Statement of Accounts

2019/2020
Statement of Accounts

Kent County Council
kent.gov.uk

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Notes to the Accounting Statements index

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 2019-20 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 2019-20.
- 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 18 and 19)

~ 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 20 and 21)

~ 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 22)

~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 23)

- 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 24 to 25)

- 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 2020 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 128 to 144)
- 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 145 to 173)
- 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 174 to 180)
- 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 2019-20. (See pages 181 to 196)
- 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 197 and 198 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 2019-20 are prepared on an IFRS basis.

There are no significant changes to accounting practice to report for 2019-20.

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:

- **Adult Social Care & Health (ASCH)**
  - Strategic Management & Directorate Budgets
  - Adult Social Care & Health Operations
  - Partnership & Engagement
  - Service Provision
  - Business Delivery Unit
- **Children, Young People & Education (CYPE)**
  - Strategic Management & Directorate Budgets
  - Education Planning and Access
  - 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 (S&CS)**
  - Strategic Management & Directorate Budgets
  - People & Communication
  - Finance
  - Governance, Law & Democracy
  - Infrastructure
  - Corporate Landlord
  - Strategic Commissioning including Public Health
  - Strategy, 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 business plan for 2020-2023 and captures our significant commissioning, service, capital and policy activity. The SDP acts as the single business plan for KCC, which has been updated this year by Corporate Management Team and Cabinet Members to reflect activities which need to be delayed or rescoped due to the COVID-19 response and recovery work. The 5 Year Plan which was out for consultation in early 2020 has been paused due to COVID-19, as we reflect on our corporate and strategic planning. An Interim Strategic Plan will be developed for October 2020, which will bring together political objectives, priority activities for recovery, resilience and transformation and this will align with the actions which need to be taken to deliver a balanced budget. 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 2019-20 - 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 19 years up to 2018-19. 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 recent years, and for the foreseeable future, KCC has faced an enormous and unprecedented financial challenge. This challenge arises from a combination of rising spending demands, reductions in central government funding and freezes/limits on raising council tax. Combined, this has led the Council to make annual savings in the region of £80m to £90m each year since 2010, although 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.

KCC, along with the vast majority of other councils, signed up to a 4-year funding settlement covering 2016-17 to 2019-20. The overall spending context was based on the 2015 Spending Review, amended by subsequent updates in local government finance settlements and Budget statements in the intervening years. The Spending Review set out a 'flat cash' plan that included the government settlement (comprising Ministry of Housing, Communities and Local Government (MHCLG) grants and locally retained share of Business Rates (although not any growth)) and council tax. Subsequent changes improved the 'flat cash' equation and the final settlement showed a spending power increase. The increase comes from a combination of council tax (tax base and increase to the referendum limit) and additional government support for social care.

The final equation for 2019-20 was as follows:

	£m		**£m**
Additional spending demands	72.9	Council tax and business rates	37.1
Savings, income and reserves	-45.0	Net govt. grant reductions	-9.2
TOTAL	**27.9**	**TOTAL**	**27.9**

This presentation shows the change in the council's net budget requirement between 2018-19 and 2019-20, and change in net funding from central government and local taxation.

Risk Strategy

Please refer to the Annual Governance Statement on pages 181 to 196 for details of the Council's governance arrangements.

As an organisation concerned with service provision and the social and economic development of the county it has been essential that the risks to achieve our objectives have been managed efficiently and effectively.

Risk management has been at the heart of our good management practice and corporate governance arrangements. Our risk management arrangements have been proactive and enabled decisions to be based on properly assessed risks that have balanced risk and reward, ensuring that the right actions have been taken at the right time.

The rising cost of providing services due to demographic, legislative and market demands and pressures, allied with ongoing local government funding restraint has meant that KCC has been exposed to significant and increased levels of risk in its operating environment, with less resources to manage those risks. It has been required to accept or tolerate greater levels of risk to conduct our business and we have sought to be innovative and transform to protect the quality of our services for service users and residents of Kent.

The risk management framework has evolved as the Authority has continued to evolve. This has required a greater focus on all elements of the risk framework - our culture, behaviours and values as well as processes and procedures.

Our revenue and capital Medium Term Financial Plan (MTFP) covered a three year period and is updated annually. The budget is presented in a summary format by Directorate, Division and Key Services level including delegations to directors. Work developing the revenue and capital MTFP for 2019-20 began during Summer 2018. The budget setting process involved the Corporate Management Team (CMT) and Cabinet. The final budget was approved at County Council in February 2019.

Revenue Strategy

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

- Funding estimate - Government Grants, Council Tax, and Business Rates
- Spending demands
- Savings and income requirements
- Consultation and engagement.

Narrative

Funding Estimate

The funding estimate for 2019-20 was £986.4m, an increase of £27.9m from the 2018-19 budget. This funding comes from various sources including unring-fenced grants from central government, some section 31 grants with no conditions, and local tax receipts.

	2018-19 Excluding Business Rates Pilot	2019-20 Estimate	Movement
	£'000	£'000	£'000
Council Tax			
Tax Base (incl previous year tax increase)	610,161	639,085	28,924
Assumed annual increase	18,977	20,260	1,283
Social Care Levy	36,598	50,651	14,053
Collection Fund Balance	10,338	7,475	-2,863
Local Share of Business Rates			
Business Rates	59,049	54,319	-4,730
Business Rates Collection Fund surplus/(deficit)	-247	150	397
Un-ring fenced grants			
Revenue Support Grant	37,640	9,487	-28,153
Business Rate Top-Up (Tariff)	133,569	136,210	2,641
Business Rate Compensation Grant	6,163	7,665	1,502
New Homes Bonus	5,782	6,388	606
Improved Better Care Fund	35,019	42,380	7,361
Social Care Support Grant	3,853	10,531	6,678
Other Grants	1,586	1,773	187
Total	**958,488**	**986,374**	**27,886**

The council tax base notification from District Councils shows a 1.58% increase over 2018-19. The tax base includes 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 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 will have seen an increase in the County Council's element of council tax of 2.99% plus the additional 2% for the Social Care precept levy.

Spending Demands

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 2018-19 budget is also shown as additional spending demand.

The final budget showed £72.9m of additional spending demands in 2019-20, the breakdown of spending demands is as follows:

- £25.1m for staff pay awards, contractual price increases and negotiated contracts
- £19.2m for forecast increases in demand and demographic changes
- £12.9m to replace one-offs used to fund base budget spending in 2018-19
- £9.1m for local service strategies and improvements
- £6.6m for Net budget realignments to reflect previous year activity/costs (realignments can reduce as well as increase spend reflecting past performance)
- £1.8m reduction in specific grant
- -£1.8m impact of government legislative changes

Narrative

Savings and Income

Over the last few years the County Council has had to make unprecedented levels of savings to offset the impact of reduced Government funding and meeting the cost of additional spending demands. This trend has continued through the current four-year settlement even though the net budget has been increasing since 2016-17 in cash terms. The 2019-20 budget identified the need for £45m of savings and income including the following:

- £3.3m income generation
- £6.3m increases in grants and contributions
- £5.4m from service transformation (improved outcomes at lower cost)
- £19.2m financing savings (including £11.2m planned draw-down from corporate and directorate reserves)
- £3.1m policy savings (service reductions)
- £7.7m from efficiency savings from staffing, contracts and managing premises (doing the same job for less money)

The revenue budget strategy has sought to minimise service reductions despite the unprecedented financial challenge.

Revenue Budget and Outturn

In February 2019 the Council approved a net revenue budget for 2019-20 of £986,374m. In addition £7.326m of 2018-19 underspending was rolled forward and added to the budget, and we also received £39m additional grant funding for COVID-19. 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.

