10	32,890	56,890
Over 10 but not over 20	184,988	177,911
Over 20 but not over 30	130,800	140,910
Over 30 but not over 40	135,700	145,700
Over 40	151,100	191,100
Uncertain date *	90,000	40,000
Total	**853,730**	**883,783**

* 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. All £90m of these LOBO loans have option dates in 2021-22. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk

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

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

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

Investments and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income and Expenditure or the Provision of Services as appropriate. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2021, £230m (2020: £400m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £90m (2020: £90m) to variable rates.

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

	£000's
Increase in interest payable on variable rate borrowings	900
Increase in interest receivable on variable rate investments	597
Decrease in fair value of investments held at FVPL	-817
Impact on Provision of Services (surplus)	**680**
Decrease in fair value of fixed rate investment assets	-230
Impact on Other Comprehensive Income and Expenditure	**-230**
Decrease in fair value of loans and investments at amortised cost*	**-186,999**

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk:

The Council's investments will fluctuate in value as the result of changes in market prices. The Council has sought to mitigate the price risk through diversification in line with its treasury management strategy. The market prices of the Council's bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. The value of the Council's investments in pooled funds are subject to the value of the underlying investments. The following table shows the impact on the value of the Council's investments of falls in property and equity prices however these would have no impact on the General Fund until the investments are sold.

	£000's
5% fall in commercial property prices	-3,065
5% fall in equity prices	-3,415

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 41. 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.

Employment and Educational

There are 10 claims relating to discrimination and breach of contract in employment. Of these, seven are unfair dismissal and discrimination cases, two are compensation cases and one is a breach of contract case. Although the governing bodies of schools are the legal employer of teaching staff, by operation of the Education (Modification of Enactments Relating to Employment) (England) Order 2003, where an award of damages is made by an Employment Tribunal, in most cases Kent County Council will be liable to pay the award. Employment tribunals can in discrimination cases award unlimited damages to a successful claimant. Based on available information on these cases, the total amount in damages being sought by the claimants exceeds £200k and an additional amount of approximately £200k for those not officially pleaded. However, on a number of these claims the prospects for successfully defending these cases are assessed to be good. It is extremely rare for employment tribunals to award all of the damages that are claimed.

Childcare

All care proceedings are subject to the Public Law Outline (PLO) regime and all are subject to a court fee structure. KCC Legal services are currently advising on 282 live cases where proceedings have actually been issued. The costs to KCC of taking these proceedings are in excess of £10k each.

Litigation

There are 14 such cases of which legal costs are expected to exceed £144k in total.

Asylum & Judicial review cases

There are 21 judicial review cases of age assessment and fall of these cases the costs are likely to exceed £10k. There are 12 judicial review cases and for all of these cases the costs are likely to exceed £10k.

Court of Protection

There are matters of Court of Protection in relation to persons who are deemed to lack mental capacity within the meaning of the Mental Health Act 2005. There is a wide discretion for the Court in such litigation and individual costs may exceed £10k.

Note 42. 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 2020-21, in the final, audited EKOLLP accounts, the net assets of the joint operation are £9.4m with an operating profit before members remuneration and profit shares available for discretionary division among members of £0.8m.

Note 43. 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.

Seven schools on the balance sheet as at 31 March 2021 are due to convert to academy status by 1 September 2021. The net book value of these assets as at 31 March 2021 is £89.6m.

There have been no events since 31 March 2021, up to the date when these accounts were authorised, that require any adjustment to these accounts.

Note 44. 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 176

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

Group Accounts Introduction

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

The 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.

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 and Invicta Law Ltd. All other companies except from Invicta Law Ltd form part of the Kent Holdco Group.

The following pages include:

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

Basis of Identification of the Group Boundary

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

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

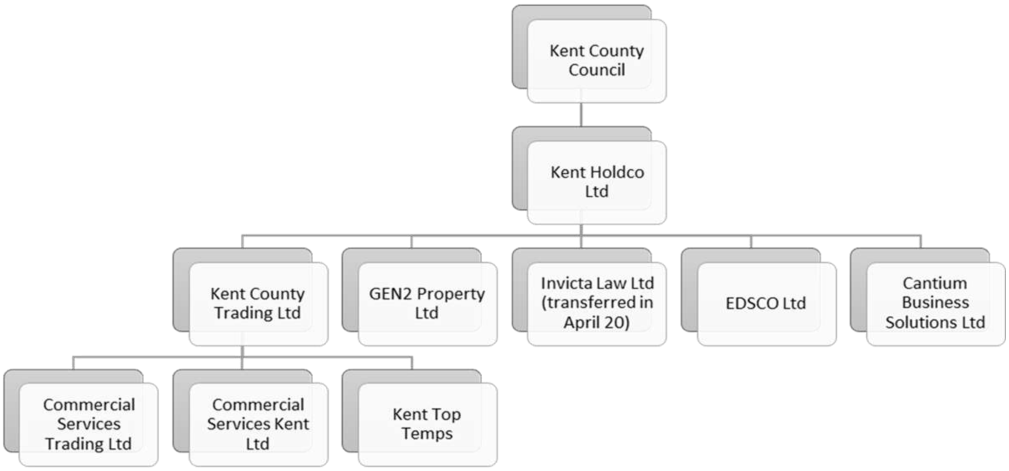
▪ Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

▪ Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.

▪ No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

Kent Holdco Ltd		100% Subsidiary	Consolidated
Kent County Trading Ltd (Holding)		100% Subsidiary	Consolidated
Includes:		100% Subsidiary	Consolidated
	Commercial Services Kent Ltd	100% Subsidiary	Consolidated
	Commercial Services Trading Ltd	100% Subsidiary	Consolidated
	Kent Top Temps Ltd	100% Subsidiary	Consolidated
	CES Holdings Ltd	100% Subsidiary	Consolidated
	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



Subsidiaries

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.

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) and Luton & Kent Commercial Services LLP (OC431629). On 6 January 2020, Commercial Services Trading limited acquired the entire share capital of CES Holdings Limited (01702231). All companies are limited by shares and Kent County Trading Ltd is now part of the group of companies which sit under Kent Holdco Ltd.

Kent County Trading Limited and subsidiaries provide a broad range of services covering different industry sectors. This includes energy switching services (Lumina), international educational supplies (CES Holdings), temporary and permanent staff recruitment (Connect2Kent, Connect2Staff, Connect2Hampshire and Connect2Luton), 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.

GEN^2 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. This is the first full year of trading by the company. 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, like Cantium this is the company's first full year of trading. 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

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.

Group Accounting Policies

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

Group Comprehensive Income and Expenditure Statement

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

Service	Notes	Year ended 31 March 2021 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health	**ASCH**	631,137	211,602	419,535
Children, Young People & Education	**CYPE**	1,332,768	966,665	366,103
Growth, Environment & Transport	**GET**	447,349	159,669	287,680
Strategic & Corporate Services including Public Health	**S&CS**	208,014	111,667	96,347
Financing Items & Unallocated	**FI&U**	5,201	13,926	-8,725
Groups - Holdco Ltd		86,900	40,951	45,949
Group Cost of Services		**2,711,369**	**1,504,480**	**1,206,889**
Other operating Income and Expenditure	**13**			45,242
Net Surplus on trading accounts	**G2**			-16,588
Financing and Investment Income and Expenditure	**14**			69,140
Taxation and Non Specific Grant Income	**15**			-1,195,949
- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants				-32,626
(Surplus) or deficit on Provision of Services				**76,108**
Share of (surplus)/Deficit of associate or subsidiary				-177
Taxation of Group Entities	G3			793
Group (Surplus)/Deficit	**G2**			**76,724**
(Surplus)/deficit arising on revaluation of non current assets				-169,605
Remeasurement of the net defined benefit liability				148,166
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-22,389**
Total Comprehensive Income and Expenditure				**54,335**

Group Comprehensive Income and Expenditure Statement

Service	Notes	Year ended 31 March 2020 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health	**ASCH**	541,500	152,591	388,909
Children, Young People & Education	**CYPE**	1,249,034	940,801	308,233
Growth, Environment & Transport	**GET**	321,342	57,025	264,317
Strategic & Corporate Services including Public Health	**S&CS**	182,190	90,285	91,905
Financing Items & Unallocated	**FI&U**	29,280	3,262	26,018
Groups - Holdco Ltd		73,931	22,254	51,677
Groups - Other Services		9,565	993	8,572
Group Cost of Services		**2,406,842**	**1,267,211**	**1,139,631**
Other operating Income and Expenditure	**13**			60,856
Net Surplus on trading accounts	**G2**			-17,957
Financing and Investment Income and Expenditure	**14**			100,714
Taxation and Non Specific Grant Income	**15**			-1,077,812
(Surplus) or deficit on Provision of Services				**205,432**
Share of (surplus)/Deficit of associate or subsidiary				
Taxation of Group Entities	G3			675
Group (Surplus)/Deficit	**G2**			**206,107**
(Surplus)/deficit arising on revaluation of non current assets				-581,875
Remeasurement of the net defined benefit liability				-78,590
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-661,415**
Total Comprehensive Income and Expenditure				**-455,308**

Group Movement in Reserves Statement

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

	Year ended 31 March 2020			
	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Reserve
	£'000	£'000	£'000	£'000
Balance at 31 March 2019	**-250,398**	**-39,279**	**-134,325**	**-2,627**
Movement in reserves during 2019-20				
Total Comprehensive Expenditure & Income	126,757			79,350
Adjustments between group accounts and Kent County Council accounts	79,965			-79,965
Net increase or decrease before transfers	**206,722**	**0**	**0**	**-615**
Adjustments between accounting basis & funding basis under regulations - Note 12	-241,185	8,351	57,087	
Net increase/Decrease before Transfers to Earmarked Reserves	**-34,463**	**8,351**	**57,087**	**-615**
Transfer between Usable and Unusable Reserves				
Increase/Decrease (movement) in Year	**-34,463**	**8,351**	**57,087**	**-615**
	Year ended 31 March 2021			
Balance at 31 March 2020 carried forward	**-284,861**	**-30,928**	**-77,238**	**-3,242**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-21,505			
Movement in reserves during 2020-21				
Total Comprehensive Expenditure & Income	-1,819			78,543
Adjustments between group accounts and Kent County Council accounts	79,839			-79,839
Net increase or decrease before transfers	**78,020**	**0**	**0**	**-1,296**
Adjustments between accounting basis & funding basis under regulations - Note 12	-225,179	503	27,455	
Net increase/Decrease before Transfers to Earmarked Reserves	**-147,159**	**503**	**27,455**	**-1,296**
Transfer between Usable and Unusable Reserves				
Increase/Decrease (movement) in Year	**-147,159**	**503**	**27,455**	**-1,296**
Balance at 31 March 2021 carried forward	**-453,525**	**-30,425**	**-49,783**	**-4,538**

Group Movement in Reserves Statement

	Year ended 31 March 2020		
	Total Usable Reserves	Unusable reserves	Total Group Reserves
	£'000	£'000	£'000
Balance at 31 March 2019	**-426,630**	**38,816**	**-387,814**
Movement in Reserves during 2019-20			
Total Comprehensive Expenditure and Income	**206,107**	-661,415	**-455,308**
Adjustments between group accounts and Kent County Council accounts	**0**		**0**
Net increase or decrease before transfers	**206,107**	**-661,415**	**-455,308**
Adjustments between accounting basis & funding basis under regulations - Note 12	**-175,747**	175,747	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**30,360**	**-485,668**	**-455,308**
Transfers between Usable and Unusable Reserves	**0**		**0**
Increase/Decrease (movement) in Year	**30,360**	**-485,668**	**-455,308**
	Year ended 31 March 2021		
Balance at 31 March 2020 carried forward	**-396,270**	**-446,852**	**-843,122**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-21,505	21,505	**0**
Movement in reserves during 2020-21			
Total Comprehensive Expenditure & Income	**76,724**	-22,389	**54,335**
Adjustments between group accounts and authority accounts	**0**		**0**
Net increase or decrease before transfers	**76,724**	**-22,389**	**54,335**
Adjustments between accounting basis & funding basis under regulations - Note 12	-197,221	197,221	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-120,497**	**174,832**	**54,335**
Transfer between Usable and Unusable Reserves	0	0	**0**
Increase/Decrease (movement) in Year	**-120,497**	**174,832**	**54,335**
Balance at 31 March 2021 carried forward	**-538,272**	**-250,515**	**-788,787**

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2021. The net assets of the Group are matched by Group reserves.

	Notes	31 March 2021 £'000	31 March 2021 £'000	31 March 2020 £'000
Property Plant & Equipment	**17**	3,165,237		3,015,262
Heritage Assets	**21**	6,821		6,650
Investment Property	**18**	52,295		61,971
Intangible assets		9,341		11,293
Long-term investments	**G8**	241,943		255,442
Long-term debtors	**G4**	51,212		59,166
Deferred tax asset	**G4**	24		45
Total Long-Term Assets			3,526,873	3,409,829
Inventories		4,988		4,961
Assets held for sale (<1yr)		1,546		1,491
Short-term debtors	**G4**	299,022		207,794
Short-term investments	**G8**	137,941		80,607
Cash and Cash equivalents	**G6**	163,176		81,446
Current tax asset	**G4**	119		0
Total Current Assets			606,792	376,299
Temporary borrowing	**G8**	-128,759		-81,465
Short-term Lease Liability	**39**	-8,164		-8,139
Short-term provisions	**26**	-19,893		-18,786
Creditors	**G5**	-414,033		-325,737
Current tax liability	**G5**	-582		-1,375
Total Current liabilities			-571,431	-435,502
Creditors due after one year	**G5**	-11,536		-40
Provisions	**26**	-9,524		-9,730
Long-term borrowing	**G8**	-735,969		-813,624
Other Long-Term Liabilities	**G8/38**	-1,870,703		-1,608,657
Deferred tax liability		-594		-555
Capital Grants Receipts in Advance	**16**	-145,120		-74,898
Total Long-Term Liabilities			-2,773,446	-2,507,504
Net Assets/(Liabilities)			788,788	843,122
Usable Reserves	**G7/23**	-538,271		-396,269
Unusable Reserves	**24**	-250,517		-446,853
Total Reserves			-788,788	-843,122

Group Cash Flow Statement

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

	Notes	2020-21 £'000	2019-2020 £'000
Net (Surplus) or deficit on the provision of services		76,108	205,432
Adjustments to net surplus or deficit on the provision of services for non cash movements	**G9**	-506,848	-462,017
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G9**	262,398	118,441
Taxation		1,131	264
Net cash flows from operating activities		-167,211	-137,880
Investing Activities	**G10**	46,377	123,095
Financing Activities	**G11**	39,104	26,314
Net increase (-) or decrease in cash and cash equivalents		-81,730	11,529
Cash and cash equivalents at the beginning of the reporting period		81,446	92,975
Cash and cash equivalents at the end of the reporting period	**G6**	**163,176**	**81,446**

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 33 and estimation uncertainties can be found in Note 5 on page 34 of the single entity accounts.