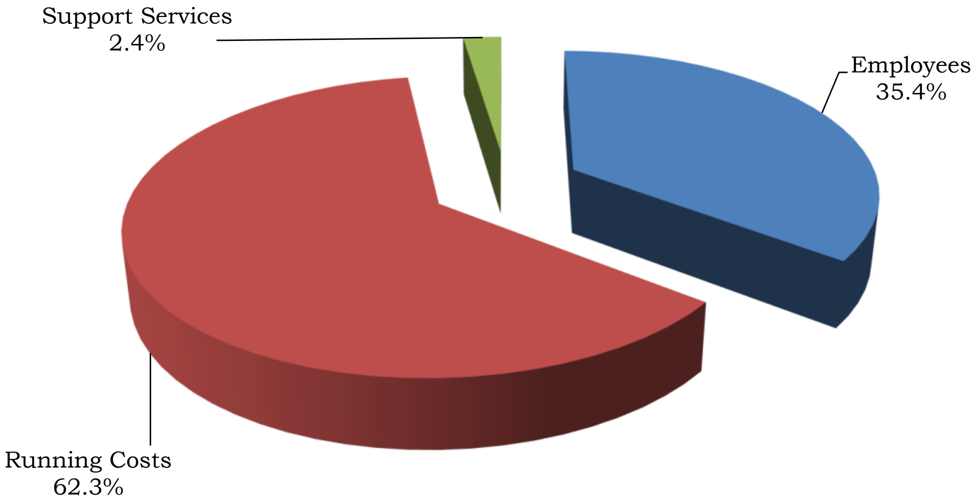
DIRECTORATE		Budget £000's	Outturn £000's	Variance £000's
Adult Social Care & Health including Disabled Children's Services	**ASCH**	366,069	367,392	1,323
Children, Young People & Education	**CYPE**	239,046	247,083	8,037
Growth, Environment & Transport	**GET**	174,159	171,744	-2,415
Strategic & Corporate Services including Public Health	**S&CS**	81,284	79,287	-1,997
Financing Items & Unallocated	**FI&U**	179,842	172,134	-7,708
		1,040,400	1,037,640	-2,760
Schools' Delegated Budgets	**CYPE**	0	13,046	13,046
		1,040,400	1,050,686	10,286
FUNDED BY:				
Reserves (2018-19 revenue budget underspend)		-7,326	-7,326	0
Formula Grant		-9,487	-9,487	0
Council Tax Yield including Collection Fund		-717,471	-717,471	0
Local Share of Business Rates & Business Rate Collection Fund		-58,899	-58,906	-7
Business Rate Tariff		-136,210	-136,210	-0
Business Rate Compensation Grant		-10,923	-13,624	-2,701
Business Rate Levy Account Surplus			-630	-630
New Homes Bonus (NHB) & NHB Adjustment Grants		-6,388	-6,388	0
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation in Spring 2017 Budget		-42,380	-42,380	-0
Social Care Support Grant		-10,531	-10,531	-0
COVID 19 Grant		-39,012	-39,012	0
Other Un-ringfenced Grants		-1,773	-1,901	-128
Total Funding		-1,040,400	-1,043,866	-3,466
NET OUTTURN POSITION		0	6,820	6,820

The net underspending within the directorates is £6.226m, being -£2.760m and -£3.466m funding variance (excluding £13,046m delegated schools overspend) of which £3.106m are roll forward requests and will be added to the 2020-21 budget to support the rescheduling of projects. This leaves an underlying underspend of £3.121m that is being transferred into reserves to support resilience.

Narrative

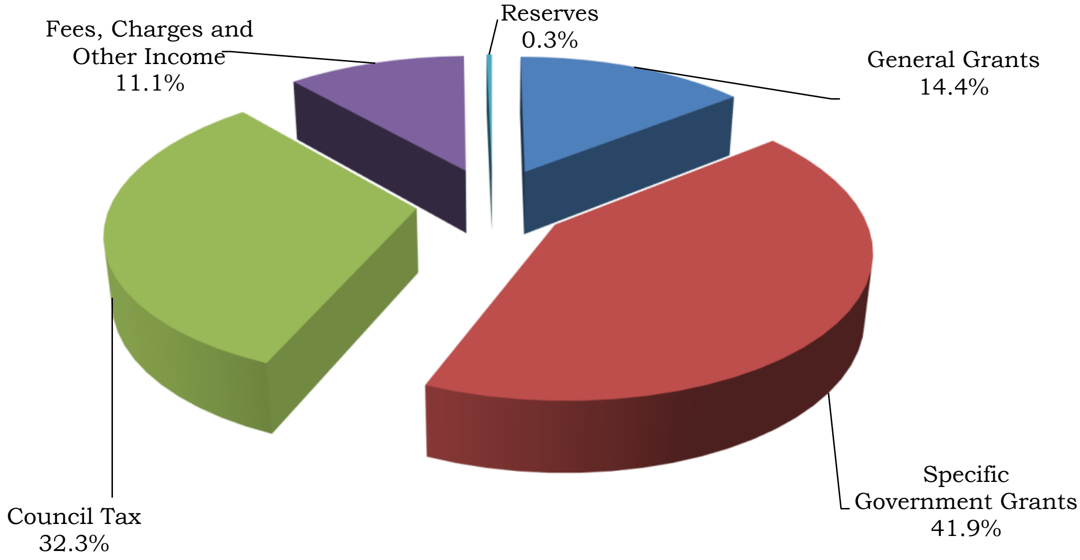
The charts below present a breakdown of the figures shown in the table above:

What the money is spent on



Employees costs account for 35.4% (36.1% in 2018-19) of the Council's expenditure. Running costs including cost of premises, transport, supplies and services, and third party payments account for 62.3% (61.1% in 2018-19) of the expenditure.

Where the money came from



41.9% of our income came from Specific Government Grants which includes the Dedicated Schools Grant (42.6% in 2018-19), 32.3% of our income came from residents through council tax (31.3% in 2018-19), 14.4% of our income came from general grants, including business rates (13.5% in 2018-19), and 11.1% of our income came from users of our services (12.3% in 2018-19).

Recent Events - Post Balance Sheet Events - COVID-19

NNDR1 2020-21 S31 Grants

The authority received £12.662m advance payment of these grants on 27th March 2020. This has been adjusted as a receipt in advance within 2019-20 accounts. This will enable the income to be used to fund expenditure in 2020-21 (as assumed in 2020-21 approved budget) and will enable final adjustment based on NNDR3 in the same period.

Expenditure and Income in response to Covid-19 Outbreak in 2019-20

The authority has accounted for £1.776m of additional expenditure and shortfalls in income receipts in March 2020 in the 2019-20 accounts. The first tranche of the MHCLG Emergency Grant of £39.012m was received on 27th March 2020. This was also included in the 2019-20 accounts and used to offset the £1.776m of additional spending/shortfalls in income receipts. The balance of £37.236m has been transferred to a specific Covid-19 reserve which will be rolled forward to 2020-21 to support additional spending/further income shortfalls during the forthcoming year. It is anticipated this reserve will be entirely exhausted in the early months of 2020-21 in dealing with the emergency.

The significant areas of additional Covid-19 related expenditure in 2019-20 includes:

- £483.2k payments to bus providers for home to school transport, concessionary fares and subsidised services to compensate for lost fare income in the wake of the outbreak under the terms of existing contracts in order to maintain security of future supply chain
- £236.9k additional equipment and licences to support home working
- £73.5k procurement of Personal Protective Equipment (PPE) and masks
- £702.0k cancelled invoices through Accounts Receivable relating to loss of income in respect of the Kent Travel Saver
- £148.3k estimate for income foregone for Adult Social Care client charges, Libraries Registration and Archive fees, and Household Waste Recycling charges

Financial Implications

The Ministry of Housing, Communities and Local Government (MHCLG) has made £3.2 billion available to support local authorities through an emergency grant in March and May. A further tranche of £500m was announced on 2nd July to support additional spending. This funding is un-ringfenced on the basis that councils are best placed to determine the specific needs of their local communities. The emergency grant to date has been paid in three tranches in March and May and July which total £77.3m for the council. We are working hard to ensure that any gap in 2020-21, can be closed.

The Government also announced advance payments of social care grants and grants to compensate for existing business rate discounts before the additional discounts announced since the Covid-19 outbreak. These grants were already built into the Council's 2020-21 budget and therefore do not constitute extra funding towards additional costs and loss of savings, they merely represent an advance to assist cashflow. The Council's share of these grants is £33.4m.

On 13th May the Government announced an additional £600m grant to be paid to adult social care authorities to help manage infection control in care homes. This is in addition to the monies detailed above. This grant amounted to £18.9m for KCC and is ring-fenced.

On 22 June, KCC's Cabinet endorsed a recommendation for a fundamental review of the 2020-21 revenue budget and 2020-23 capital programme in light of the significant changes since the budget was approved in February 2020. This review resulted in Cabinet proposing an amendment to County Council on 10 September which was approved. This amendment will take into account the following:

- Changes to revenue budget due to the response to the Covid-19 pandemic and subsequent recovery, and projected losses of income

• Inclusion of additional funding towards the Net Revenue Requirement from the allocation of the Covid-19 emergency grant from MHCLG and other un-ring-fenced grants

• One-off savings that have already arisen during lockdown e.g. reduced staff and member travel claims

• Other material non Covid-19 related changes to forecast expenditure and income from original approved budget

• Proposed additional savings and management/use of reserves to close any gap between revised spending plans and available funding

• Options regarding the remainder of £3.5m approved in the original budget for Strategic Statement priorities

• Inclusion of additional spending and grant income from additional ring-fenced specific grants for Covid-19 activities (Infection Control etc.)