Use of unaudited accounts for Group Accounts consolidation

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

	2020-21 £'000	2019-20 £'000s
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	73,188	204,050
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	4,832	2,672
(Surplus) or deficit attributable to subsidiaries	-1,296	-615
Total Group (Surplus) or Deficit	**76,724**	**206,107**

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

	2020-21 £'000	2019-20 £'000s
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-2,993	-4,509
KCS and Laser expenditure with Subsidiaries	-14,603	-14,524
KCS and Laser income generated through sales to Subsidiaries	1,008	1,076
	-16,588	**-17,957**

Note G3 - Tax Expenses of Group Entities

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

	2020-21 £'000	2019-20 £'000s
Tax in respect of the current year	845	875
Adjustment in respect of prior years	-112	-250
Deferred tax in respect of the current year	-39	-61
Deferred tax on actuarial loss/(gain) for the year	99	52
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	0	59
Total Taxation Expenses	**793**	**675**

Supporting the Balance Sheet

Note G4 - Debtors

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

	Short-Term Debtors		Long-Term Debtors		Total Debtors	
	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2021 £'000s	31 March 2020 £'000s
Medway Council			31,402	32,710	31,402	32,710
Recoverable VAT	36,817	7,469	-	-	36,817	7,469
Trade Receivables	83,723	84,347	-	-	83,723	84,347
Payments in Advance	40,103	25,745	-	-	40,103	25,745
General Debtors	138,379	90,233	19,810	26,501	158,189	116,734
	299,022	**207,793**	**51,212**	**59,211**	**350,234**	**267,004**

Note G5 - Creditors

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

	Short-Term Creditors		Long-Term Creditors		Total Creditors	
	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2021 £'000s	31 March 2020 £'000s
Receipts in Advance	83,834	48,811	-	-	83,834	48,811
VAT Payable	7,026	3,481	-	-	7,026	3,481
Contract Liabilities	5,284	3,548	-	-	5,284	3,548
Other HMRC Liabilities	2,163	2,401	-	-	2,163	2,401
Deferred Income	30,661	12,282	-	-	30,661	12,282
General Creditors	285,647	256,590	11,536	40	297,183	256,630
	414,615	**327,112**	**11,536**	**40**	**426,151**	**327,152**

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

Note G6 - Cash & Cash Equivalents

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

	31 March 2021	31 March 2020
	£'000s	£'000s
Single Entity Cash and Bank balances	9,232	956
Subsidiary cash and bank balances	18,979	23,806
Short term deposits with the Money Market	134,965	56,684
Total Group Cash and Cash Equivalents	**163,176**	**81,446**

Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on pages 135 to 136. The reserves of the subsidiaries include:

	2019-20		2020-21
	Usable Reserves		Usable Reserves
	Retained Earnings		Retained Earnings
	£'000s		£'000s
Balance at 1 April 2019	**2,626**	**Balance at 1 April 2020**	**3,242**
Profit/(Loss) for the year	4,572		2,662
Share of Other Comprehensive Income & Expenditure of associates and joint			177
Dividends paid/declared	-3,956		-1,543
Balance at 31 March 2020	**3,242**	**Balance at 31 March 2021**	**4,538**

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 2021		31 March 2020	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Investments				
- Fair value through profit or loss	188,395	134,965	170,424	56,684
- Amortised cost	53,371	137,942	85,018	80,607
	241,766	**272,907**	**255,442**	**137,291**
Debtors				
- Amortised cost		83,723		84,347
- Non financial assets	51,212	140,326	59,166	96,605
	51,212	**224,049**	**59,166**	**180,952**
Cash & Cash Equivalents		28,211		24,762
Total	**292,978**	**525,167**	**314,608**	**343,005**

Financial Liabilities

	31 March 2021		31 March 2020	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Borrowing				
- Amortised cost	735,969	128,759	813,624	81,465
- Non financial liabilities	204,395	8,149	212,543	8,139
	940,364	**136,908**	**1,026,167**	**89,604**
Creditors				
- Amortised cost		5,284		3,548
- Non financial assets	11,536	285,647	40	256,589
	11,536	**290,931**	**40**	**260,137**
Cash & Cash Equivalents				
Total	**951,900**	**427,839**	**1,026,207**	**349,741**

Supporting the Cash Flow

Note G9. Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2020-21	2019-20
	£'000	£'000
Interest received	-13,750	-15,317
Interest paid	61,782	62,693
Employee Costs	906,392	845,223
Income from Council Tax	-767,166	-765,584
Government Grants	-1,722,484	-1,298,167

	2020-21 £'000	2019-20 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-124,719	-108,007
Carrying amount of non-current assets sold	-45,849	-71,992
Carrying amount of Financial Assets held at FVPL	20,861	-22,788
Amortisation of fixed assets	-2,134	-3,206
Depreciation of fixed assets	-147,574	-162,901
Impairment and downward valuations	11,869	24,913
Income from shares in group undertakings		1,996
Increase/(decrease) debtors	89,494	-4,565
(Increase)/decrease creditors	-59,173	-25,624
Increase/(decrease) stock	27	-411
Change in provisions	79	-9
Movement on investment properties	-5,538	-6,642
REFCUS	-193,055	-68,699
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-51,136	-13,814
Taxation		-268
	-506,848	-461,749
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	3,359	13,100
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities	-357	
Capital grants applied	259,396	105,341
	262,398	118,441

Note G10 and G11 - Cash Flow - Investing and Financing Activities

Note G10 - Group Cash Flow Statement - Investing Activities

	2020-21	2019-20
	£'000	£'000
Purchase of property, plant and equipment, investment property, and intangible assets	363,380	261,760
Purchase of short-term and long-term investments	1,641,439	455,731
Other payments for investing activities	136	0
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-3,342	-12,962
Proceeds from short-term and long-term investments	-1,614,461	-469,890
Other receipts from investing activities	-340,775	-111,544
Net cash flows from investing activities	**46,377**	**123,095**

Note G11 - Group Cash Flow Statement - Financing Activities

	2020-21	2019-20
	£'000	£'000
Cash receipts of short- and long-term borrowing	-145	-1,982
Relating to finance leases and on-balance sheet PFI contracts	2,697	3,698
Repayments of short- and long-term borrowing	34,484	22,702
Other payments from financing activities	2,068	1,896
Net cash flows from financing activities	**39,104**	**26,314**

Pension Fund Accounts

The following financial statements are included in the Kent County Council Superannuation Fund's Annual Report and Accounts 2021 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March

	Notes	2020-21 £000's	2019-20 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	267,955	250,263
Transfers in from other pension funds	8	5,017	9,328
		272,972	259,591
Benefits	9	-247,448	-243,832
Payments to and on account of leavers	10	-10,057	-12,708
		-257,505	-256,540
Net additions from dealings with Members		**15,467**	**3,051**
Management Expenses	11	-27,277	-25,606
Net additions/withdrawals including fund management expenses		**-11,810**	**-22,555**
Returns on Investments			
Investment Income	13	111,339	135,344
Taxes on Income		-93	-380
Profits and losses on disposal of investments and changes in the market value of investments	15a	1,697,318	-613,700
Net Return on Investments		**1,808,564**	**-478,736**
Net increase / (decrease) in the Net Assets available for benefits during the year		**1,796,754**	**-501,291**

Net Assets Statement as at 31 March

	Notes	2021 £000's	2020 £000's
Investment Assets		7,511,024	5,720,555
Investment Liabilities		-6,848	-17,405
Net Investment Assets	15	**7,504,176**	**5,703,150**
Current Assets	21	34,422	34,625
Current Liabilities	22	-24,966	-20,897
Net Assets available to fund benefits at the period end		**7,513,632**	**5,716,878**

1. Description of the Fund

General

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

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

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

The Fund is overseen by the Kent County Council Superannuation 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 310 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council		Other Employers		Total	
	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20
Contributors	21,510	20,986	31,215	30,699	52,725	51,685
Pensioners	22,959	22,372	21,879	21,069	44,838	43,441
Deferred Pensioners	24,077	24,316	23,320	23,090	47,397	47,406
Total	68,546	67,674	76,414	74,858	144,960	142,532

Funding

Benefits are funded by contributions and investment earnings. The 2019 triennial valuation certified a common contribution rate of 18.4% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2020-21. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020-21 financial year and its position at 31 March 2021.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

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

3. Summary of Significant Accounting Policies

Fund Account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.
Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

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

c) Investment income

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

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

f) Management expenses

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

Net Assets Statement

g) Financial assets

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

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

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

h) Freehold and Leasehold Properties

The Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2020. 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 Investment Property Databank Monthly Index movement to 31 March 2021. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

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

j) Foreign currency transactions

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

k) Cash and cash equivalents

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

l) Financial Liabilities

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

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. To assess the value of the Fund's liabilities as at 31 March 2021 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2020. 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

Pension Fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Market movements since the outbreak of Covid-19 have seen significant volatility in gilt yields and equity values. As per the actuary, the Fund's funding model is designed to withstand short-term volatility in markets as we use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. Therefore, the model helps to mitigate some of the impact of the extreme events

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

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £236m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £22m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £519m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £282m. There is a risk that this investment may be under-or-over stated in the accounts. Potential change in valuation due to change in these factors is estimated in Note 17.

Item	Uncertainties	Effect if actual results differ from assumption
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The affect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £78m on a fair value of £775m.

6. Events after the Balance Sheet date

There have been no events since 31 March 2021, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions Receivable

	2020-21 £000's	2019-20 £000's
By Category		
Employees' contributions	59,348	56,324
Employers' contributions		
- normal contributions	172,479	134,662
- deficit recovery contributions	32,533	53,952
- augmentation contributions	3,595	5,325
Total Employers' contributions	208,607	193,939
Total contributions receivable	**267,955**	**250,263**
By type of employer		
Kent County Council	98,024	94,300
Scheduled Bodies	151,255	141,689
Admission Bodies	18,676	14,274
	267,955	**250,263**

8. Transfers in from other pension funds

	2020-21 £000's	2019-20 £000's
Individual	5,017	9,328
Group		0
	5,017	**9,328**

9. Benefits Payable

	2020-21 £000's	2019-20 £000's
By Category		
Pensions	210,886	203,810
Retirement Commutation and lump sum benefits	30,202	34,195
Death benefits	6,360	5,827
	247,448	**243,832**
By type of employer		
Kent County Council	112,653	109,643
Scheduled Bodies	119,813	119,218
Admission Bodies	14,982	14,971
	247,448	**243,832**

10. Payments to and on account of leavers

	2020-21 £000's	2019-20 £000's
Group transfers	8,736	11,087
Individual transfers	0	0
Payments/refunds for members joining state scheme	0	-95
Refunds of contributions	1,321	1,716
	10,057	**12,708**

11. Management Expenses

	Notes	2020-21 £000's	2019-20 £000's
Administration costs		3,361	3,545
Governance and oversight costs		820	764
Investment management expenses	12	22,973	21,163
Audit Fees		41	60
Pooling Expenses		82	74
		27,277	**25,606**

The Audit fee for 2019-20 included £23k for charges for assurance letters to scheduled bodies in relation to 2019 and 2020 audits. For 2020-21, the cost of assurance letters will be recovered from the scheduled bodies and is not shown as a cost for the Fund.

12. Investment Management Expenses

	2020-21 £000's	2019-20 £000's
Investment Managers Fees	22,207	20,415
Transaction Costs	710	709
Custody fees	56	39
Total	**22,973**	**21,163**

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.

13. Summary of Income from Investments

	Notes	2020-21 £000's	2020-21 %	2019-20 £000's	2019-20 %
Bonds		15,279	13.8	17,132	12.7
Equities		4,277	3.9	5,421	4.0
Pooled Investments		68,023	61.1	85,335	63.1
Private Equity / Infrastructure		9,879	8.9	4,644	3.4
Property	14	8,228	7.4	15,488	11.4
Pooled Property Investments		5,465	4.9	6,010	4.4
Cash and cash equivalents		155	0.0	1,273	0.9
Stock Lending		33	0.0	42	0.0
Total		**111,339**	**100.0**	**135,344**	**100.0**

During the year because of the pandemic the Fund experienced lower levels of income and distributions across most asset classes compared to the previous year.

14. Property Income and Expenditure

	2020-21 £000's	2019-20 £000's
Rental Income from Investment Properties	12,427	21,697
Direct Operating Expenses	-4,199	-6,209
Net operating income from Property	**8,228**	**15,488**

Rental income for 2020-21 is net of provision for doubtful debts of £6.3m.

15. Investments

	Market Value as at 31 March 21 £000's	Market Value as at 31 March 20 £000's
Investment Assets		
Bonds	401,001	339,055
Equities	348,033	236,536
Pooled Investments	5,343,724	4,028,527
Private Equity/Infrastructure Funds	274,023	189,864
Property	493,314	478,104
Pooled Property Investments	281,718	287,008
Derivatives-Forward Currency contracts	962	0
Investment Cash and cash equivalents	201,228	131,959
Cash held with fund managers pending issue of units	150,000	0
Investment Income due	15,996	11,975
Amounts receivable for sales	0	724
Margin cash	1,025	16,803
Total Investment Assets	**7,511,024**	**5,720,555**
Investment Liabilities		
Amounts payable for purchases	-561	-324
Margin cash liability	0	0
Provision for Doubtful Debts	-6,287	0
Derivatives-Forward Currency contracts	0	-17,081
Total Investment Liabilities	**-6,848**	**-17,405**
Net Investment Assets	**7,504,176**	**5,703,150**

Investment income due (debtors) includes a sum of £9.4m for rents and service charges payable by tenants of properties owned by the Pension Fund. In the pandemic, rent collection has been significantly impacted and there is a high likelihood that a significant portion will not be fully recovered. A provision of £6.3m has therefore been made for doubtful rent debts. In the previous year, the doubtful debts were estimated at £1.82m but no provision was made.

15a. Reconciliation of movements in investments and derivatives

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

	Market Value as at 31 March 19 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 20 £000's
Bonds	363,728	73,391	-86,027	-12,038	339,054
Equities	249,994	82,835	-83,716	-12,577	236,536
Pooled Investments	4,601,708	408,148	-418,777	-562,551	4,028,528
Private Equity/Infrastructure	150,015	59,487	-27,272	7,634	189,864
Property	487,193	1,844	-4,710	-6,222	478,105
Pooled Property Investments	257,690	39,191	-2,696	-7,177	287,008
	6,110,328	664,896	-623,198	-592,931	5,559,095
Derivative contracts					
- Forward Currency contracts	3,122	3,438,138	-3,436,691	-21,651	-17,082
	6,113,450	**4,103,034**	**-4,059,889**	**-614,582**	**5,542,013**
Other Investment balances					
- Investment Cash and cash equivalents	80,526			882	131,959
- Cash pending issue of units					0
- Amounts receivable for sales	0				724
- Amounts payable for purchases	-1,373				-324
- Margin cash liability	-4,533				16,803
- Investment Income due	17,028				11,975
- Provision for doubtful debt					
Net Investment Assets	**6,205,098**			**-613,700**	**5,703,150**

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives

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

Open forward currency contracts

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

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £000's	Liability value £000's
Up to one month	GBP	1,037	USD	-1,427	2	
Up to one month	GBP	25	EUR	-29	0	
Up to one month	GBP	55	EUR	-65	0	
Up to one month	GBP	249	USD	-343	1	
Up to one month	GBP	60,119	EUR	-67,427	2,675	
Up to one month	GBP	2,974	EUR	-3,356	115	
Up to one month	GBP	952	EUR	-1,084	28	
Up to one month	GBP	1,790	EUR	-2,063	33	
Up to one month	GBP	821	EUR	-948	13	
Up to one month	GBP	798	EUR	-925	10	
Up to one month	GBP	540	EUR	-625	7	
Up to one month	GBP	387	EUR	-452	2	
Up to two months	GBP	267,202	USD	-371,334		-1,900
Up to two months	USD	4,153	GBP	-2,975	35	
Up to two months	GBP	3,184	USD	-4,407		-10
Up to two months	GBP	2,378	USD	-3,302		-15
Up to two months	GBP	3,820	USD	-5,312		-29
Up to two months	GBP	1,184	USD	-1,634		0
Up to two months	USD	1,427	GBP	-1,037		-2
Up to two months	USD	343	GBP	-249		-1
					2,921	-1,957
Net forward currency contracts at 31 March 2021						**964**
Prior year comparative						
Open forward currency contracts at 31 March 2020					816	-17,896
Net forward currency contracts at 31 March 2020						**-17,080**

15c. Property Holdings

	Year ending 31 March 21 £000's	Year ending 31 March 20 £000's
Opening Balance	478,105	487,193
Additions	0	1,844
Disposals	0	-4,710
Net increase / (decrease) in market value	15,209	-6,222
Closing Balance	**493,314**	**478,105**

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

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

	Year ending 31 March 21 £000's	Year ending 31 March 20 £000's
Within one year	16,161	18,228
Between one and five years	36,708	42,150
Later than five years	33,610	33,885
	86,479	**94,263**

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 contracts to terminate tenancies.

15d. Investments analysed by Fund Manager

	Market Value as at 31 March 2021		Market Value as at 31 March 2020	
	£000's	%	£000's	%
Investments managed in the ACCESS Pool				
Baillie Gifford	1,709,000	22.8	1,122,058	19.7
M&G	443,546	5.9	298,971	5.2
Ruffer	134,026	1.8	71,377	1.3
Schroders	1,384,541	18.5	770,263	13.5
	3,671,113	49	2,262,669	40
Investments managed outside the ACCESS Pool				
CQS	157,732	2.1	108,422	1.9
DTZ	538,729	7.2	529,174	9.3
Fidelity	133,795	1.8	130,671	2.3
Goldman Sachs	416,621	5.6	368,288	6.5
HarbourVest	149,608	2.0	94,199	1.8
Impax	70,886	0.9	43,028	0.8
Insight	610,989	8.1	0	0.0
Kames	43,566	0.6	47,176	0.8
Kent County Council Investment Team	336,574	4.5	98,019	1.7
M&G	227,169	3.0	185,344	3.2
Partners Group	77,133	1.0	60,157	1.1
BMO (Pyrford)	407,083	5.4	415,074	7.3
Sarasin	352,812	4.7	246,207	4.3
Schroders	254,982	3.4	466,119	8.2
UBS	0	0.0	577,391	10.1
YFM	47,282	0.6	35,508	0.6
Link Fund Solutions (previously Woodford)	8,102	0.1	35,704	0.6
	3,833,063	51	3,440,481	61
Total	**7,504,176**	**100**	**5,703,150**	**100**

All the external fund managers above are registered in the United Kingdom. Movements during the year include:
-Assets in the GAV fund managed by Schroders were transitioned in to the ACCESS pool
-Appointed Insight as manager to implement an equity protection programme
-Complete sale of units in the UBS tracker funds to fund the equity protection programme
-Redemption of £200m of units in fund managed by Baillie Gifford
-Reallocation of £45m from Pyrford to Ruffer absolute return funds
-Investment of £20m each in M&G Alpha Opportunity and CQS Funds

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

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

Investments	31 March 2020 £000's	% of net assets
LF ACCESS Global Equity Core Fund	1,122,058	19.7
LF ACCESS UK Equity Fund	770,263	13.5
BMO Investments Ireland (Plc) Global Total Return Fund	415,074	7.3
LF ACCESS Global Dividend Fund	298,971	5.2
UBS Life UK Equity Tracker Fund	289,255	5.1

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 2021

Loan Type	Market Value £000's	Collateral Value £000's	**Collateral type**
Equities	8,099	8,458	Treasury Notes and other Government debt
Bonds	11,004	11,492	Treasury Notes and other Government debt
	19,103	**19,950**	

31 March 2020

Loan Type	Market Value £000's	Collateral Value £000's	**Collateral type**
Equities	12,842	13,377	Treasury Notes and other Government debt
Bonds	7,761	8,084	Treasury Notes and other Government debt
	20,603	**21,461**	

16. Financial Instruments

16a. Classification of Financial Instruments

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

	31 March 2021			31 March 2020		
	Designated as fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
Financial Assets						
Bonds	401,001			339,054		
Equities	348,033			236,536		
Pooled Investments	5,343,724			4,028,528		
Property Pooled Investments	281,718			287,008		
Private Equity/Infrastructure	274,023			189,864		
Derivative contracts	962			0		
Cash & Cash equivalents	191,737	164,087		123,138	11,889	
Other Investment Balances		17,021			29,502	
Debtors/ Receivables		29,826			31,557	
	6,841,198	**210,934**	**0**	**5,204,128**	**72,948**	**0**
Financial Liabilities						
Derivative contracts				-17,081		
Other Investment balances			-6,848	0		-324
Creditors			-24,966			-20,897
	0	**0**	**-31,814**	**-17,081**	**0**	**-21,221**
Total	**6,841,198**	**210,934**	**-31,814**	**5,187,047**	**72,948**	**-21,221**

16b. Net Gains and Losses on Financial Instruments

	31 March 21	31 March 20
	£000's	£000's
Financial assets		
Fair value through profit and loss	1,682,384	-608,360
Assets at amortised cost	(275)	882
Total	**1,682,109**	**-607,478**

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets 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
Unquoted Pooled Investments including pooled property	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted Funds in administration	3	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values /or if the fund holds illiquid assets, valuation of underlying investment/assets/ companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net Asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

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 2021.

	Assessed valuation range (+/-)	Value as at 31 March 2021 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	23.3%	196,890	242,765	151,015
Infrastructure	19.0%	77,133	91,788	62,478
Other Level 3 investments	23.3%	8,101	9,989	6,213
Total		282,124	344,542	219,706

	Assessed valuation range (+/-)	Value as at 31 March 2020 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	23.3%	129,707	163,690	95,724
Infrastructure	19.0%	60,157	77,362	42,952
Other Level 3 investments	23.3%	35,704	45,058	26,350
		225,568	286,111	165,025

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 2021 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss				
Bonds	401,002			401,002
Equities	348,033			348,033
Pooled investments	732,934	4,602,688	8,101	5,343,723
Pooled property investments		281,717		281,717
Private equity and infrastructure			274,023	274,023
Derivatives		963		963
Cash Deposits	351,228			351,228
Other Investment balances	17,021			17,021
Non- Financial assets at fair value through profit and loss				
Property		493,314		493,314
Financial liabilities at fair value through profit and loss				0
Derivatives	0			
Other investment liabilities	(6,848)			(6,848)
Net Investment Assets	**1,843,370**	**5,378,682**	**282,124**	**7,504,176**

Values at 31 March 2020	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss				
Bonds	339,054			339,054
Equities	236,536			236,536
Pooled investments	1,285,589	2,707,234	35,704	4,028,527
Pooled property investments		287,008		287,008
Private equity and infrastructure			189,864	189,864
Derivatives				0
Cash Deposits	151,830			151,830
Other Investment balances	9,631			9,631
Non- Financial assets at fair value through profit and loss				
Property		478,104		478,104
Financial liabilities at fair value through profit and loss				
Derivatives		(17,081)		(17,081)
Other investment liabilities		(324)		(324)
Net Investment Assets	**2,022,640**	**3,454,941**	**225,568**	**5,703,149**

17b. Reconciliation of Fair Value Measurements within Level 3

	£000's
Market Value 1 April 2020	225,568
Transfers into level 3	0
Transfers out of level 3	0
Purchases during the year	72,544
Sales during the year	-48,156
Unrealised gains/ losses	32,168
Realised gains/losses	0
Market Value 31 March 2021	**282,124**

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 Superannuation Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

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

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

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 2020-21 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	16.2
Overseas Equities	15.7
Global Pooled Equities inc UK	15.4
Bonds	4.5
Property	9.2
Infrastructure	19
Private Equity	23.3

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

Asset Type	Value as at 31 March 21 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	351,228	0.00	351,228	351,228
Investment portfolio assets:				
UK Equities	29,621	16.20	34,420	24,822
Overseas Equities	318,412	15.70	368,403	268,421
Global Pooled Equities inc UK	4,768,171	15.40	5,502,469	4,033,873
Bonds incl Bond Funds	976,553	4.50	1,020,498	932,608
Property Pooled Funds	281,718	9.20	307,636	255,800
Private Equity	196,890	23.30	242,765	151,015
Infrastructure Funds	77,133	19.00	91,788	62,478
Derivative assets	962	0.00	962	962
Total	**7,000,688**		**7,920,169**	**6,081,207**

During the year the Fund has implemented an equities downside protection programme which will protect the fund from falls between 10-40% in global equity markets and will cap the returns to the actuary's expected return objective of 6.5% for equities over the full valuation cycle. The current programme will run until March 2023.

Asset Type	Value as at 31 March 20	Percentage change	Value on increase	Value on decrease
	£000's	%	£000's	£000's
Cash and cash equivalents	135,027	0.00	135,027	135,027
Investment portfolio assets:				
UK Equities	29,239	16.20	33,976	24,502
Overseas Equities	207,298	15.70	239,844	174,752
Global Pooled Equities inc UK	3,583,961	15.40	4,135,891	3,032,031
Bonds incl Bond Funds	783,621	4.50	818,884	748,358
Property Pooled Funds	287,008	9.20	313,413	260,603
Private Equity	129,707	23.30	159,929	99,485
Infrastructure Funds	60,157	19.00	71,587	48,727
Net derivative liabilities	-17,081	0.00	-17,081	-17,081
Total	**5,198,937**		**5,891,469**	**4,506,405**

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 2021 and 31 March 2020 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 21	31 March 20
	£'000s	£'000s
Cash and cash equivalents	351,228	131,959
Cash Balances	4,596	3,068
Bonds		
- Directly held securities	401,001	339,055
- Pooled Funds	575,551	444,566
Total	**1,332,376**	**918,648**

Interest rate risk - sensitivity analysis

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

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

Asset Type	Carrying amount as at 31 March 20	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	131,959	0	0
Cash Balances	3,068	0	0
Bonds			
- Directly held securities	339,055	-3,391	3,391
- Pooled Funds	444,566	-4,446	4,446
Total change in assets available	**918,648**	**-7,836**	**7,836**

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 2021 and 2020:

Currency exposure - asset type	Asset value as at 31 March 21	Asset value as at 31 March 20
	£000's	£000's
Overseas Equities	318,412	207,298
Overseas Pooled Funds	3,891,344	2,623,144
Overseas Bonds	0	0
Overseas Private Equity, Infrastructure and Property funds	226,885	154,618
Non GBP Cash	9,981	9,123
Total overseas assets	**4,446,622**	**2,994,183**

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2020-21 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 21	Change to net assets available to pay benefits +6.8%	Change to net assets available to pay benefits -6.8%
	£000's	£000's	£000's
Overseas Equities	318,412	340,064	296,760
Overseas Pooled Funds	3,891,344	4,155,955	3,626,732
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	226,885	242,313	211,457
Non GBP Cash	9,981	10,660	9,302
Total change in assets available	**4,446,622**	**4,748,992**	**4,144,251**