• Changes to spending and income from other ring-fenced specific grants confirmed since the budget was originally approved e.g. Public Health, Asylum

This will include a reappraisal of financial risks and assessment of the adequacy of reserves.

For the purposes of monitoring the remainder of the current financial year, 2020-21, changes have been made to cash limits to reflect specific Covid grants received and business as usual changes. All other Covid related changes are being held centrally to ensure continuity of process and understanding. Final allocations will be made at the 2020-21 year end to provide accurate directorate and Covid outturn positions.

Medium Term Impact

In addressing the medium term the council are looking at the impact of the recession caused by the pandemic. If the recession lasts longer throughout 2020-21 and into 2021-22 there could also be an impact on the tax base for future years' budgets.

If the recession is short with a bounce back during 2020-21 there would be little medium-term impact. The scale of collection fund deficits in 2020-21 will not be known for some time would be a one-off impact and have no lasting effect on future years' gaps.

If the recession is deeper and lasts longer there could be a significant medium term impact. If an unfunded collection fund deficit of 5% is assumed throughout 2020-21 and reductions in the council tax and business rate tax bases into 2021-22 are of a similar magnitude, the gap in 2021-22 could be significant.

Financial Assessment of Impact and Resilience

A review of our reserves is being undertaken and is due for completion in October. The impact on our resilience index will be part of this review.

Schools

In total, schools' reserves have increased by £1.959m, this amount is made up of a reduction of £1.673m for local authority schools converting to academies, an increase in the value of schools' deficit balances of £0.793m and an increase in schools' surplus balances of £4.425m.

In addition, there was a £15.004m net overspend on the Central DSG Reserve made up of £19.058m overspend on High Needs budgets, £3.128m underspend relating to pupil growth and other net underspends of £0.926m.

Schools reserves, including the Central DSG reserve, have therefore reduced by £13.046m in 2019-20 (£1.959m schools reserves less £15.004m Central DSG). Schools now have £35.343m of revenue reserves and there is a deficit balance of £21.504m in the Central DSG Reserve as reflected in Note 23 on pages 85 and 86.

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 £232.785m and Note 25 on pages 94 to 99 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2020. The general reserve position at 31 March 2020 is £37.213m, which is unchanged from the position as at 31 March 2019.

At 31 March 2020 the Council has usable capital reserves of £108.165m as shown on page 85.

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2020 totalled £28.407m, see Note 26 on page 100.

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 will be 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 £253.563m. The expenditure analysed by portfolio was:

PORTFOLIO	Revised Budget £'000s	Outturn £'000s	Variance £'000s
Children, Young People & Education	111,089	83,872	-27,217
Adult Social Care & Health	13,155	5,145	-8,010
Growth, Environment & Transport	193,530	114,787	-78,743
Strategic & Corporate Services	74,563	38,245	-36,318
	392,337	242,049	-150,288
Devolved Capital to Schools	10,500	11,514	1,014
TOTAL	402,837	253,563	-149,274

Expenditure excluding that incurred by schools under devolved arrangements was £150.288m less than cash limits. Of this, £148.850m reflected re-phasing of capital expenditure plans across all services and £1.438m was due to real variations on a small number of projects. Unspent capital resources will be carried forward into 2020-21 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2019-20 was £11.514m.

Details of the financing of capital expenditure are on pages 74 and 75.

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 2020 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 100.

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 2019-20 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £1,363m. This is a increase in the deficit of £29m in year.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2019-20, earlier years and for future years. The balance currently stands at £895m (short- and long-term) as shown on the balance sheet on page 22. 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 2019-20 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.

2020-21 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 2020-21 budget was agreed by the County Council on 13th February. The 2020-21 budget marked a significant change in the fiscal equation after 10 years of substantial real terms reductions in spending in response to austerity. The Spending Round announcement in September provided a clearer picture of this equation which aided budget planning for the forthcoming year, but it was only a one-year settlement leaving significant uncertainty over the subsequent years.

The one-year settlement from Government for 2020-21 meant that it was not viable to publish a meaningful three-year revenue plan as there were too many possible scenarios. The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that whilst the statutory requirement is for the Council to set an annual budget, a longer term perspective is essential if local authorities are to demonstrate financial sustainability. CIPFA recognises that the formal publication of the medium term financial plan may only reflect government settlements, but it is the responsibility of the leadership of the organisation to have a long-term financial view. A summary of possible longer term scenarios was reported to Cabinet on 27th January 2020.

Narrative

The 2020-21 settlement for local government was based on a "roll-forward" of the 2019-20 settlement. This saw a continuation of all grants from Ministry of Housing, Communities and Local Government (MHCLG) together with an uplift in Revenue Support Grant and retained business rates baseline (including tariffs/top-ups) in line with the annual index linked increase in business rate multiplier. The settlement included an additional £1bn grant to support social care, confirmed 2% council tax referendum principle with a further 2% allowed to be raised for adult social care. The settlement resulted in an increase of £72.1m (7.4%) in the government's core spending power calculation for KCC between 2019-20 and 2020-21, and an increase of £77.3m (7.8%) in KCC's approved net revenue budget.

The settlement only relates to funding identified for local government from the Ministry for Housing Communities and Local Government (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 2020-21 revenue budget strategy identified the need for an additional £107m of spending pressures. These pressures arise from:

£10.1m for current year variances

Necessary adjustments to the base budget to ensure the starting point reflects current activity and cost levels reported through in-year budget monitoring. This additional spending is only included where all other alternatives to contain current year spending within approved budget have been considered and eliminated.

£21.1m replacement for one-offs

Ongoing activity that was funded in the 2019-20 by a one-off draw down from corporate and directorate reserves requiring sustainable base budget funding in future years.

£31.7m for next year's pay and prices

Additional spending on staff pay through the pay and reward package for Kent Scheme staff following the completion of the performance reward assessment and uplift in Kent Scheme pay ranges. Price increases arising from contractual and negotiated increases including the impact of National Living Wage & National Minimum wage on suppliers costs.

£21.2m for forecast increases in activity next year

Forecast additional demand on services arising from increased/ageing population, non-inflationary increases in care package prices, and increased number of households.

£21.4m for service improvements

Additional spending to deliver specific service improvements including implementation of action plan on Special Educational Needs and Disabilities, high impact improvements following agreement of new Five-Year plan, financing costs for new capital infrastructure, etc.

£1.4m reductions in specific grants

Impact of loss of grant income. Where possible this will be matched by savings from reducing the spending supported by the grants.

The strategy also identified the sources of funding for these pressures including £37.4m increases in government grant[1], £39.9m from increased council tax precept and business rate tax base, £20.6m from savings and increased income, and £9.1m draw down from reserves. The significant change in the fiscal equation (with increases rather than reductions in government grant) means that the amounts from savings and reserves are considerably lower than in recent previous years.

The council tax decisions resulted in the KCC element for a band C property (the most common band in Kent) increasing from £1,155.04 in 2019-20 to £1,201.12 in 2020-21. The increase was agreed as necessary to help to fund rising spending pressures 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 the majority of respondents to KCC's budget consultation. The increases are also in line with the Government's published spending plans in the Core Spending power calculation.

[1] This includes KCC's share of the additional social care grant, compensation for lower inflationary uplift and a range of other mandatory discounts on business rates, and the transfer of specific grant for Winter Pressures into the Improved Better Care Fund

The outlook beyond 2020-21 is very uncertain. We have no detailed spending plans from central government or indicative settlement. We will not have any additional certainty until the outcome of the Spending Review anticipated sometime in 2020. We also await the outcomes from the Fair Funding review of relative needs and resources (which affects the redistribution of business rates and remaining RSG) and the review of business rates retention. Both of these were deferred from 2020-21 as a result of the one-year settlement and the desire to provide local authorities with greater short-term certainty over budget planning. The anticipated social care green paper and any impact of future further devolution also add to the uncertainty.

The Council also need to support a significant capital programme. The Council has identified a pressing needs 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 but the Council has made it clear that it cannot top-up basic need allocations with loan funding in future due to the consequences on the revenue budget and alternative funding will need to be available to meet the demand for school places. 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.

The Council is facing a substantial risk due to the sharp rise 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.

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 annually 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.

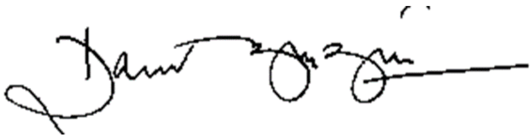
Statement of Responsibilities for the Statement of Accounts

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 8 October 2020 on behalf of Kent County Council and have been re-signed as authorisation to issue.