Currency exposure - asset type	Asset value as at 31 March 20	Change to net assets available to pay benefits +6.8%	Change to net assets available to pay benefits -6.8%
	£000's	£000's	£000's
Overseas Equities	207,298	221,394	193,202
Overseas Pooled Funds	2,623,144	2,801,518	2,444,770
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	154,618	165,132	144,104
Non GBP Cash	9,123	9,743	8,503
Total change in assets available	**2,994,183**	**3,197,787**	**2,790,579**

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 Council's credit criteria. The Council has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 21 £000's	Balance as at 31 March 20 £000's
Money Market Funds			
Northern Trust Sterling Fund	**AAAm**	8,004	9,002
SSGA Liquidity Fund	**AAAm**	0	2
Blackrock ICS	**AAAm**	7	65
Blackrock USD Government Liquidity Fund	**AAAm**	3,417	17
Aberdeen Sterling Liquidity Fund	**AAAm**	74,998	18,619
Goldman Sachs Liquid Reserve Government Fund	**AAAm**	2,358	17,523
Aviva Investors Sterling Liquidity Fund	**AAAm**	49,994	42,348
Federated (PR) Short-term GBP Prime Fund	**AAAm**	9,998	10,001
Deutsche Managed Sterling Fund	**AAAm**	1,184	9,294
HSBC Global Liquidity Fund	**AAAm**	2	5,963
LGIM Liquidity Fund	**AAAm**	41,775	7,161
Insight Sterling Liquidity Fund	**AAAm**	0	3,143
		191,737	**123,138**
Bank Deposit Accounts			
NatWest SIBA	**BBB+**	4,627	0
		4,627	**0**
Bank Current Accounts			
NatWest Current Account	**BBB+**	50	30
NatWest Current Account - Euro	**BBB+**	814	39
NatWest Current Account - USD	**BBB+**	468	0
Northern Trust - Current Accounts	**AA-**	6,694	9,767
Barclays - DTZ client monies account	**A*+**	1,433	2,053
		9,459	**11,889**
Cash with fund managers	**n/a**	**150,000**	**0**
Total cash and cash equivalents		**355,823**	**135,027**

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

c) Liquidity risk

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

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.
All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

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

19. Funding Arrangements

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

The key elements of the funding policy are:

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

At the 2019 valuation a maximum deficit recovery period of 14 years (2016-17 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

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

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

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

The 2019 actuarial assumptions were as follows:

Valuation of Assets:		assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)		4.7% p.a.
Rate of general pay increases:	Long term	3.6% p.a.
	Short Term	n/a
Assumed pension increases		2.6% p.a.

20. Actuarial Present Value of Promised Retirement Benefits

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

Actuarial present value of promised retirement benefits

	31 March 21	31 March 20
	£m	£m
Present value of promised retirement benefits	-11,789.8	-9,099.7
Fair value of scheme assets at bid value	7,513.6	5,716.9
Net liability	-4,276.2	-3,382.8

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 63.7% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	**% p.a.**
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	2.00%

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

21. Current Assets

	31 March 21	31 March 20
	£000's	£000's
Debtors		
- Contributions due - Employees	4,067	4,160
- Contributions due - Employers	13,180	13,791
	17,247	17,951
Sundry debtors	12,579	13,606
Total Debtors	**29,826**	**31,557**
Cash	4,596	3,068
Total Current Assets	34,422	34,625

22. Current Liabilities

	31 March 21	31 March 20
	£000's	£000's
Creditors		
- Benefits Payable	14,178	12,039
- Sundry Creditors	10,788	8,858
Total Current Liabilities	**24,966**	**20,897**

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 Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Utmost Life	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£000's	£000's	£000's	£000's	£000's	£000's
Value at 1 April	8,636	8,636	1,736	2,017	423	424
Value at 31 March	8,416	8,416	2,032	1,736	404	423
Contributions paid	1,305	1,305	108	114	1	1

Investments with Equitable Life were transferred to Utmost Life and Pensions following a transfer of business by Equitable life in 2019-20.

Prudential has been unable to provide us with updated figures for 2020-21 therefore figures for the year remain unchanged.

24. Related Party Transactions

The Kent Pension Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent County Council Superannuation Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

	2020-21	2019-20
	£000's	£000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	75,522	71,025
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	3,797	3,892
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-6,089	-823

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC. The large variance from the previous year is due to timing difference of the payments made.

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2020-21 was the Director of Finance

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

	31 March 21	31 March 20
	£000's	£000's
Salary	147	137
Allowances	7	4
Other	1	0
Employer's pension contributions	33	39
Total	188	180

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2021 totalled £514.92m (31 March 2020: £564.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

26. Contingent Assets

44 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 subsidies (the ‘group’) for the year ended 31 March 2021, 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 and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Accounting Statements, Group Accounts Introduction and Notes to the Group Accounts. 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 2020/21.

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 2021 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 2020/21; 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 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 Authority or group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director 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 2020/21 that the Authority 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 2020) 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.

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 or 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.

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

The responsibilities of the Corporate Director of Finance with respect to going concern are described in the ‘Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements’ section of this report.

Other information

The Corporate Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative and the Annual Governance Statement, other than the Authority and group financial statements, our auditor’s report thereon and our auditor’s report on the pension fund financial statements. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative 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 Corporate Director of Finance and Those Charged with Governance for the financial statements

As explained 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 Corporate Director of Finance. The 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer 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 Chief Finance Officer 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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Governance and Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

• We enquired of senior officers 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 senior officers, 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 officers' 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 accounts production stage
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the completeness and accuracy of provisions and accruals.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the 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 non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• 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 completeness and accuracy of accruals and payables.

• Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team 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
- 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 to 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.

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 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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 April 2021. 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 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

• our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020 and 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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 43 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, Appointed Auditor

London

13 December 2021

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

Opinion

We have audited the financial statements of the Kent Superannuation Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement, the Description of the Fund 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 2020/21.

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 2021 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 2020/21; 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 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 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 2020/21 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 2020) 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.

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.

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

The responsibilities of the Corporate Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Corporate Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund 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 Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's 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 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, the Corporate Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Finance. The 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the 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 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 there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

• We enquired of senior officers and the Audit and Risk 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 senior officers, internal audit and the Audit and Risk 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 officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals. These included those posted around year end as part of the Accounts preparation post-period end.

• Our audit procedures involved:
- evaluation of the design effectiveness of controls that the Corporate Director of Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and the IAS26 Pensions Liability; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.

• 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.

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

Use of our report

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 43 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

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

London

13 December 2021

Purpose of Statement

The Annual Governance Statement is a key document which provides Members and officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and activity within the Council.

It is vital that the statement itself, the process to develop it, and the political review and discussion of the statement are taken within the operating context of the organisation and the emerging opportunities, risks, and threats that the Council faces. 2020-21 was an unprecedented year in the Council's history and this statement explains the steps taken in the year gone by to address governance and those steps that will be needed in the year ahead to ensure the Council remains appropriately governed.

The Annual Governance Statement provides an opportunity to review and comment on the effectiveness of the governance arrangements in place and provides an important contemporaneous review and record.

Once again, this year, the experience of the three statutory officers during the year has been counterposed with the assessment and assurance of the accountable officers throughout the organisation and the audit activity undertaken.

Having made a number of changes to improve the process in recent years following best practice and recommendations from the Head of Internal Audit, it is intended that this coming year will see the process move effectively from a simple statement to an annual governance system that lives throughout the year, reporting at the mid-year point to the Governance and Audit Committee and Cabinet and regularly to the Corporate Management Team.

The statement and the actions proposed within and/or referred for further review in the Annual Audit plan for 2021-22 are material to the organisation's commitment and obligation to continuously improve. They are also determined to be the minimum necessary actions to avert some of the challenges faced by other authorities in recent times.

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the County Council's governance arrangements operated during the financial year 2020-21 and in the relevant period up to the signature of the statement. This statement forms part of Kent County Council's Statutory Accounts and was published in draft before its presentation to the authority's Governance and Audit Committee for comment and, subsequently, approval.

The Annual Governance Statement is built on a range of assurance activity both throughout the year and in compiling the statement. All Corporate Management Team members input to and endorse the Annual Governance Statement before the draft is published. The Head of Internal Audit is also required to provide an annual opinion to inform the AGS. Additionally, the Head of Internal Audit has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council. Overall, an opinion was provided that adequate assurance could be provided in respect of 2019-20 as detailed in the Annual Internal Audit Report.

The signatories of this statement on behalf of KCC are the Leader of the Council, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer.

The AGS provides an overview of the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, the detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council is required to produce an Annual Governance Statement under the regulations issued by Government. These regulations also determine the timetable for approval and publication. The authority is required to publish a statement which is in accordance with proper practice in relation to internal control.

This year a governance-based online questionnaire was again created to secure responses from all directorates; this ensured a continued consistent approach to information gathering to aid analysis and a dynamic assurance model. To further enhance the Annual Governance Statement process, and to validate assurances provided, further targeted surveys will be issued in the coming months to a sample of representatives from relevant cohorts across the authority. This survey activity will seek clarification about the understanding of and compliance with, governance considerations at a service level. Where areas of learning or improvement are identified relevant governance training sessions will be put in place by the General Counsel and will be reported to the Governance and Audit Committee at their mid-year review of the AGS. It is hoped that this continuous improvement approach will further strengthen the AGS process and proactively address any knowledge gaps within the organisation.

To further validate assurances received the General Counsel has asked the Internal Audit Team to test several themes arising from the AGS survey. Additionally, as 2021-22 progresses a series of targeted internal audits will be requested to further explore some of the findings of the Annual Governance Statement process and outputs will be presented to the members of the Governance and Audit Committee.

As in the previous year it has been necessary to focus on the significant impact of Covid-19 on governance and how the organisation has continued to positively sustain a different way of working.

It is hoped that the reader will find this statement a thorough and honest account of the operation of Kent County Council's governance arrangements which highlights both strengths and the areas requiring further improvement. It is important to acknowledge that the authority's governance journey is ongoing with a capacity and desire to further improve, and this statement recognises the Council's position at a point in time. The Governance and Audit Committee continue to play an important role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses.

Scope of responsibility

Kent County Council is responsible for ensuring that our 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.

Kent County Council operates an executive scheme of governance with major decisions taken by Cabinet Members executing the policies and strategies of the majority political group. The County Council sets an annual budget which determines the resource available to deliver the strategies, policies and services as defined by decision or required by law.

What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises systems and processes, cultures, and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

Good governance is an essential part of local democracy and through the continued adoption of transparent processes Kent County Council will strive to ensure that strategies, policies, and operational matters are understood by Kent residents.

The Code of Corporate Governance

Kent County Council's Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this. A paper will be brought to the December County Council meeting setting out the framework for an ongoing programme of governance improvements and further activity will be reported in the 2021-22 Annual Governance Statement. The Code that applied to 2020-21 is set out in KCC's Constitution and the six core underpinning principles are as follows:

- Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a Vision for the local area
- Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions
- Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Principle 5 - Developing the capacity and capability of Members and Officers to be effective
- Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability

All Members have an important role to play acting on behalf of the Council and their residents. Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member.

Kent County Council has a Code of Conduct that is adopted under Section 27 (12) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution.

The Council's governance environment is consistent with the Code of Corporate Governance and the 2016 CIPFA guidance "Delivering Good Governance" framework. The Code of Corporate Governance is currently under review by the Head of Internal Audit, the Monitoring Officer and the independent Member of the Governance and Audit Committee after Members provided their views on some substantive elements in September 2021 and a final version of the new Code of Corporate Governance will be presented for approval to Governance and Audit Committee in January 2022.

KCC's Officers are required to adhere to the authority's Operating Standards which set out arrangements for the effective operation of the Council. The Standards bring essential management information together in one place, so all staff can carry out core management tasks effectively and consistently. All of the accountable officers have confirmed that they have complied with the Standards for the relevant period.

All Members and employees are required to abide by the Kent Code (Code of Conduct), declare personal interests which may conflict with KCC's own interests, and play their part in helping to eliminate discrimination by treating all colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust as specifically provided for by the Council's Constitution. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice. KCC's Scheme of Delegation sets out the specific delegations allocated to Officers.

Kent Council Council's Cabinet Committees are constituted of elected Members and are established to be advisory Committees of the Executive. Cabinet Committees consider the functions of the Council that are the responsibility of one or more Cabinet Members, together with related matters affecting Kent or its residents. The Council also has a number of other Committee's whose role is to scrutinise and oversee the actions and decisions of the Executive. The remit and membership of each Committee is set out on the County Council's website.

The County Council has appointed Statutory Officers namely the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, Director of Adult Social Services, Director of Children's Services, and Director of Public Health and their functions are explained in KCC's Constitution.

Statement

How did we do?

2020-21 has been one of the most challenging years faced from a local, national, and global perspective because of Covid-19. In response to the significant challenges presented by the pandemic, Kent County Council quickly transformed the way in which governance was undertaken to ensure that the authority's statutory obligations and a transparent approach continued to be delivered.

In terms of decision making and democratic activity, the Council quickly utilised the virtual meeting legislation to arrange firstly a Cabinet Meeting and then in due course a full roster of meetings. For the first quarter of 2020-21, a "pre-prod" process was introduced on decision making to provide a non-executive voice in decision making during the first lockdown and at the height of the first phase of the pandemic. By June 2020, all of the Council's committees were fully operating online.

As a consequence of Covid-19, many new elements of legislation and associated regulations were issued by Government this year and the authority has had to rapidly adapt to the additional responsibilities placed upon us. Local authorities have been granted numerous new powers by Government including, but not exclusive to, the enforcement obligations under the Health Protection (Coronavirus, Restrictions) (England) (No.3) Regulations 20 and KCC has therefore had to adopt a different way of working and new governance processes because of these. It is fair to say that these new obligations have placed pressure on our resources and whilst significant impacts have been experienced, we have continued to discharge our responsibilities. It is important to acknowledge the adaptability and efforts of KCC's staff who have ensured that the new legislation is complied with, translated on a local level, and the required operational responses discharged.

The frequency of Corporate Management Team (CMT) meetings was revisited in 2020-21 to respond to the challenges faced with discussions being held daily on the onset of the pandemic. Moving away from the traditional fortnightly pattern, meetings are now held twice weekly and focus on operational matters, priorities, and the delivery of the strategic reset agenda. To support the CMT conversations, Situation Reports based on content from services have been produced to highlight key issues so collective views and decisions can be taken on how these are addressed. Through a proactive communication approach, staff have been kept appraised of important messaging from, and the decisions made by, the Corporate Management Team.