Councillor David Brazier
Chairman of the Governance and Audit Committee
27 November 2020

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 2020.

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

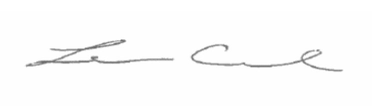
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

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 2020.

Certificate of the Corporate Director of Finance



Zena Cooke
Corporate Director of Finance
27 November 2020

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 2020		
Service		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**

Comprehensive Income and Expenditure Statement

Service	Notes	Restated Year ended 31 March 2019 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health	ASCH	511,860	145,847	366,013
Children, Young People & Education	CYPE	1,230,361	910,945	319,416
Growth, Environment & Transport	GET	312,114	52,204	259,910
Strategic & Corporate Services including Public Health	S&CS	209,094	101,628	107,466
Financing Items & Unallocated	FI&U	8,185	1,205	6,980
Cost of Services		**2,271,614**	**1,211,829**	**1,059,785**
Other operating Expenditure	13			45,234
Net Surplus on trading accounts	34			-5,097
Financing and Investment Income and Expenditure	14			86,674
Taxation and Non Specific Grant Income	15			-1,166,468
(Surplus) or deficit on Provision of Services				**20,128**
(Surplus)/deficit arising on revaluation of non current assets				-49,289
Remeasurement of the net defined benefit liability				-180,251
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-230,490**
Total Comprehensive Income and Expenditure				**-210,362**

The Comprehensive Income and Expenditure Statement (CIES) for 2018-19 has been restated due to organisational changes within the Council. There was a net movement of £52.261m from Adult Social Care & Health, of which £51.245m was moved to Children, Young People and Education which relates organisational movement of Disabled Children's Services and £0.016m was moved to Strategic & Corporate Services. There has been no impact on the Total Comprehensive Income and Expenditure amount reported last year. The Expenditure and Funding Analysis prior year found in Note 1a has been restated to reflect these organisational changes.

Movement in Reserves Statement

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

	Year ended 31 March 2019				
	General Fund Balance	**Earmarked GF Reserves**	**Total GF incl. Earmarked Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	**-36,903**	**-188,968**	**-225,871**	**-28,520**	**-57,438**
Movement in reserves during 2018-19					
Total Comprehensive Expenditure & Income	**20,128**		**20,128**		
Adjustments between accounting basis & funding basis under regulations - Note 12	-44,380		**-44,380**	-10,759	-76,887
Net increase/Decrease before Transfers to Earmarked Reserves	**-24,252**	**0**	**-24,252**	**-10,759**	**-76,887**
Transfer between Usable and Unusable Reserves		-276	**-276**		
Transfers to/from Earmarked Reserves (total of *s on Note 23)	24,101	-24,101	**0**		
Increase/Decrease (movement) in Year	**-151**	**-24,377**	**-24,528**	**-10,759**	**-76,887**
	Year ended 31 March 2020				
Balance at 31 March 2019 carried forward	**-37,054**	**-213,345**	**-250,399**	**-39,279**	**-134,325**
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	57,087
Net increase/Decrease before Transfers to Earmarked Reserves	**-34,463**	**0**	**-34,463**	**8,351**	**57,087**
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**	**-34,463**	**8,351**	**57,087**
Balance at 31 March 2020 carried forward	**-37,183**	**-247,679**	**-284,862**	**-30,928**	**-77,238**

Movement in Reserves Statement

	Year ended 31 March 2019		
	Total Usable Reserves	Unusable reserves	Total Council Reserves
	£'000	£'000	£'000
Balance at 31 March 2018	**-311,829**	**136,679**	**-175,150**
Movement in Reserves during 2018-19			
Total Comprehensive Expenditure and Income	**20,128**	**-230,490**	**-210,362**
Adjustments between accounting basis & funding basis under regulations - Note 12	**-132,026**	132,026	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-111,898**	**-98,464**	**-210,362**
Transfer between Usable and Unusable Reserves	**-276**	276	**0**
Transfers to/from Earmarked Reserves (total of *s on Note 23)	**0**		**0**
Increase/Decrease (movement) in Year	**-112,174**	**-98,188**	**-210,362**
	Year ended 31 March 2020		
Balance at 31 March 2019 carried forward	**-424,003**	**38,491**	**-385,512**
Movement in reserves during 2019-20			
Total Comprehensive Expenditure & Income	**204,050**	**-661,415**	**-457,365**
Adjustments between accounting basis & funding basis under regulations - Note 12	**-173,075**	173,075	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**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	**30,975**	**-488,340**	**-457,365**
Balance at 31 March 2020 carried forward	**-393,028**	**-449,849**	**-842,877**

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 2020		31 March 2019
	Notes	**£'000**	**£'000**	**£'000**
Property Plant & Equipment	**17**	3,010,836		2,492,095
Heritage Assets	**21**	6,650		6,474
Investment Property	**18**	61,971		43,907
Intangible assets		6,311		2,709
Long-term investments	**39**	266,329		260,741
Long-term debtors	**27**	65,061		54,270
Total long-term assets			3,417,158	2,860,196
Inventories		4,389		4,920
Assets held for sale (<1yr)		1,491		4,273
Short-term debtors	**27**	209,518		227,575
Short-term investments	**39**	84,307		123,908
Cash and Cash equivalents	**29**	57,640		80,375
Total current assets			357,345	441,051
Temporary borrowing	**39**	-81,465		-63,552
Short-term Lease Liability	**39**	-8,124		-6,680
Short-term provisions	**26**	-18,786		-18,547
Creditors	**28**	-316,612		-298,141
Total Current liabilities			-424,987	-386,920
Creditors due after one year	**28**	-40		-5,327
Provisions	**26**	-9,621		-10,560
Long-term borrowing	**39**	-813,624		-854,311
Other Long-Term Liabilities	**38/39**	-1,608,456		-1,588,677
Capital Grants Receipts in Advance	**16**	-74,898		-69,941
Long-Term Liabilities			-2,506,639	-2,528,816
Net Assets/(Liabilities)			842,877	385,511
Usable Reserves	**23**	-393,027		-424,002
Unusable Reserves	**24**	-449,850		38,491
Total Reserves			-842,877	-385,511

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	2019-2020 £'000	Restated 2018-2019 £'000
Net (Surplus) or deficit on the provision of services		204,050	20,128
Adjustments to net surplus or deficit on the provision of services for non cash movements	**30**	-447,414	-371,193
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**30**	118,441	242,667
Net cash flows from operating activities		-124,923	-108,398
Investing Activities	**31**	121,584	59,461
Financing Activities	**32**	26,074	40,251
Net increase (-) or decrease in cash and cash equivalents		22,735	-8,686
Cash and cash equivalents at the beginning of the reporting period		80,375	71,689
Cash and cash equivalents at the end of the reporting period	**29**	**57,640**	**80,375**

The 2018-19 Cash Flow Statement has been restated due to a correction to the capital creditors balance where £17.4m had been treated recognised against 'adjustments to the net surplus or deficit on the provision of services for non cash movements' and should have been recognised against 'Investing Activities'. There is no overall change to the 'Net increase (-) or decrease in cash or cash equivalents).

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 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**
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 10a on pages 43 to 46 provides a explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Note 1a - Expenditure and Funding Analysis

	Restated Year ended 31 March 2019 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	358,332	-4,401	353,932	12,080	**366,012**
Children, Young People & Education	222,123	5,100	227,223	92,194	**319,417**
Growth, Environment & Transport	167,265	-1,198	166,066	93,844	**259,910**
Strategic & Corporate Services including Public Health	74,945	6,285	81,230	26,236	**107,466**
Financing Items & Unallocated	143,196	-148,952	-5,756	12,736	**6,980**
Schools' Delegated Budgets	3,131	-3,131	0	0	**0**
Net Cost of Services	**968,992**	**-146,297**	**822,695**	**237,090**	**1,059,785**
Other Income and Expenditure	-973,185	126,238	-846,947	-192,710	**-1,039,657**
Surplus or Deficit	**-4,193**	**-20,059**	**-24,252**	**44,380**	**20,128**
Opening General Fund Balance			-225,871		
Less/Plus Surplus or (Deficit) on General Fund in Year			-24,252		
Transfers between Usable & Unusable Reserves			-276		
Closing General Fund Balance at 31 March 2019			**-250,399**		

The Expenditure and Funding Analysis for 2018-19 has been restated due to organisational changes within the Council. There was a net movement of £52.261m from Adult Social Care & Health, of which £51.245m was moved to Children, Young People and Education which relates organisational movement of Disabled Children's Services and £0.016m was moved to Strategic & Corporate Services. There has been no impact on the Surplus or Deficit amount and the Closing General Fund Balance reported last year.

The organisational change has required the 2018-19 comparator figures in note 10a and 10b to be restated.

Note 1b. Basis for Preparation/General

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

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

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

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

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Authority Accounting in the UK 2019-20 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.

Note 2 - Accounting Policies

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.

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 assets, including its share of any assets held jointly
- 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 2019-20 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, this has been deferred to 2021-22. The impact of adopting this standard is that the majority of our leases where we are the lessee will require the Council to recognise most of our lease arrangements on the Balance Sheet as 'right of use' assets. 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 are 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 and faces cost pressures due increasing demands on services particularly in adult social care and children's services. These cost pressures have been exacerbated by the COVID-19 pandemic. 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. The narrative section has set out the Council's response to COVID-19 including the medium term impact.

- The Council will make a provision where a future event is uncertain but where there is a legal or constructive obligation.

- The Council has a policy to revalue its land and buildings at least every 4 years and undertakes an annual review 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. Due to a change in valuer and consequential methodology change for DRC valuations in 2019-20, we have revalued all assets valued on a Depreciated Replacement Cost (DRC) basis and have not limited this to just those on our rolling programme. £289m worth of assets in the balance sheet have not been revalued in 2019-20. Due to the value, valuation type and prior valuation date of these assets we are confident that the value of these assets is not materially different to their current value at the balance sheet date.

- The Council implemented IFRS 15 – Revenue from Contracts with Service Recipients in 2018-19 and it continues to not significantly affect when revenue is recognised in the accounts. Analysis of cash received/paid, transfer from contract assets/(liabilities) at the beginning of the period to receivable/(payables) and changes as a result of changes in the measure of progress would require a significant degree of judgement and assumptions and our conclusion is this would add very little value and is not seen as having a material impact. We will continue to assess our judgements made.

- 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 2019-20 is £80.9m and these are impaired by £6.0m.

- 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 pages 107 to 108. 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 2020 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	Due to the unknown future impact that Covid-19 might have on the real estate market, we were advised by our external valuers that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty is attached to the PPE valuations than would normally be the case.	The financial impact of the uncertainty cannot be quantified due to the ongoing situation in relation to Covid-19.
	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 £4.79m 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 £14.4m - 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 2019-20 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 £4.34m. Over 3 years this would give a difference of £13m - this is not material.
Pensions Liability	We are aware that the Kent Pension Fund intends to disclosure a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund. This is due to the level of uncertainty since the outbreak of Covid-19. The Council's share of these assets is material and therefore the uncertainty has been disclosed.	

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability continued	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 2019-20, the Council's actuaries advised that the net pensions liability had increased by £29m attributable to the updating of financial 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.	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.
	The pooled fund fair values reflected in the Balance Sheet have already being impacted by the COVID-19 pandemic as the markets were beginning to react to the crisis. It is not possible to predict the full impact of the pandemic and much will depend on exiting out of the pandemic and the type of financial asset held. 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.	The financial impact of the uncertainty cannot be quantified due to the ongoing situation in relation to Covid-19.

Note 6. Officers Remuneration

Accounting Policy

Employee Benefits

Benefits Payable During Employment

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

Note 6 - Officers Remuneration

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

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

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

- **Teachers and former NHS Staff**

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

- **Other employees**

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

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

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

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

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

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

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

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

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

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

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

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2019 to 31 March 2020

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 2019-20, 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 2020	Schools 31 March 2020	Non-Schools 31 March 2019	Schools 31 March 2019
50,000 - 54,999	155	167	160	160
55,000 - 59,999	105	117	100	105
60,000 - 64,999	63	75	46	85
65,000 - 69,999	33	52	44	54
70,000 - 74,999	24	26	16	37
75,000 - 79,999	23	19	14	19
80,000 - 84,999	15	11	6	5
85,000 - 89,999	5	12	9	12
90,000 - 94,999	11	7	7	9

Note 6 - Officers Remuneration

Remuneration	Total number of employees			
(£)	Non-Schools 31 March 2020	Schools 31 March 2020	Non-Schools 31 March 2019	Schools 31 March 2019
95,000 - 99,999	3	4	7	6
100,000 - 104,999	5	1	6	5
105,000 - 109,999	3	3	3	1
110,000 - 114,999	2	1	5	2
115,000 - 119,999	7	2	3	
120,000 - 124,999	1		2	2
125,000 - 129,999	3		2	
130,000 - 134,999				
135,000 - 139,999			3	
140,000 - 144,999	1			
145,000 - 149,999	1		2	
150,000 - 154,999	1		2	
155,000 - 159,999			1	
160,000 - 164,999	1			
165,000 - 169,999			1	
170,000 - 174,999				
175,000 - 179,999				
180,000 - 184,999				
185,000 - 189,999			1	
190,000 - 194,999	3			
195,000 - 199,999				
200,000 - 204,999				
205,000 - 209,999			1	
210,000 - 214,999	1			
Total	**466**	**497**	**441**	**502**

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 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 £
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 remuneration paid to the Authority's senior employees for 2018-19 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		201,587				7,363	208,950	43,880	252,830
Corporate Director Adult Social Care & Health - Anu Singh*	1				73,722		73,722		73,722
Corporate Director Adult Social Care & Health - Penny Southern*	2	150,318					150,318	31,567	181,885
Corporate Director Children, Young People & Education - Matt Dunkley CBE		190,000					190,000	39,900	229,900
Corporate Director Growth, Environment & Transport - Barbara Cooper		153,085				1,500	154,585	33,711	188,296
Corporate Director Finance - Andy Wood	3	35,674		2,500		5,212	43,386	9,111	52,497

The remuneration paid to the Authority's senior employees for 2018-19 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	4	N/A		10,500			10,500	2,205	12,705
Corporate Director Finance - Zena Cooke	5	50,406		1,864			52,270	12,163	64,432
Corporate Director Engagement, Organisation Design & Development - Amanda Beer		142,695				3,240	145,935	30,646	176,581
General Counsel - Ben Watts		118,351				2,586	120,937	25,397	146,334
Director Public Health - Andrew Scott-Clark		112,876					112,876	16,232	129,107

* This includes all contractual entitlements.

Notes	**The remuneration paid to the Authority's senior employees for 2018-19 is as follows:**
1	Mrs Singh left the post of Corporate Director Adult Social Care & Health on 31 March 2018. The annualised salary for this post is £157,857.
2	Mrs Southern has been Corporate Director Adult Social Care & Health since 1 April 2018. The annualised salary for this post is £150,000.
3	Mr Wood left the post of Corporate Director Finance on 30 June 2019. The annualised salary for this post is £142,695.
4	Mr Shipton covered the Section 151 Statutory Officer role in addition to his substantive post between 1 July 2018 and 11 November 2018 and for this was remunerated an additional £10,500.
5	Mrs Cooke has been Corporate Director Finance since 12 November 2018. The annualised salary for this post is £142,695.

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, 34% 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 2019-20 of £0.6m includes schools and commitments in 2020-21.

(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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
80,001 - 120,000	1	0	1	0	2	0	167,308	0
40,001 - 80,000	2	1	2	1	4	2	239,001	81,968
20,001 - 40,000	7	4	9	7	16	11	438,659	346,785
0 - 20,000	16	9	24	20	40	29	336,767	212,849
Total	26	14	36	28	62	42	1,181,735	641,602

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.

	2019-20 £'000	2018-19 £'000
Allowances	1,916	1,878
Expenses	114	112
Total	**2,030**	**1,990**

In 2019-20 the cost of the County Cars was £7.4k (£11k in 2018-19).

Note 8. Deposits in Icelandic banks

All the Icelandic banks deposits have been repaid with the exception of £300,000 relating to Heritable Bank where the final dividend is delayed due to litigation involving a property development.

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 £59.5m includes a loss of £49.3m 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.