During the year, a Local Outbreak Control Plan was adopted for Kent and Medway and the associated governance structure was created. Under the Health and Social Care Act 2012 a specific duty is placed on Directors of Public Health to protect the population's health and as part of Government's Covid-19 recovery strategy it was mandated that local control plans should be developed. The Kent and Medway plan sets out the health protection arrangements and the specific actions that will be taken to address Covid-19 outbreaks. The operational response was co-ordinated by the Kent Resilience Forum and an ad-hoc Member Engagement Forum convened to ensure that clear communications and mitigating actions are put in place.

KCC led the Kent Resilience Forum's recovery planning activity, and a Recovery Co-ordinating Group was convened. Working in partnership with 55 organisations impact assessments, an overarching Recovery Strategy and associated action plans were developed and launched in September 2020. This is just one example of the excellent multi-agency partnership working that has taken place across Kent during the pandemic.

In recognition of the additional demands placed on local government because of the pandemic Government issued additional grant funding to authorities. Within Kent County Council processes were put in place to ensure the proper management of these funds in line with the grant conditions received. These will be tested through an Internal Audit review on a retrospective basis in 2021-22. The Finance team continues to work closely with services to ensure that Covid related spend and pressures are captured, and monitoring information is regularly presented to Policy and Resources Cabinet Committee and returned to the Ministry of Housing, Communities and Local Government. KCC has continued to work in partnership with district and borough authorities to ensure that the grants received are properly administered and distributed to respond to need and demand across the county.

Because of Kent's unique geography, the County faced additional pressures within year including the challenges associated with the preparations for EU transition and an increase in Unaccompanied Asylum-Seeking Children (UASC) numbers. There has been a continued dialogue with Government to articulate the specific challenges experienced within Kent and notably in September 2020 a report was made to full Council under Section 5 of the Local Government and Housing Act 1989 highlighting the imminent breach of KCC's statutory duty under Section 20 of the Children Act to provide accommodation for children in need. This report was issued in response to the depleted capacity to accommodate UASC within the county because of the rising number of individuals received. A further report was presented to full Council in December 2020 advising that the authority was no longer in breach of its statutory duties given the easing of the position. It is important that this matter was transparently communicated, and it must be recognised that dependent on arrival numbers seen and any future directives from Government, UASC and the authority's ability to meet statutory obligations is likely to continue to be an area of concern.

During the pandemic, the Government temporarily removed the legal requirement to hold public meetings in person meaning that Kent County Council was able to conduct meetings virtually. Full Council agreed the adoption of the Virtual Meeting Protocol in June 2020. Members and Officers have worked exceptionally hard and collaboratively to make this arrangement work, and the authority has continued to transmit Committee meetings via webcast so democratic and transparency obligations can be met. Other key and important meetings such as Child Protection Conferences and Fostering and Adoption Panels have also successfully been conducted virtually.

On the presumption that social distancing measures could be in place for a further period of time, it will be important to determine how the County Council will run formal meetings moving forward given public health guidance and the restrictions of the premises available. It is hoped that technology can be best utilised to conduct meetings virtually where viable and permitted by the regulations. It is positive that KCC already has a solid foundation to build upon in this area.

During 2020-21, staff and Members who were able to work remotely continued to do so in line with Government guidance. Broadly this has been an effective arrangement and from a governance perspective, staff and Members have been able to remotely access the tools required to undertake their roles and Microsoft Teams has been fully utilised to support the conducting of formal, partnership, and internal meetings.

Throughout the period of the pandemic there have been frequent requirements for key decisions to be taken under the urgency provisions because important issues such as the purchasing of PPE and supplier relief payments had to be handled at pace. In all instances the decision-making process was followed (including the use of urgency provisions) to ensure that the authority could address arising issues promptly. On an operational level many dynamic decisions were taken within teams to ensure that adequate service provision was sustained and that the changing demands of service users could be met in a Covid secure way. Lessons were frequently learnt along the way as the pandemic presented numerous challenges that had never been experienced before and the way in which the whole authority and partners so rapidly adapted and responded was admirable. The Corporate Management Team commissioned a specific internal review led by the Corporate Assurance Team to understand the lessons that needed to be taken.

Despite the new and significant challenges presented, Kent County Council has performed well from a governance perspective this year. The pandemic has enabled the authority to reflect on traditional practices and has presented an opportunity to view governance considerations through a different lens. A significant level of adaptability has been demonstrated across the organisation to respond to pressures, the new way of working, and the associated governance considerations.

In recognition of the challenges presented by Covid-19 and the associated resource requirement the development of divisional and service business plans was paused within 2020-21. The business planning process will recommence in 2021-22.

The organisation continues to take learning and the findings of internal audits and other assurance mechanisms which are intrinsic ways of identifying where improvements are needed and where practice is strong. In terms of governance, it is acknowledged that the authority continues on a journey of continuous improvement and processes will continually be reviewed and positively challenged to ensure they are fit for purpose and responsive to the organisation's operating context and priorities.

KCC's **Internal Audit** team provide an independent assurance that an effective control, risk, and governance framework is in place. This year the team have supported the implementation of the urgent measures put in place because of Covid such as PPE supply and the management of Covid expenditure. It is intended that Internal Audit activity is focussed in the areas of the Council that are at most risk of impacting the authority's ability to achieve objectives. The Governance and Audit Committee are regularly appraised of the detail of audit findings and progress and an Annual Internal Audit Plan is in place setting out the key areas of focus. This year an External Quality Assessment (EQA) was initiated to ensure that the authority continued to remain complaint with the Public Sector Internal Audit Standards (PSIAS). This assessment was undertaken by an independent party in line with the requirement of the standards to avoid any conflict of interest and impairment to objectivity. The outcome of the assessment was the conclusion that the Internal Audit service "generally conforms" with the PSIAS, which is the highest possible evaluation.

The Internal Audit Team undertake significant grant certification work and in 2020-21 59 claims were audited and certified. Claims consisted of a mix of EU Interreg and central Government grants. Because of the circumstances experienced this year the level of certification activity was unprecedented and has impacted the capacity of the team to deliver against all elements of the 2020-21 Internal Audit Plan which has subsequently been extended up until June 2021. To respond to resource pressures the Head of Internal Audit has undertaken a resourcing needs assessment and a restructure proposal has been considered and approved by the Corporate Management Team.

KCC's **Counter Fraud** team continues to undertake a vast range of proactive and reactive activity and throughout the year have delivered a significant amount of proactive activity including supporting the review of the Financial Regulations and the delivery of fraud awareness training. Several policies and strategies have also been reviewed and endorsed by the Governance and Audit Committee including the Anti-Money Laundering Policy, Anti-Bribery Policy and the Anti-Fraud and Corruption Strategy.

In addition to the work undertaken by Internal Audit, KCC's **Corporate Assurance** function provides an additional layer of assurance to services especially in respect of major change projects and programmes. Working closely with directorates the team provide an independent assurance highlighting risks, issues, and opportunities. As part of this year's AGS process, Corporate Assurance have undertaken work to reconcile returns with risk registers.

Kent County Council holds a **Corporate Risk Register** which is a 'living document' detailing key organisational risks and mitigations. The register was subject to a significant refresh in the Summer of 2020 to ensure that it was reflective of the new pressures presented by the pandemic; the output of the refresh was reported to Cabinet and the Governance and Audit Committee. A further streamlined review was undertaken in Autumn 2020 and the register will continue to be regularly refreshed to ensure that it is fully reflective of the organisation's risk profile and risk levels. The Governance and Audit Committee receives the Corporate Risk Register every six months for assurance purposes. Risk registers are also held at directorate level and Directorate Management Teams are responsible for their review. The Risk Management Team regularly engage with leadership teams to review risk profile and appetite.

The Governance and Audit Committee are responsible for the annual review of the **Risk Management Policy and Strategy** to ensure that it remains relevant. In January 2021, the Committee received and approved the latest revision of the policy and strategy and several additions were highlighted including the incorporation of a more specific Statement of Commitment, further detail on monitoring and reporting arrangements, and the remodelling of the risk management principles and framework. This annual review process will continue to ensure currency.

In September 2020, Cabinet received a report relating to the possible cumulative impacts associated with the Public Health, EU/UK transition and Winter weather risks. This report sought to consider the possible collective and individual impacts of these risks to inform planning and preparedness and determine the required mitigations. Cabinet resolved that all Member briefings should be organised on these important topics; and that the corporate risk profile be reviewed, and this report came forward in December 2020. From a governance perspective, Members have continued to be kept appraised of matters relating to transition and the pandemic on both a formal and informal briefing basis throughout the year. The Kent Leaders have also met regularly to consider topics such as the coordination of Covid-19 testing, enforcement, and the wider response to the pandemic.

Quarterly Performance Reports (QPR) are produced to update the Cabinet on performance progress against a series of key indicators. These reports are also provided to Cabinet Committees on a range of indicators and provide an opportunity for Members to track and challenge performance. Given the challenges presented to services throughout the pandemic it is notable that overall a positive direction of travel has been sustained across the authority. Indicators have also been revisited to ensure that they are relevant given the current circumstances. It is, however, important to note that some indicators, including those on compliance with information governance obligations, continued to be particularly challenging within year.

On 10th December 2020, the County Council agreed the creation of an **Interim Strategic Plan titled 'Setting the Course'** in response to the fundamental changes in KCC's operating environment and how this will evolve the Strategic Commissioning Authority operating model for the Council. This plan was created to reflect the immediate challenges faced by the authority because of the pandemic and the actions that will be prioritised. 'Setting the Course' replaced the previously drafted 5-Year Plan 'Kent's Future, Our Priority' in recognition of the significantly changed circumstances and a new plan for the next five years will be produced in 2021 which will be aligned with the budget and informed by engagement with Members, staff, residents, and partners.

Governance considerations for the **Strategic Reset Programme** which is addressing key operational transformation activity have been set out to full Council distinguishing the Member, Officer, and service leadership roles. The Strategic Reset activity continues to progress at pace and at a Senior Officer level an internal Programme Board has been established to oversee programme definition and delivery. Political leadership of the programme is provided by Cabinet, and Members will be engaged throughout the process with full Council being used as a mechanism for programme oversight and approval to secure a whole council approach.

Kent County Council's **Constitution** continues to be reviewed regularly by the Monitoring Officer to ensure that it is current and fit for purpose. In 2020-21 revisions included the amendment of the delegation table in response to a recommendation from the Selection and Member Services Committee and the formal recording of the position of the General Counsel as the Data Protection Officer for KCC. KCC's Financial Regulations also continue to be reviewed.

Top Tier level realignments in the Children, Young People & Education (CYPE) and Growth, Environment & Transport (GET) directorates were agreed within year. The review of the CYPE structure was initiated in response to changes in directorate responsibilities and the outcome of the Special Educational Needs and Disabilities Ofsted inspection to ensure sufficient management capacity to deliver statutory responsibilities, other obligations, and the improvements required. The GET structural realignment was progressed in recognition of KCC's evolving priorities and the requirement to change divisional configuration to best meet these.

This year, the **Independent Person** was appointed with whom the Monitoring Officer can engage on alleged breaches of the Kent Member Code of Conduct. This four-year appointment was made in accordance with the Localism Act 2011 and ensures that an independent perspective, from outside of KCC, can be applied to allegation investigations.

An **Independent Member Renumeration Panel** was appointed for a four-year term in line with the legal requirement and as part of the usual course of business and have now subsequently reported to County Council in November 2021.

The future role of the **Governance and Audit Committee** was considered on 21st January 2021 by Members and views were sought on how current and future challenges could best be met. The item reflected on the observations made in the 2019-20 Annual Governance Statement about the significantly changed operating environment because of Covid-19 and also learning opportunities that can be taken from other local authorities such as Croydon Council. It was agreed that the Monitoring Officer would arrange a workshop to consider the learning from Croydon's external audit report and other relevant reports. It was also resolved that all members of the Committee would be surveyed by the Monitoring Officer and Head of Internal Audit to secure views on the future role of the Committee. The Governance and Audit Committee received a further report on 23 April 2021 highlighting the Best Value Report into Liverpool City Council for discussion. The paper also recommended that as a standing agenda item an annual report on the committee's effectiveness is received in July alongside the Annual Governance Statement. For the first year, given the election in May, it is intended to bring this paper to the January 2022 Governance and Audit Committee meeting.

From a financial governance perspective, **Financial Regulations** are in place which set out the control framework for the five following key areas of activity:

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

A **Financial Delegation Matrix** explains the finance approval process and associated approval limits.

Following the initial assessment of the impact of Covid-19 pandemic Cabinet recommended that the 2020-21 budget should be amended to include the additional un-ringfenced grants from central government, anticipated additional spending as a result of the pandemic, and additional savings necessary to continue to plan a balanced budget. This required an unprecedented process to recast the entire budget mid-year. It also required a new process to identify the impact of the pandemic separately from other business as usual activity.

In March 2020, a new **Covid log** was established to record the impact, both actual and forecast on the budget, particularly in light of the extra funding received and the additional financial distress payments that were being made. The log identifies new areas of spending, income losses, delays to planned savings and spending on continuity payments to providers to sustain viability even where services are not provided. This log has been essential for the Council to complete regular monitoring returns to Ministry of Housing Communities and Local Government (MHCLG). The log feeds into the financial monitoring reports that are presented to Cabinet which include the business-as-usual position, the Covid position and a reconciliation to the MHCLG return. The information has also been provided to both the Policy and Resources and Scrutiny Committees.

A lot of effort has been put into providing more clarity about Covid-19 related impacts in financial reports. This has included regular reports to the Policy and Resources Committee throughout the year providing a financial update and in particular identifying the increasingly complex funding streams in response to the pandemic. In all cases these have been well received and allow decision makers to have a clearer more transparent picture of the key strategic issues.

The Finance Team have already embarked on a review of the 2021-22 budget process to ensure lessons learned are embedded in future timetables and processes. This will include a scenario approach to future medium-term plans.