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

2018-19 - Restated	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	-4,482		81		
Children, Young People & Education	2,349	2,420	237	94	
Growth, Environment & Transport	-2,218	155	896		-31
Strategic & Corporate Services including Public Health	6,972	702	-1,214		-176
Financing Items & Unallocated	-23,969	8,430		-133,412	
Schools' Delegated Budgets	-3,131				
Net Cost of Services	**-24,479**	**11,707**	**0**	**-133,318**	**-207**
Other income and expenditure from the Expenditure and Funding Analysis	5,446	-11,707		133,318	-544
Total	**-19,033**	**0**	**0**	**0**	**-751**

2018-19 - Restated	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	**-4,401**	3,007	9,060	13	**12,080**
Children, Young People & Education	**5,100**	60,824	30,839	531	**92,194**
Growth, Environment & Transport	**-1,198**	88,369	5,702	-226	**93,844**
Strategic & Corporate Services including Public Health	**6,284**	21,289	6,245	-1,298	**26,236**
Financing Items & Unallocated	**-148,951**		3	12,733	**12,736**
Schools' Delegated Budgets	**-3,131**				**0**
Net Cost of Services	**-146,297**	**173,489**	**51,849**	**11,753**	**237,090**
Other income and expenditure from the Expenditure and Funding Analysis	**126,513**	-219,898	34,094	-6,906	**-192,710**
Total	**-19,784**	**-46,409**	**85,943**	**4,847**	**44,380**

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.

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:

	2019-20 £000's	Restated 2018-19 £000's
Adult Social Care & Health	-77,979	-74,927
Children, Young People & Education	-85,176	-91,952
Growth, Environment & Transport	-37,587	-38,239
Strategic & Corporate Services	-26,540	-29,956
Financing Items & Unallocated	-6,792	-4,826
Total Income analysed on a segmental basis	**-234,074**	**-239,900**

Note 11. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2019-20 £000's	Restated 2018-19 £000's
Expenditure		
Employee benefits expenses	865,998	822,061
Other services expenses	1,408,296	1,323,440
Support service recharges	52,569	58,131
Depreciation, amortisation, impairment	159,641	171,320
Interest payments including interest on Defined Liability of the Pension Fund	93,083	112,812
Precepts and levies	1,918	2,915
Gain on the disposal of assets	59,332	42,093
Total expenditure	**2,640,837**	**2,532,772**
Income		
Fees, charges and other service income	-271,029	-278,256
Interest and investment income	-13,334	-26,381
Income from council tax and non-domestic rates	-765,584	-1,011,493
Government grants and contributions	-1,386,840	-1,196,514
Total income	**-2,436,787**	**-2,512,644**
Surplus or Deficit on the Provision of Services	**204,050**	**20,128**

The 2018-19 figures have been re-stated to reflect the impact of IFRS 15. The amendment relates to where Commercial Services figures were previously shown gross and under IFRS 15 they should be presented on a net basis due to the principal versus agent consideration. 'Other services expenses' and ' Fees, charges and other services income' have both been reduced by £260.3m. There is not impact on the Surplus or Deficit on the Provision of Services as the net adjustment is nil.

Included in the 2019-20 'Fees, charges and other services income' is £68.6m 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 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 12. Adjustments between accounting basis and funding basis under regulations

31 March 2019	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	-157,425			157,425
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-11,685			11,685
Movements in the fair value of Investment Properties	2,375			-2,375
Amortisation of intangible assets	-1,915			1,915
Capital Grants and contributions applied	120,034			-120,034
In year revenue expenditure funded from capital under statute	-48,489			48,489
Revenue expenditure funded from capital under statute - long term debtor adjustments	-310			310
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	-52,430			52,430
Realised & unrealised gains/(losses) on financial assets held at FVPL	-294			294
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	60,013			-60,013
Capital expenditure charged against the General Fund	14,854			-14,854
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	106,886		-106,886	0
Application of grants to capital financing transferred to the Capital Adjustment Account			29,999	-29,999
Cessation of recyclable grant repaid to accountable body	-952	952		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	10,218	-10,218		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	5,410	-5,410		0
Use of the Capital Receipts Reserve to finance new capital expenditure		13,788		-13,788
Loan repayments	119	-9,871		9,752
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	-11,759			11,759
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/(losses) on financial assets held at FVPL	1,792			-1,792
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-157,059			157,059
Employer's pensions contributions and direct payments to pensioners payable in the year	71,117			-71,117
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	3,775			-3,775
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	1,345			-1,345
Total Adjustments	**-44,380**	**-10,759**	**-76,887**	**132,026**

Note 13. Other Operating Expenditure

	2019-20 £000's	2018-19 £000's
Levies	1,918	2,915
Gains/Losses on the disposal of non-current assets	59,331	42,093
Assets held for Sale - revaluation movements	203	226
	61,452	45,234

Note 14. Financing and investment income and expenditure

	2019-20 £000's	2018-19 £000's
Interest payable and similar charges	62,426	77,935
Net interest on the net defined benefit liability	30,987	35,395
(Gain)/loss from settlements	-7,271	-2,585
Pensions - Administration expenses and curtailments	1,551	1,284
Interest receivable and similar income	-15,405	-12,296
Income & expenditure in relation to investment properties and changes in fair value	5,789	-8,503
Changes in fair value of Financial Assets held at fair value through profit and loss	19,976	-1,498
Other investment income	-2,894	-3,058
	95,159	86,674

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 2020 the Council's estimated share of these liabilities is £8.8m.

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

	2019-20 £000's	2018-19 £000's
Income from Council Tax	-711,031	-672,171
Non-domestic rates income and expenditure	-54,060	-220,967
Non-ringfenced government grants	-261,831	-78,465
Capital Grants and Contributions	-50,890	-194,865
	-1,077,812	-1,166,468

KCC's share of surplus on the Council Tax has decreased by £9.7m (2018-19 surplus decreased by £3.9m). For 2019-20 the Business Rate Collection Fund has a surplus of £2.4m (2018-19 a surplus of £6.7m). 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 2019-20:

	2019-20 £'000	2018-19 £'000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Yield including Collection Fund	-711,031	-672,171
Local Share of Business Rates & Business Rate Collection Fund	-54,060	-314,121
Revenue Support Grant (RSG)	-9,487	0
Social Care Support Grant	-10,531	-3,853
Business Rate Tariff	0	93,154
Business Rate Top-Up	-136,210	0
Business Rate Compensation Grant	-14,747	-31,807
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-42,380	-35,019
New Homes Bonus (NHB) & NHB Adjustment Grants	-6,388	-5,782
Covid-19 Grant	-39,012	0
Other Un-ringfenced Grants	-3,076	-2,004
Capital Government Grants & Contributions	-50,890	-194,865
Total	-1,077,812	-1,166,468

	2019-20 £'000	2018-19 £'000
Credited to Services		
Dedicated Schools Grant	-682,278	-675,800
Education Funding Agency	-69,241	-72,487
Other DFES Grants	-59,474	-35,752
Department of Health Grants	-67,467	-69,276
Asylum	-21,462	-17,899
Other	-86,016	-80,733
Total	-985,938	-951,947

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:

	2019-20 £'000	2018-19 £'000
Capital Grants Receipts in Advance		
Department for Education	-197	-214
Other Grants	-20,421	-15,437
Other Contributions	-54,280	-54,290
Total	-74,898	-69,941

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 30.

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 £59.5m includes a loss of £49.3m 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 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 - 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			0	-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 - 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 - 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 & Equipment
Movement on balances - Movements in 2018-19

	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 2018	1,775,297	95,990	1,709,708	10,070	54,057	55,147	3,700,269	352,729
Additions	30,441	5,874	94,089		36,009	22	166,435	6,318
Donations							0	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-5,247					2,934	-2,313	-1,421
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-14,056					-8,690	-22,746	169
Derecognition - Disposals	-44,703	-1,610				-5,248	-51,561	

Property, Plant & Equipment - Comparative Movements in 2018-19

	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						-3,336	-3,336	
Other Movements in cost or valuation*	-22,110				-27,277	22,991	-26,396	
At 31 March 2019	**1,719,622**	**100,254**	**1,803,797**	**10,070**	**62,789**	**63,820**	**3,760,352**	**357,795**

* This line shows a movement of -£26,396k which includes -£27,277k 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 2018-19

	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 2018	-24,672	-75,167	-1,075,720	0	0	-495	-1,176,054	-467
Depreciation Charge	-64,869	-5,886	-85,485			-1,157	-157,397	-10,024
Depreciation written out to the Revaluation Reserve	49,436					2,063	51,499	6,444
Depreciation written out to the Surplus / Deficit on the Provision of Services	10,989					298	11,287	21
Impairment (losses) / reversals recognised in the Revaluation Reserve							0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	336	-12			-353		-29	

Property, Plant & Equipment - Comparative Movements in 2018-19

	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	916	1,273				219	2,408	
Derecognition - Other							0	
Other movements in Depreciation and Impairment	615	12			353	-951	29	
At 31 March 2019	**-27,249**	**-79,780**	**-1,161,205**	**0**	**0**	**-23**	**-1,268,257**	**-4,026**
Net Book Value								
At 31 March 2019	**1,692,373**	**20,474**	**642,592**	**10,070**	**62,789**	**63,797**	**2,492,095**	**353,769**
At 31 March 2018	**1,750,625**	**20,823**	**633,988**	**10,070**	**54,057**	**54,652**	**2,524,215**	**352,262**

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 2020 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
31/03/2017	935		**935**
31/03/2018	163,832		**163,832**
31/03/2019	73,053	51,938	**124,991**
31/03/2020	1,965,585	13,079	**1,978,664**
TOTAL	**2,203,405**	**65,017**	**2,268,422**

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 2019-20 all land and buildings which have not had a valuation within the last four years have been valued. All schools, adult education centres, libraries, and all assets valued on a Depreciated Replacement Cost basis have been revalued.