Finance have enhanced partnership working during the pandemic, particularly with other local authorities and health authorities. Chief Finance officers from KCC and Kent districts have had a regular series of catch ups throughout the year and have fully engaged in a network with other South East counties on strategic finance matters. Both of these have proved invaluable to improve collaboration.

CIPFA have been commissioned to undertake an assessment of the Council's financial management against the CIPFA FM Model which has highlighted areas for improvement. The implementation of the recommendations will be part of the Council's Strategic Reset Programme.

Work has been undertaken to review in more detail the financial management issues in both the Adult Social Care & Health and Children, Young People & Education directorates and similar reviews are planned for Growth, Environment & Transport and Strategic & Corporate Services during 2021-22. The findings of the reviews already undertaken have been agreed with the directorates and are being progressed and will form part of the work that is delivered through the Strategic Reset Programme.

Work to develop a 10-year capital programme has continued including the development of a comprehensive capital reporting solution that will combine financial and performance information at all levels using Power apps and Power BI. The reporting solution will be developed further to encompass revenue to automate and improve financial monitoring and reporting arrangements. This will also support outcomes-based budgeting and evidence-based decision making by combining both activity and finance information.

KCC's new reserves policy is designed to protect and improve the Council's financial resilience and to ensure that there is a rigorous process and assessment of the Council's reserves. The ICT and Strategic Reset Programme reserves are being established to ensure that the Council has sufficient resources to deliver its interim and longer-term strategic plans.

The deliverability of the revenue budget, revenue savings, and the Capital Programme is monitored closely. The resistance of pressures, management action taken, and the identification of new efficiency options continue to progress and be monitored as the financial climate and demand for services is still increasingly challenging. Regular revenue and capital financial monitoring reports are provided to Cabinet Committees and Cabinet; the outturn position is also supplied. The annual budget for 2021-22 was presented to full County Council on 11 February 2021 for approval, this was supported by a Section 25 assurance statement opinion from the statutory Section 151 Officer. Members were asked to give high regard to the Section 25 statement when making the budget decisions including the consideration that had been given to the highly uncertain operating environment, increased financial risks faced and the authority's overall financial resilience.

Kent County Council's **Scrutiny Committee** continues to investigate issues affecting the authority and Kent residents and makes recommendations to support the improvement of KCC services. Topics considered in 2020-21 included a short and focused inquiry on the visitor economy, the decision associated with the issuing of directions under the new Health Protection Regulations 2020, the response to the Affordable Housing Selection Committee implementation plan, Covid-19 policy decisions, a short and focused inquiry on the farming economy and the Kent Rail Strategy 2021. The committee have explored a wide breath of subjects evidencing the robust scrutiny mechanism in place and discussions held, notably in relation to Covid activity, have demonstrated the continued effort to make recommendations to support the improvement of KCC services, especially in this difficult period.

This year KCC consulted on an updated **Special Educational Needs and Disability Strategy** for 2021-24 to support the work being undertaken in response to the Kent Local Area SEND Written Statement of Action. The strategy was developed in conjunction with the NHS, parents, and families and the draft and outputs of the consultation exercise were received by the relevant Cabinet Committee in March 2021. The authority's response to the Written Statement of Action continues to be a priority and the strategy responds to this key area of focus. From a financial perspective, the High Needs deficit has been identified as the Council's single biggest risk and it is therefore critical that actions that can be taken locally to address the deficit continue to be identified and implemented as a priority.

In March 2021, Cabinet agreed to delegate authority to the Corporate Director for Children, Young People and Education, in consultation with the Leader and the Cabinet Members for Integrated Children's Services and Education and Skills, to take necessary actions, including but not limited to, entering into relevant contracts or other legal agreements, as required to establish the **Reconnect Programme** and undertake relevant preparatory work within normal delegated spend thresholds. Further decision-making on this important piece of work will be brought forward between the issue of the draft Annual Governance Statement and is reflected on the forward plan for executive decisions (FED).

Alongside Kent County Council's formal governance arrangements, **informal governance arrangements** are also in place and established. The purpose of these is to bring Officers and elected Members together to consider the right activity at the right time, providing advice in advance of formal governance and decision making and assurance of delivery.

KCC continues to **engage and consult** with residents and stakeholders to inform the development of the authority's strategies, policies, and service provision. Throughout the pandemic resident engagement has never been so important especially for those vulnerable individuals and communities within the county. Through the Kent Together Campaign we have worked with partners to ensure that the requirements of vulnerable individuals who needed urgent support were met. From a governance perspective a significant amount of work was undertaken rapidly to ensure that the right infrastructure was in place and resources were increased to manage the demand for the support provided through the campaign. The KCC website and social media channels have also been used to promote key messaging and to signpost individuals.

KCC has an established **Customer Feedback Policy** which helps to improve the services we provide to all customers. This year a temporary policy was enacted in recognition of the unprecedented challenges faced during the pandemic. Whilst the authority remained fully committed to delivering the best customer service we can, it was acknowledged that usual timescales were unlikely to be met as resources were prioritised and redirected to respond to operational pressures. The Governance and Audit Committee continue to review customer feedback performance annually and the 2019-20 report was received in October 2020. The report summarised the compliments, complaints, and comments received by the authority and highlighted a sample of complaints referred to the Local Government and Social Care Ombudsman and examples of lessons learned.

On the 3rd March 2021 the Policy and Resources Cabinet Committee received the **Cyber Security Annual Report**. This restricted paper reflected on the change in working practice and set out the actions being taken to develop the authority's technical operating model. It is unfortunate that cyberattack activity has accelerated during the pandemic and there have been several high-profile reports of attacks nationally; to mitigate the impact of any future attack on Kent County Council we will build upon the Zero Trust and defence in-depth approaches to securing ICT infrastructure. The Strategic Technology Board will also continue to manage the activities to address the recommendations from the National Computing Centre Group's review of KCC's cyber security and resilience. Wider work is currently also underway to further strengthen ICT resilience.

The Governance and Audit Committee and Policy and Resources Cabinet Committee continue to receive updates on KCC's **company ownership** and in March 2021 it was proposed that a formal, but simple delineation, should be put in place to clarify responsibilities. The Policy and Resources Cabinet Committee will now only deal with the commissioning implications of the companies or to comply with the constitutional requirement for pre-consideration ahead of any key decision. The Governance & Audit Committee will have a collective oversight of financial performance and receive ongoing assurance and information to enable the effective scrutiny of the executive decision-making around the shareholder strategy. The authority requires the Holding Company to ensure that Annual Governance Statement returns are made and the KCC Shareholder Board continues to meet quarterly to consider the performance of the companies and determine decisions required under reserved matters.

Audit Review of AGS Process

The Head of Internal Audit has reviewed the amended AGS process and audited the responses, determining that the process is adequate.

Review of effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the General Counsel and the Governance, Democracy and Law division and has involved Directors reviewing and evidencing compliance. There has also been a requirement for directorates to identify any new governance improvements required within their services and to provide updates on matters highlighted in 2019-20. Issues identified by Internal Audit were also considered for inclusion in this statement.

Set out below are a range of key findings and identified actions to manage the issues identified. Signature of the final statement is predicated on the basis that the identified actions are discharged within the coming year.

As mentioned earlier in this statement, targeted surveying and internal audits will commence to test and further validate the returns received for assurance purposes.

Key Findings from the Accountable Officer Survey

Section 1: Compliance with KCC's Operating Standards and the Strategy and Policy Register

- All 9 respondents confirmed that their service is compliant with KCC's Operating Standards, however, 4 services stated that their policies on the Strategy and Policy Register were not up to date.
- All responses confirmed that they have consulted on changes to policies and services where there has been a legal duty to do so

Section 2: Improving awareness and application of governance and delegations

Governance

- Each respondent confirmed that all Officers within their service are aware of the appropriate governance related to their role. Respondents were also asked what steps had been taken to improve awareness and application of the Council's governance and Operating Standards and what they had done to improve governance in their service.
- In general, the responses to both questions lacked detail in terms of what practical steps had been taken and how they had successfully addressed governance issues, and this will be a specific area of follow up.

Delegations

- 7 of the 9 respondents stated they were "extremely confident" that staff understand the obligations which are delegated to them; while 1 stated they were "somewhat confident".
- 8 of the 9 responses stated that all Officers who utilise delegations within their directorate had had the relevant training and had received guidance/training before they were used.

• Respondents were asked to explain how they ensure all appropriate Officers are aware of, and comply with, the governance and delegations affecting them. Responses varied and included discussions at Divisional Management Team level, regular reviews of delegations and the undertaking of governance training.

Section 3: Decision making, reports, and the impact of covid-19 and emergency issues on governance

Decision Making

• Responses confirmed that all key and significant decisions had been taken, recorded, and published in accordance with the Council's constitution and/or Scheme of Delegation.

• Respondents were asked to provide details of their assurance. Overall, the answers focused more on a generic description of processes as opposed to outlining in detail what measures have been taken to ensure the processes are being followed.

• Overall, the responses did not adequately reference the identifiable actions from 2019-20 such as increased controls at the FED and decision stages as well as training for Officers. This is a specific area of follow up.

• One incidence of non-compliance with the Council's Constitution was highlighted by the Children, Young People and Education Directorate relating to the breach in the statutory obligation to accommodate UASC. The answer detailed how this was escalated to the Head of Paid Service, Monitoring Officer and Leader of the Council.

Impact of Covid

• 4 respondents indicated that Covid-19 and emergency issues had no impact on their service's capacity to comply with the Council's governance.

• 2 responses acknowledged that while Covid has led to an increase in urgent decisions, due process has been followed and all decisions have remained compliant

• 1 response indicated that the move to virtual working and the increased reliance on and greater use of technology had improved their processes for gathering advice and approvals.

• 2 responses recognised that the pandemic had impacted in terms of capacity on their service with increased activity, additional decisions and further work. 1 of these 2 responses further referenced the impact of additional urgent decisions as a key factor in increased complexity, Member concern and capacity strain.

• Whilst a number of responses referenced capacity and urgency, no responses indicated that the impact had been such that decision-making was outside that constitutionally permitted.

• CYPE focused on the positive effect of Covid including greater use of technology and less reliance on email as well as a 'swifter' authorisation process for decisions.

• Finance highlighted an impact in productivity due to a lack of robust ICT infrastructure which has affected timeframes and subsequently placed significant strain on staff.

Reports

• 8 of the 9 respondents confirmed that all formal and informal reports written in their name set out the impact of proposed decisions and included advice on all options as well as fully covering equality, data protection, financial, legal and risk considerations.

Section 4: Partnerships/commissioned services, contracts and procurement, data mapping and regulators

Partnerships and commissioned services

• Respondents were asked to provide assurance that the delivery of services through partnerships/commissioned services is consistent with the Council's governance.

• Assurance was confirmed by all 9 responses however the majority of responses did not provide sufficient details as to how this conclusion had been reached.

• No issues and/or reference to the impact of Covid-19 on this assurance was highlighted.

Contracts and Procurement

• All 9 respondents stated that all procurement and contracts are compliant with the constitution and legislation; and where contracts and procurement have been put in place in response to emergency issues, they were able to adequately assess risks and governance controls of the third party.

Data Mapping and Regulators

- 7 of the 9 returns confirmed their service continues to comply with assurances previously provided to regulators in response to complaints. The return from the Strategy, Policy, Relationships and Corporate Assurance division indicated that the division had not dealt with relevant complaints.
- Specifically relating to the 7 returns completed by Information Asset Owners, only 3 returns confirmed that full data mapping had been completed for their service.

Section 5: Fraud and Irregularity

- Only two returns outlined specific details of fraud/irregularity risks being communicated to Internal Audit/Counter Fraud.
- The remaining returns indicated that no high fraud/irregularity risks had been identified which needed to be referred to audit. One respondent commented that this was not applicable, but it is unclear from the information provided how this conclusion was drawn.

Section 6: Final Assurance statement

2019/20 issues

- 3 services noted that they did not submit issues as part of the 2019/20 Annual Governance Statement process. Information from the divisions who did report issues has been collated.

New issues/challenges/governance implications

Whilst some respondents have not raised any new issues the following specific matters have been highlighted.

- It has been highlighted by the Infrastructure division that Covid-19 has placed additional pressures on the service meaning that service priorities have been adjusted.
- Finance raised issues concerning capacity and resources which have impacted on the resilience and well-being of staff.
- Adult Social Care & Health have highlighted a number of issues including potential scrutiny of spend, senior management changes, statutory responsibilities in relation to Domestic Abuse Bill and Care Act, as well as developing issues around Napier Barracks.
- The “Integration and innovation: working together to improve health and social care for all” White Paper sets out the legislative proposals for a Health and Care Bill. It will primarily lead to structural changes in the NHS at the national and local level including the creation of an NHS Integrated Care System. The changes come with a refreshed NHS oversight arrangement which may strengthen the control by the centre and as result may impact on the partnership working arrangements between the NHS and the local authority. These changes will be the subject of a paper which will also include the evolving arrangements with health, the governance challenges and opportunities and will be presented to the County Council during 2021.
- Other proposals which have a direct impact on local authorities include the establishment of the NHS ICS and the Health and Care Partnership ICS. The Director of Public Health will have an official role in both the Health and Care Partnership and the ICS NHS Body. Also, the creation of the Integrated Care Partnerships may require aspects of the County Council’s Scheme of Delegation to be revisited.
- A new duty for the Care Quality Commission to assess Local Authorities’ delivery of their adult social care duties is planned and will be introduced under the Bill. This will be based on a new assurance framework which will be developed and published by the Government. The implementation of the new assurance framework will have implications for the Adult Social Care and some corporate functions such as Finance, Strategic Commissioning and Corporate Assurance. The Bill will contain a power for the Secretary of State for Health and Social Care to make payments directly to providers.
- The planned measures to update approaches to hospital discharge to help facilitate smooth discharge, by putting in place a legal framework for a ‘Discharge to Assess’ model will also affect some operational arrangements of adult social care.
- In recent years, the County Council has undertaken a review of the structural governance of the Council with advice from the statutory officers. Governance is an active system. It provides a structure around all activity undertaken by and on behalf of Kent County Council. With good governance comes clarity as to roles and responsibilities as well as a system of checks and balances to ensure people are held accountable and power is not applied arbitrarily or in a manner inconsistent with the public good. The last four years have seen public reports into failings in Northamptonshire, Croydon, Notts City, Liverpool and elsewhere. The odds of an irrecoverable governance and financial collapse are still low but adopting an ‘It can’t happen here’ attitude is not an option. Nothing in this should be taken to imply that KCC is currently a failing authority or that good decisions are not made and put into effect. However, a detailed plan setting out a systemic review of the County Council’s governance is necessary and will be brought to the December meeting of County Council.

• The Making A Difference everyday programme approach is about putting the person we support at the centre and devolving responsibility and accountability within the organisation to the place that gives the person using the service the most control over their lives and their decisions – this could have some implications for governance which will be explored over the coming year in the following ways:

o The developing practice model is intended to give frontline social workers the ability to shape support, in partnership with the people they are supporting, and to deliver innovative solutions. This will include placing more trust control responsibility and accountability within teams and team processes. This will need to be explored in line with the scheme of delegations.

o Empowering the community is a key element in achieving the Making A Difference Every Day approach, and this will again need a different approach to delegation of authority and power to the community for them to make decisions about how resources are allocated and how communities are involved in those key decisions about how services are planned, and resources deployed

o Putting the person in control and transferring power will require the authority to look at how this may impact on decision making around spend, but also its risk appetite towards areas of spend that people might choose for themselves, and to examine the level of trust given to people, community and staff around deciding overspend.

o Digital and how we perceive digital solutions regarding governance will be key. Digital approaches have the potential to be far more inclusive than normal/ tried and tested routes and how governance through digital solutions are enabled needs to be carefully thought through. This would need to be a component of any future Kent County Council Digital Strategy.

• Three years on from the implementation of the Data Protection Act and GDPR, the Data Protection Officer will be carrying out a strategic review of the Council's operational data protection and records management arrangement as required by the legislation. This will result in updates to operational practices, accountabilities and responsibilities, policies, behaviours and training to reflect changes.

• The Government has laid the Data Sharing Code of Practice before parliament and the Data Protection Officer and Senior Information Risk Owner will review arrangements within the Council to ensure compliance and maximise opportunity

• As the Government relaxes the legislation put in place during the pandemic, the statutory officers will review and respond to the implications for Kent County Council's governance as powers and duties are either permanently retained or diminished.

• The regulations that permitted virtual meetings lapsed in May 2021 and will have an impact on the deliverability of the democratic agenda in the event of a third wave.

Summary of the review of the Annual Governance Statement returns

• The returns from the Annual Governance Statement indicate that services assert that they have improved awareness and application of the Council's governance and operating standards.

• The returns also confirm that officers understand their obligations relating to delegations and comply with the governance and delegations affecting their role.

• All responses confirmed that key and significant decisions were compliant with the Council's constitution and scheme of delegation; with details provided in terms of assurance through process.

• Many of the issues raised in inspection reports into other authorities had already been proactively addressed by Members at KCC with advice from the Head of Paid Service and Monitoring Officer.

• Given the additional pressures on services, aside from an increase in urgent decisions, overall, the returns did not highlight a particular negative and/or challenging impact of Covid-19 on governance procedures.

• The responses which confirmed data mapping had been fully completed will be followed up to ensure they are consistent with the findings of the Information Governance Cross-Directorate Working Group.

• The current system around Data Protection Impact Assessments needs review and replacement in the view of the Data Protection Officer.

• Further work needs to be undertaken to ensure the returns fully address the status of previous issues raised and further follow up on assurance will be undertaken.

• The Council has been through an unprecedented year and post Covid, there is a need to ensure clear focus on the governance principles which underpin the purpose, strategy and behaviours of Members and Officers to avoid any lack of accountability.

• A number of operational and strategic policies have been identified as needing updating by Cabinet Members and Senior Officers.

• The Financial Regulations require overhaul and review to provide simpler, clear expectations, including around the budget setting process with revised accountabilities fully expressed.

• The past year has highlighted the real terms impacts and increased pressures on key areas of previous reductions to budgets in the corporate centre and organisation generally.

• The new municipal year must see a return to business-as-usual practices around key decisions. The reasons for urgency should not be required or tolerated in normal business. There were more urgent decisions in the past year than the previous decade combined and whilst that was fully understandable during key lockdowns, and because of frequent changes to government guidance, it must not become the norm.

• The Council has sufficient resources to meet statutory duties, but in many areas no more. This ability to meet these duties is contingent on processes being followed and complied with and professional advice being resourced. In particular timely engagement of Finance by services to identify and assess the financial implications of strategies, service developments, project proposals etc.

• The new municipal year must also see a return to fully developed political decision making. There needs to be more focus and specificity in key decision and delegation formulation so that Members have clearer accountability and sight of key milestones, factors, and proposed outcomes as these are developed as a project moves forward. This is better addressed through strategic policy decisions followed by implementation decisions with appropriate advice clearly set out.

• In terms of governance, it is key that there is clear separation between political decision making and the advice that may inform it, the delivery that will follow, and the political scrutiny of both decision and delivery.

• Change is the new constant for the Council, and this will necessitate a continuing evolution in behaviours to respond to the new 'normal'.

• The Council has also received within year the Model Code of Conduct for Members from the LGA, and work is required to modernise our code of conduct and complaint process regarding Members.

• Clear commitments have been made in relation to equality, diversity and inclusion as well as environmental targets. These commitments must be built into processes as promised.

Examples of learning taken from internal audits

• **Care Leavers Audit** – a comprehensive action plan has been developed to combine the actions from the 2019 Care Leaver Survey and the Internal Audit Review.

• **Schools Themed Review – Business Continuity Planning:** A new version of the Schools Emergency Planning Guide is being produced in light of the learning from the Audit and from the pandemic. There will be wholly new section on the issue of a pandemic and epidemic illness, based on the experiences of the local authority and our schools.

• **ICT Asset Control and Remote Working COVID19 Audits:** Learning has been taken from these audits which reflected on practice during the height of the early stages of the pandemic. Importantly, the recommendations are proving a useful framework for reviews of working practices and policies as virtual working is embedded into regular patterns of work. The audits have helped maximise the benefits of the experience over the past 15 months through focusing on areas for improvement.

• **Costing of the Care Offer** – a completely reviewed and updated Local Offer was produced in December 2020. Processes have been streamlined as well mandatory staff training on the payment process for a young person.

• **DSP Toolkit** – Whilst very few issues were raised in this substantial audit finding, the annual review and support from audit helps in assuring the Council's process in an area vital to data sharing with the NHS.

• **Educational Psychology** – learning from this audit has resulted in positive developments and improvement in the service and this has also provided the improvements required from the Written Statement of Action. Strategically the service was refocussed to ensure the deployment of the available resource n the most effective way. The learning continues and will be tested at our reinspection, due in 2021

• **Adult Social Health & Health Response to Covid-19** – Due to the corporate nature of some of the matters raised, a report was delivered to the Cross-Directorate Resilience Group and following horizon scanning an item has been added to the agenda for every Directorate Resilience Group.

• **Fraud considerations** – It has been agreed by the Cross-Directorate Resilience Group that KCC Emergency Response plans and the Business Continuity Plan template will be reviewed to incorporate considerations relating to fraud during emergencies.

• **Information Governance** – Throughout the year, actions on individual audits have included reference to matters of information governance. These have influenced the identified action (8) and have been helpful at collating a whole organisation view for the benefit of the Data Protection Officer.

• **Mandatory Member Training** – Whilst the original action was not discharged by Members, findings within the audit prompted a useful conversation which was ultimately included as part of a broader set of proposals where Members of Governance and Audit ultimately agreed to their own mandatory training moving forwards.

• **Records Management** – The internal audit review has identified a range of material changes that are required to ensure that accountabilities are changed, guidance is updated and services across the Council comply with and embed the changes.

Identified Actions

1. A review of delegations will be undertaken by the Monitoring Officer and reported to the Governance and Audit Committee at the mid-year review (Monitoring Officer Q3 2021-22)

2. Proposals for the phased review of the Council's governance (Monitoring Officer Q3 2021-22) to be agreed by the Council and the Corporate Management Team, including a timetable for delivery and provisions on:

- **a. Agreed Governance Priorities and Principles**
- **b. Refresh of defined accountabilities and responsibilities for Members and Officers**
- **c. Expectations of officers in terms of advice and delivery**
- **d. Refreshed processes for the setting of agendas and conduct of meetings**
- **e. Refresh of Spending the Council's Money and Financial Regulations**
- **f. The role and chairmanship of Scrutiny Committee**
- **g. Review of Informal Governance Structures and composition and support for Informal Member Groups**
- **h. Review of Officer Decision-Making under delegation**
- **i. Review of the Member Code of Conduct, culture, behaviours and meeting etiquette.**
- **j. New approval processes and guidance ahead of decision-making**
- **k. Consequences for non-compliance**

3. Amendments to the constitution to ensure that accountabilities and behaviours agreed as part of the Governance Review (at 2 above) are enshrined as decisions are taken (Monitoring Officer Q3 and 4 2021-22)

4. A review of decision-making processes to ensure that:

- **a. appropriate professional advice is sought and provided before the FED stage**
- **b. meaningful assessment of equality, diversity and inclusion impacts before FED publication**
- **c. environmental impacts of decisions are captured**
- **d. reduced use of delegations for undefined purposes**

5. Further audit activity into Governance issues to report back at the mid- year review by Governance and Audit Committee (Head of Paid Service, Monitoring Officer, Head of Internal Audit Q4 2021-22)

6. Decision-Making Deep Dive by the Monitoring Officer to further test assurances provided and mentioned in section 3 (pages 191-192 above)

7. Further survey activity by Head of Paid Service, Monitoring Officer and Section 151 Officer to test assurances and values at all levels within services.

8. Review of governance training to incorporate the impact of the Annual Governance Statement, Governance review, the Strategic Reset Programme and responses from officers to further survey activity (Monitoring Officer Q3 2021-22)

9. Report by DPO and SIRO to address review of data mapping across the Council and review the role of current Information Asset Owners

10. Review by the Monitoring Officer and proposals for changes to Information Governance operational practices and procedures.

11. Review the process for ensuring contracts and procurement undertaken in response to emergency issues are consistent with the Council's governance.

12. Creation of a governance issues register which is updated by Directors throughout the year and discussed quarterly at CMT and reported as appropriate.

13. Reflection on the steps that can be taken within 2021-22 AGS to reflect an assessment/evaluation of the effectiveness and compliance with KCC Values.

14. Liaise with Internal Audit to assess the following:

- **a. The impact of additional governance and process within individual directorates on statutory and constitutional controls**
- **b. Recording of officer decisions taken under delegation**
- **c. General review of governance steps undertaken by services**

Governance improvements we have made and headlines

The table below provides examples of some of the improvements achieved in and headlines from 2020-21 in line with the seven core CIPFA/SoLACE key principles.

CIPFA/SoLACE Principle	Improvements made/Headlines
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• A new set of KCC values was introduced in 2020 and these were based on feedback received during the Covid-19 emergency and adopted to support recovery and reconnection. The values promote bravery, curiosity, compassion, knowledge sharing, and responsibility and a series of associated cultural attributes have been developed to support these. • In February 2021, the Standards Committee received an update on the LGA Model Code of Councillor Conduct 2020. Building on this discussion, work is progressing to consider what changes may be needed to the Kent Code of Member Conduct. If changes are necessary, the Kent Secretaries will be approached to assist the engagement process with other authorities. Further discussions took place with the Standards Committee before the election and work is
	• As part of the Standards Committee Annual Review all Members were asked to remind themselves of the requirements of the Kent Code of Conduct in response to the volume and nature of complaints highlighted over the period of the report. An Independent Person has been appointed with whom the Monitoring Officer can engage on alleged breaches of the Kent Member Code of Conduct. • The key decision process throughout 2020-21 has reflected the organisation's intent to do the right things for Kent residents, staff, and businesses during the Covid-19 pandemic. Urgent decisions have been taken on matters such as the emergency bulk purchase of Personal Protective Equipment, the agreement of contractor relief claims to support the Capital Construction Programme, the issuing of direction under the Health Protection Regulations 2020 and the agreement of a Covid-19 Rent Management Policy. The urgency procedures have been used to best effect to ensure a proactive response to challenges presented. • The urgent decision process as applied to some COVID related decisions has resulted in a number of items being discussed after the decision by the Scrutiny Committee. This resulted in useful changes to forms, processes and the information provided to Members and an open and transparent debate about opportunities for improvements without blame which was particularly healthy.
B. Ensuring openness and comprehensive stakeholder engagement	• KCC has continued to secure resident, user, and stakeholder feedback to inform strategies, proposed activities, and the budget planning process. As part of the development of the 2021-22 budget a consultation exercise was launched seeking views on the future of services and how comfortable people would feel about spending reductions on a range of services. Opinions were also sought on Council Tax and whether a rise was acceptable if this helped sustain the services that are valued the most. The feedback received was also used to shaped KCC's Interim Strategic Plan and the associated priorities • Numerous channels have been utilised to engage with and to respond to the legitimate concerns and varying needs of Kent's residents. As an example, working with Medway Council a Protect Kent and Medway Toolkit has been developed to help organisations, community groups and key leaders reach our most vulnerable groups including Black, Asian and minority ethnic communities. This material promotes the latest Covid-19 guidelines and simple effective advice to help people protect themselves, and their communities. • Partnership working has been an essential part of the Covid-19 response and engagement has taken place with numerous parties including other Councils, Government departments, blue light services, the voluntary and community sector, and the Health system. The report received by full Council on 11 March 2021 emphasised the strength of partnership working that has, and continues, to take place with multi-agency partners. This has been a specific strength and the partnership approach has resulted in improvements to systems, communications, trust, and the speed of decision making. • KCC led the Kent Resilience Forum's recovery planning and approximately 150 individuals across 55 organisations worked together through seven supporting cells to develop the Recovery Strategy and the associated action plans. This work has been steered by Kent's Council Leaders and KCC's Cabinet.