The following methods/assumptions have been applied in estimating the current values:
- Existing Use Value where the property is not specialised and is owner occupied, for example county offices;
- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools;
- Fair value for surplus assets.

We have considered and analysed the assets which have not been revalued in 2019-20 and are confident that the carrying amount of these assets as at 31 March 2020 is not materially different to their current value as at 31 March 2020.

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 2020 are as follows:

Recurring fair value measurements using:	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2020 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
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

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2019 (excluding in year additions) are as follows:

Recurring fair value measurements using:	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2019 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments/conversions	20,114	26,494	46,608	*Market approach*	*Market approach*
Residential institutions	3,225		3,225	*Market approach*	
Residential dwellings	701	1,219	1,920		*Market approach*
Extra Care Accommodation		990	990		*Market approach*
Non-residential institutions		930	930		*Income approach*
Assembly & Leisure		538	538		*Income approach*
Industrial development/commercial development/amenity land/educational land/woodland/agricultural land		6,421	6,421		*Market approach*
Industrial warehousing/units	3,021	144	3,165	*Income approach*	*Income approach*
	27,061	**36,736**	**63,797**		

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:

	2019-20 £000's	2018-19 £000's
Opening balance	36,737	45,777
Transfers into Level 3	8,244	20,624
Transfers out of Level 3		-12,884
Additions	43	22
Donations	3,969	
Derecognition	-2,121	-4,305
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-4,055	-8,649
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	4,548	-3,270
Depreciation charge	-318	-767
Other changes	16	189
Closing balance	47,063	36,737

£4.1m of losses arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £0.7m 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 31/03/20 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	38,821	1) Estimated revenue streams 2) Estimated construction costs 3) Estimated profit margins 4) Discount rate (planning)	1) £90,000 - £725,000 per unit 2) £65.00 - £145.00 per square foot 3) 20% 4) 25% - 35%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Residential Dwellings	969	1) Estimated sales value 2) Discount rate (lifelong tenancy) 3) Discount rate (location risk/conversion costs)	1) £165,000 - £500,000 per unit 2) 40% 3) 10% & 40%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Extra Care Accommodation	990	Estimated land value	£1,320,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	1,106	1) Estimated rent 2) Estimated yield	1) £3.50 - £12.50 per square foot 2) 8.5% - 12.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	530	1) Estimated rent 2) Estimated yield	1) £4.50 per square foot 2) 8.5%	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 31/03/20 £000's	Unobservable input	Quantitative Information	Sensitivity
Industrial development/commercial development/amenity land/educational land/woodland/agricultural land	4,509	1) Estimated land value 2) Assessed as commercial use with estimated rental value	1) £11,000 - £1,700,000 per hectare 2) £90 square metre	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial warehousing/units	138	1) Estimated rent 2) Estimated yield	1) £5.00 per square foot 2) 9%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**47,063**			

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 18 of the 86 assets is their current use. Of the remaining 68 assets, 58 are vacant, and 10 have alternative uses as a result of existing lease arrangements.

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:

	2019-20 £000's	2018-19 £000's
Rental income from Investment Property	554	717
Direct operating expenses arising from Investment Property	-177	-448
Net gain/(loss)	377	269

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:

	2019-20 £000's	2018-19 £000's
Balance at start of the year	43,907	40,445
Additions:		
• Purchases	24,272	
• Construction		
• Subsequent expenditure	37	
Disposals	-311	-4,943
Net gains/losses from fair value adjustments	-6,331	7,319
Transfers:		
• to/from Inventories		
• to/from Property, Plant & Equipment	385	1,011
Other Changes	12	75
Balance at end of the year	**61,971**	**43,907**

Fair Value Hierarchy

Details of the Authority's investment properties, and information about the fair value hierarchy as at 31 March 2020, are shown below. This excludes purchases of £24.272m made in 2019-20 as fair value hierarchy information is obtained when assets are revalued, not purchased.

Recurring fair value measurements using:	Level 2 inputs £000's	Level 3 inputs £000's	Fair value as at 31 March 2020 £000's	Level 2 Valuation Technique	Level 3 Valuation Technique
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**		

Note 18 - Investment Property

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

Recurring fair value measurements using:	**Level 2 inputs £000's**	**Level 3 inputs £000's**	**Fair value as at 31 March 2019 £000's**	**Level 2 Valuation Technique**	**Level 3 Valuation Technique**
Residential developments	15,900	8,149	24,049	*Market approach*	*Market approach*
Offices	8,441		8,441	*Income approach*	
Industrial development/commercial development/amenity land/educational land	-7	434	427	*Market approach*	*Market approach*
Residential dwellings		2,097	2,097		*Market approach*
Non-residential institutions		3,507	3,507		*Income approach*
Key Worker Accommodation		1,140	1,140		*Market approach*
Ransom Strip	1,500		1,500	*Market approach*	
Golf Course	360		360	*Income approach*	
Industrial units	844	1,527	2,371	*Income approach*	*Income approach*
Agricultural Land		15	15		*Income approach*
	27,038	**16,869**	**43,907**		

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:

	2019-20 £000's	**2018-19 £000's**
Opening balance	16,869	12,392
Transfers into Level 3	3,468	2,600
Transfers out of Level 3	-2,026	
Additions from prior year		
Disposals	-311	-941
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	3,775	2,792
Other changes	49	26
Closing balance	21,824	16,869

£3.8m of gains arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

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

	Fair Value as at 31/03/20 £000's	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	15,615	1) Estimated revenue streams 2) Estimated land value	1) £325,000 - £350,000 per unit 2) £2.7m - £2.8m per hectare reduced by 50% for uncertainty	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development/amenity land	581	1) Estimated land value 2) Industrial land value less 50% end allowance due to access restrictions	1) £24,000 - £94,000 2) £3,700,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Residential Dwellings	1,106	1) Rent 2) Lifelong tenancy valued to perpetuity	1) £4,000 - £9,000 pa 2) 4%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	1,888	1) Estimated rent 2) Estimated yield	1) £90 per square metre 2) 5% - 7.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	43	1) Estimated rent 2) Estimated yield	1) £3,750 2) 8%	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 31/03/20 £000's	Unobservable input	Quantitative Information	Sensitivity
Industrial Units	354	1) Estimated rent 2) Estimated yield	1) £16,000 pa 2) 7%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Agricultural Land	15	1) Estimated rent 2) Estimated yield	1) £750 pa 2) 5%	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
Car Park	310	1) Estimated rent 2) Estimated yield	1) £25 - £250 per space (estimated) 2) 5% - 8%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	1,912	1) Estimated rent	1) £21 - £23 per square foot	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	**21,824**			

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 48 of the 58 properties is their current use. Of the remaining 10 properties, 7 are held for capital appreciation as investments, 1 has alternative use as a result of existing lease arrangements and 2 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

	2019-20 £000's	2018-19 £000's
Opening Capital financing requirement	1,284,512	1,322,494
Capital investment		
Property, Plant and Equipment	144,092	141,141
Revenue expenditure funded from capital under statute	67,340	48,489
Long-Term Debtors	12,910	7,062
Other	29,282	4,014
	1,538,136	1,523,200
Sources of finance		
Capital receipts	-26,539	-13,788
Government grants and other contributions	-158,459	-150,033
Direct revenue contributions	-8,871	-14,854
(MRP/loans fund principal)	-59,313	-60,013
Closing Capital Financing Requirement	1,284,954	1,284,512
Movement	**442**	**-37,982**

	2019-20 £000's	2018-19 £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)	442	-37,982
Assets acquired under PFI contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**442**	**-37,982**

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 2019	136,606	7,236	10,119	80,276	47,314	71,851	353,402
Additions	1,362	380	858	493	445	71	3,609
Transfers in							0
Revaluations	35,124	1,519	0	0	9,495	0	46,138
Depreciation	-4,817	-244	-271	-1,856	-1,517	-1,474	-10,179
As at 31 March 2020	168,275	8,891	10,706	78,913	55,737	70,447	392,971