CIPFA/SoLACE Principle	Improvements made/Headlines
	• All KCC staff have been surveyed periodically throughout the year to understand views on the new and different way of working and how people are feeling. This insight has enabled the Corporate Management Team to understand how viewpoints may have changed over the course of the year and also how staff engagement and wider planning can best be undertaken to respond to staff requirements.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	• KCC's Interim Strategic Plan 'Setting the Course' was approved by full Council in December 2020, this proactively responded to the change in the operating context and the impacts of the pandemic. The plan is structured around five key immediate challenges – financial, economic, demand, partnership and environmental and sets out the actions that KCC will undertake to help deliver these. • The Kent and Medway Economic Renewal and Resilience Plan was published in August 2020 and explains the priority to support the economic renewal and development to secure resilience in the long run. This plan seeks to deliver against the three key principles, focused on Greener Futures; Open and Productive; and Better Opportunities, Fairer Chances; through five 'channels' of activity. • A Kent and Medway Employment Task Force has been established to focus on the central challenge of rising unemployment and the actions that can be taken to limit or reverse this. Terms of reference are in place for the Task Force who will exist in the context of Government's proposed interventions and how these can best be supported, and where they can be supplemented by additional local action. • The delivery of the Making a Difference Every Day Programme continues to progress in seeking to transform service delivery quality within Adult Social Care, better address the needs of service users, drive innovation, and ensure that meaningful measures of success are in place. • The Change for Kent Children programme has been developed to manage overall demand and deliver better outcomes for children, young people, and their families. The programme seeks to support more children remaining with their families if it is safe to do so and ensure that children in care remain in family-based homes. • Cabinet have agreed the creation of the new 'Reconnect Programme' to respond to the impact of Covid-19 on all children and young people within the county. The programme will be shaped with children and young people and will seek to reconnect them with health and happiness, learning missed, friends, family and community, sport activities and the outdoors, economic wellbeing. • The Kent Rail Strategy 2021 was approved by Cabinet with the purpose of influencing the new South Eastern rail concession/contract so the county's transport and environmental requirements can be met. This matter was also considered by the Scrutiny Committee. • A refresh of the Kent Environment Strategy is being undertaken to ensure that implementation plans, and projects can be delivered to improve environmental standards, support growth within the green economy and tackle climate change. • On 16 July 2020 County Council received an update on the approach for achieving Net Zero by 2030. This work is being progressed under the framework of the Kent Environment Strategy and the Energy and Low Emissions Strategy and responds to a County Council approved motion.

CIPFA/SoLACE Principle	Improvements made/Headlines
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	• The Kent Together campaign and 24-hour helpline was launched as an intervention to link vulnerable individuals to community hubs within the districts as a source of support throughout the pandemic. The partnership approach taken was extremely effective and ensured that people got the right support when it was needed. Information sharing and data confidentiality were significant considerations as part of this activity as Government shielding lists alongside collective client data were drawn upon to ensure that vulnerable individuals were proactively contacted. • KCC implemented measures to support the social care provider market and the capital construction programme through temporary contracts, advanced payment and additional funding and associated key decisions were taken. Internal Audit reviewed this area, and the initial findings were reported in a management letter that highlighted the importance of continued due diligence given the significant risks associated with the uncertainty of Government funding moving forward and the increased risk of fraud. • The Corporate Management Team received and agreed the proposal to establish a new Domestic Abuse Partnership Board for Kent. This arrangement responds to the Domestic Abuse Bill's requirement that upper tier local authorities provide support to the victims of domestic abuse and their children in safe accommodation. The first substantive meeting of the Local Partnership Board is planned for May 2021 and the terms of reference will be agreed. A Senior Officer chairperson from the Adult Social Care and Health directorate has been appointed.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	• KCC's People Strategy explains how the organisation will make the most of staff and their talents and is built on six key principles. In recognition of the new way of working because of the pandemic and to further drive the direction of travel and momentum positively forward, an employer reset is being progressed to define the type of organisation we want to be, to build on positive experiences, to develop resilience, strengthen engagement, and move away from old thinking attitudes and processes. This activity will complement and be fundamental to the success of the Strategic Reset Programme and will be delivered in a realistic but ambitious way. In March 2021, KCC's Challenger group consisting of the authority's senior management cohort discussed the People Strategy and the associated cultural, design principle, values, and leadership considerations. • The role of the Selection and Member Services Committee has been reviewed as it was felt that this forum was underutilised, due to its limited role. The General Counsel presented several recommendations to the Committee for consideration and updated terms of reference was subsequently supported and agreed by full Council. • County Council have formally agreed the establishment of a Member Development Sub Committee under the Selection and Member Services Committee. The subgroup will ensure that Member training matters, including those around standards, have a high profile and that appropriate training is put in place for all Members elected in May 2021. • Throughout the year development and training opportunities have continued to be offered. In the absence of the ability to hold physical sessions the online training offer has been bolstered to reflect the requirements of staff during the pandemic. This offer has not exclusively focussed on the traditional types of learning and has instead also incorporated tools to support wellbeing, resilience, and management practice during this difficult period. • KCC's senior management and management cohorts have continued to meet as the Challenger and T200 groups. Sessions have been held on an interactive basis and focussed on topics such as the People Strategy and the future of flexible working. These discussions have proved invaluable in terms of taking a collective temperature check across the organisation and shaping next steps and actions.

CIPFA/SoLACE Principle	Improvements made/Headlines
F. Managing risks and performance through robust internal control and strong public financial management	• The main refresh of the Corporate Risk Register was undertaken in Summer 2020 and the subsequent revisions were reported to Cabinet in June as part of the risk section of the Quarterly Performance Report. In recognition of the continuously evolving risk environment a more streamline approach was adopted involving discussions with risk and action owners across the organisation and Cabinet received a further update on 14 December 2020. Whilst no new risks were added to the register in the latest refresh process, several risk levels and risk contexts were updated, and this detail was provided to Cabinet. Cabinet Committees continue to receive an update on relevant corporate risks annually and the Governance and Audit Committee receive the complete Corporate Risk Register every six months for assurance purposes. • The risk rating attributed to the 'future financial and operating environment for local government' risk was raised to the maximum level this year in recognition of the continued uncertainty associated with local government funding and other national policy agendas. Other risks carrying high or raised risk ratings have been highlighted in the Corporate Risk Register and the associated reporting process including simultaneous emergency response and resilience; managing and working with the social care market; safeguarding – protecting vulnerable children; and cyber-attack threats and their implications. This year for the first time the Governance and Audit Committee received a headline summary of directorate risks to give oversight of the risks that are regularly being monitored and reviewed by Directorate Management Teams. It is acknowledged that the Corporate Risk Register will continue to require regular review as further events relating to the implications of the pandemic and recovery evolve. • Members of the Governance and Audit Committee have participated in a risk management workshop. The feedback and input received fed into the annual review of the Risk Management Strategy, Policy and Programme which was approved by the Committee in January 2021. • KCC's Risk Management Policy and Strategy has been reviewed to respond to the evolving risk environment and to ensure that it remains fit for purpose. The document draws on best practice from several sources and feedback received from members of the Governance and Audit Committee. The Risk Management Policy and Strategy is supported by a toolkit containing detailed guidance and advice for managers. • Robust systems have been introduced this year to manage and monitor the new Covid support funding streams issued by Government. The Covid financial log has been an important tool to inform returns to Government and the financial monitoring reports to Cabinet. • Key performance indicators were revised this year and the indicators added and removed were reported to Cabinet with the associated reasoning. Cabinet and Cabinet Committees continue to be appraised of progress through the Quarterly Performance and the directorate specific Performance Dashboard reports.
G. Implementing good practices in transparency reporting, and audit to deliver effective accountability	• Despite the challenges presented by the pandemic, and in line with Government regulations, committee meetings have continued to be webcast using the Microsoft Teams technology ensuring that transparency obligations are met. Statutory report publication dates have also continued to be satisfied. • The Governance and Audit Committee continue to receive the summaries of audits undertaken throughout the authority and the associated progress status. Alongside internal reports, the Annual Progress Report and Sector Update for the period ending 31 March 2020 was received from KCC's external auditors Grant Thornton and considered by the Governance and Audit Committee in July 2020. This report provided a summary of relevant emerging national issues and developments and posed several related questions. The external audit report for 2020-21 will be considered by the Governance and Audit Committee.

CIPFA/SoLACE Principle	Improvements made/Headlines
	• KCC has an established Internal Audit Plan that is periodically reported on in compliance with the Public Sector Internal Audit Standards. The results of the whole programme inform the opinion about the effectiveness of internal control within the organisation which is included in the Annual Internal Audit Report. The Audit Plan for 2020-21 has been extended as delivery is significantly below target because of resourcing and client responsiveness and requests. All audits removed from the 2020-21 plan will be risk assessed as part of the 2021-22 process. This approach demonstrates the flexibility of the plan required to reflect changing risk circumstances and requests from senior management. • KCC's response to the pandemic, preparations for EU transition and the associated risk considerations have continually been communicated through committees and external communications. Members have also received internal briefings on matters relating to Covid-19 and other key subjects during this period to ensure a collective awareness of challenges and how these will be responded to.

Annual Governance Statement 2020-21 Conclusion

In conclusion, during an unprecedented year Kent County Council has been required to adapt governance to respond to a new way of working, urgent pressures, rapidly issued directives from Government and evolving legislation. As the pandemic situation further eases thought will now turn further to recovery and it will be necessary to ensure that the authority's new Strategic Plan and other key strategies and policies are reflective of the new operational realities.

Given the unprecedented nature of 2020-21 and the prolonged period of the pandemic it will be essential that the authority continues to take learning and is prepared to respond to a situation of this magnitude again if required. Through the regular review of KCC's business continuity arrangements we will ensure that services remain prepared and responsive. The final version of this statement also reflected on the 2020-21 Annual Audit opinion from the Head of Internal Audit and the work on governance in the year ahead will reflect this accordingly.

As lockdown eases, KCC is likely to retain the new statutory duties in respect of public protection and it will be important to ensure that governance arrangements can quickly continue to respond to urgent actions and decisions required especially in respect of enforcement obligations.

It is important to acknowledge as part of this year's statement the adaptability, teamwork, and resilience that has been demonstrated by Officers, Members, and partner organisations. As a collective we have tackled new and significant challenges and adopted a different way of working which radically moves away from the traditional way of doing things. Whilst there will always be lessons to learn the authority has continued to deliver its statutory obligations and services in a period of significant difficulty. Good governance has been an integral part of KCC's response to Covid-19 to ensure that the right decisions are taken at the right time and in the right way to respond to the needs of Kent's residents, communities, and businesses.

This final version of the Annual Governance Statement was updated in November 2021 to reflect changes and learning since the publication of the draft. There have also been changes made contingent on comments from Members of the Governance and Audit Committee who reviewed the statement in draft form at their September 2021 meeting.

The Corporate Director for People and Communications has confirmed to the Head of Paid Service that there were sufficient staffing resources available in 2020-21 for the Authority to discharge its responsibilities. Confirmation has also been received that during 2020-21, none of the Statutory Officers reported any issues to the Corporate Director for People and Communications which prevented them fulfilling their statutory roles and responsibilities. It is imperative that there is a continued organisational commitment to building and retaining an inclusive workforce and workplace and poor behaviours and practice by Officers or Members will not, and should not, be tolerated.

The Monitoring Officer can confirm for the financial year ending March 2021, that save for the issues previously reported to Members of the Governance and Audit Committee, the County Council and through the annual complaints report, there is no known unlawfulness or maladministration. At the time of signing, it is further confirmed that all executive decisions have been taken as required by the Council's Constitution to the best of the Monitoring Officer's knowledge. However, during the period 1 April 2020 to 31 March 2021, he was required to intervene and seek remedial actions from Officers where decisions were at risk of not being taken lawfully, reasonably and proportionately. The Monitoring Officer has expressed concerns about the need for officers and Members to focus on compliance with constitutional and statutory obligations and to prepare papers for publication in a timely manner. Over the next 18 months, a programme of activity to increase mandating of governance requirements will be implemented and is predicated on an assumption that all Members (executive and non-executive alike) and all officers with governance responsibilities will continue to ensure that they prioritise and comply with the Council's governance.

Through his signature, he also agrees to take forward the identified actions as set out in this statement.

The Section 151 Officer provided assurance to the County Council that the budget proposed and approved for 2021-22 by the County Council in February 2021 was based on robust estimates and allowed for an adequate level of reserves to cover foreseeable eventualities and general reserve for the unforeseeable risks.

The Section 151 Officer can further assure the Council that she is satisfied that financial transactions and financial activity on behalf of the Council or where the Council manages activity on behalf of others were handled, processed and recorded in the correct manner during the period 1 April 2020 to 31 March 2021. The Section 151 Officer is content that she has the necessary structures and staffing in place to provide this assurance with confidence.

The Head of Paid Service signs this statement having received the assurances of all the accountable Corporate Directors and Directors for Strategic and Corporate Services through this AGS process and on the basis that the identified actions contained within this document will be taken forward and completed by the Monitoring Officer.

The Head of Paid Service can confirm that he has complied with his constitutional duties in relation to the Operating Standards and that he has received assurance from all relevant Corporate Directors and Directors that they and their services are compliant.

Signatories (signed in the order set out below)

Ben Watts, Monitoring Officer

Zena Cooke, Section 151 Officer

David Cockburn, Head of Paid Service

Roger Gough, Leader of the Council

On behalf of Kent County Council - 30 November 2021

Glossary of terms

Agency

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget

A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure

Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts

Money obtained on the sale of a capital asset.

Derivatives

A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants

Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets

Capital spend on items such as software licences and patents.

Local Authority Accounting Panel

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice and the Prudential Code.

Long-term debtors

Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure

This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non Delegated

Spend on Education Services which is not delegated to schools.

Precept

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

Public Works Loans Board

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

Related party transaction

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

Revenue expenditure

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

Revenue expenditure funded from capital under statute (Refcus)

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

Specific grants

See 'government grants'.

Support service costs

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

Unusable reserves

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

Usable capital receipts

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

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

This publication is 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.