NB The value of PFI assets in Note 17 includes £353.7k 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 2019	64,900	7,741	11,939	50,820	54,511	34,517	224,428
Additions							0
Liability repaid	-1,987	-457	-157	-1,268	-1,620	-1,191	-6,680
As at 31 March 2020	62,913	7,284	11,782	49,552	52,891	33,326	217,748

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	2,334	5,531	3,582	1,066	12,514
Within 2-5 years	9,495	20,167	15,248	7,503	52,412
Within 6-10 years	16,303	20,066	21,305	11,736	69,410
Within 11-15 years	27,044	11,227	24,104	9,314	71,689
Within 16-20 years	7,738	698	5,188	274	13,897

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	556	1,069	798	288	2,711
Within 2-5 years	3,190	3,366	3,431	1,268	11,255
Within 6-10 years	3,539	1,021	2,311	825	7,696

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	353	910	1,716	566	3,545
Within 2-5 years	1,807	3,291	7,365	2,379	14,843
Within 6-10 years	3,816	3,198	10,460	1,967	19,441
Within 11-15 years	5,805	1,281	7,031	661	14,777
Within 16-20 years	0	0	0	0	0

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

Better Homes, Active Lives

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £'000
Within 1 year	1,469	3,519	0	382	5,371
Within 2-5 years	5,679	13,078	0	2,727	21,484
Within 6-10 years	11,246	13,535	0	2,074	26,855
Within 11-15 years	14,905	9,099	0	2,851	26,855
Within 16-20 years	16,253	2,830	0	611	19,694
Within 21-25 years	0	0	0	0	0

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	2,006	4,915	2,274	318	9,513
Within 2-5 years	8,091	17,811	9,680	4,086	39,668
Within 6-10 years	12,661	17,637	13,525	9,255	53,078
Within 11-15 years	22,646	10,274	15,303	5,320	53,543
Within 16-20 years	7,487	696	1,043	101	9,327

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	1,246	1,519	1,097	70	3,931
Within 2-5 years	5,239	5,501	4,387	597	15,724
Within 6-10 years	6,507	5,562	5,484	2,102	19,655
Within 11-15 years	7,842	3,981	5,484	2,348	19,655
Within 16-20 years	9,477	2,044	5,484	2,651	19,655
Within 21-25 years	3,016	139	548	228	3,931

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	7,964	17,464	9,467	2,691	37,585
Within 2-5 years	33,501	63,214	40,111	18,560	155,387
Within 6-10 years	54,072	61,020	53,084	27,960	196,136
Within 11-15 years	78,241	35,862	51,921	20,494	186,519
Within 16-20 years	40,955	6,267	11,715	3,636	62,573
Within 21-25 years	3,016	139	548	228	3,931
Total	217,748	183,966	166,847	73,569	642,130

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 2019-20 the Council made payments of £4.4m 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 £4.5m for 2020-21 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 2020-21 the Council is committed to making payments estimated at £3.4m per year under a contract with 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 2019-20). 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 2019-20 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 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 2019-20 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 2018	**1,213**	**3,839**	**2,684**	**188**	**18**	**7,942**
Additions						
Donations						
Disposals		(1,570)				**(1,570)**
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve		52	50			**102**
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2019	**1,213**	**2,321**	**2,734**	**188**	**18**	**6,474**
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**

Note 21 - Heritage Assets

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £1.187m, which represents spend on these assets including £85.3k spent on them in 2019-20. 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 £647k.

The Antony Gormley Boulders Sculpture, the sculptors' first professional commission, valued at £762k. 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 £297k.

KCC Sessions House collection, valued at £74k.

Glass Screen by Chris Ofili valued at £435k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

Kent History Tree & Leaves valued at £153k. 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 - £768k

Knatchbull/Brabourne Manuscripts. £1,487k. 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 £18k. 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 2020	31 Mar 2019
	£'000	£'000
Not later than one year	5,329	4,580
Later than one year and not later than five years	12,734	12,495
Later than five years	17,007	14,057
	35,070	31,132

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 2020	31 Mar 2019
	£'000	£'000
Minimum lease payments	5,032	4,635
Contingent rents	531	310
Sublease payments receivable	-782	-757
	4,781	4,188

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 2019 £'000**	**Net Movement in year £'000**	**Balance 31 March 2020 £'000**	**Purpose of Reserve**
Usable Capital Receipts	-39,279	8,351	-30,928	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	159	-129	30	
Capital Grants unapplied	-134,325	57,087	-77,238	See note below
Earmarked Reserves*	-185,538	-47,246	-232,784	See Note 25
Schools Reserve*	-26,884	13,046	-13,838	See over page
Surplus on Trading Accounts*	-922	-134	-1,056	Commercial Services
Total	**-424,002**	**30,975**	**-393,027**	

Capital grants unapplied of £77.2m as at 31 March 2020 includes the schools capital reserves of £1.6m. This has decreased from the surplus of £4m held by schools as at 31 March 2019. The remainder reflects Government grants and contributions received in year for projects in progress.

School Reserves

At 31 March 2020 funds held in school revenue reserves stood at £13,838k. These reserves are detailed in the table below.

	Balance at 1 April 2019 £'000	Movement £'000	Balance at 31 Mar 2020 £'000
School delegated revenue budget reserves - committed	-6,464	-2,948	-9,412
School delegated revenue budget reserves - uncommitted	-26,759	998	-25,761
Unallocated Schools budget	6,500	15,005	21,505
Community Focused Extended School Reserves	-161	-9	-170
	-26,884	13,046	-13,838

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 2019 £'000	Net Movement in year £'000	Balance 31 March 2020 £'000	Purpose of Reserve
Revaluation Reserve	-689,581	-528,316	-1,217,897	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-628,322	-20,573	-648,895	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	26,197	-928	25,269	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	-18,190	10,793	-7,397	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves				
- KCC	1,332,194	29,789	1,361,983	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
- DSO	1,592	-372	1,220	
Pooled Investment Adjustment Account	-218	22,306	22,088	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	9,701	-252	9,449	This absorbs the differences on the General Fund from accruing for untaken annual leave

Note 24 - Unusable Reserves

Reserve	Balance 1 April 2019 £'000	Net Movement in year £'000	Balance 31 March 2020 £'000	Purpose of Reserve
Post Employment Account	5,118	-788	4,330	This absorbs the differences on the General Fund from accruing for redundancy and retirement costs agreed but not due until future years
Total	**38,491**	**-488,341**	**-449,850**	

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.

	2019-20 £'000		2018-19 £'000	
Balance as at 1st April		-689,581		-680,056
Upward revaluation of assets	-605,675		-87,425	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	23,800		38,136	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-581,875		-49,289
Difference between fair value depreciation and historical cost depreciation	25,004		24,956	
Accumulated gains on assets sold or scrapped	28,555		14,808	
Amount written off to the Capital Adjustment Account		53,559		39,764
Balance at 31 March		-1,217,897		-689,581

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.

	2019-20		2018-19	
	£'000		£'000	
Balance at 1 April		-628,322		-629,554
Opening balance adjustment				-241
Revised opening balance as at 1 April		-628,322		-629,795
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	162,298		157,425	
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	-24,913		11,685	
- Income in relation to donated assets				
- Amortisation of intangible assets	2,280		1,915	
- Revenue expenditure funded from capital under statute	68,699		48,799	
- 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		52,430	
Realised and unrealised gains/losses on financial assets held at FVPL	-2,190		294	
		278,166		272,548
Adjusting amounts written out of the Revaluation Reserve		-53,559		-39,764
Net written out amount of the cost of non-current assets consumed in the year		-403,715		-397,011

Note 24 - Unusable Reserves

	2019-20		2018-19	
	£'000		£'000	
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	-26,539		-13,788	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-92,904		-120,034	
- Application of grants to capital financing from the Capital Grants Unapplied Account	-65,555		-29,999	
- Statutory provision for the financing of capital investment charged against the General Fund	-59,314		-60,013	
- Capital expenditure charged against the General Fund	-8,871		-14,854	
		-253,183		-238,688
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		6,642		-2,376
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-3,969		
Write down of long-term debtors		5,331		9,753
Balance at 31 March		-648,894		-628,322

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.

	2019-20		2018-19	
	£'000		£'000	
Balance at 1 April		26,197		15,388
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-950		-950	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-950		-950
		21		11,759
Balance at 31 March		25,268		26,197

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.

	2019-20	2018-19
	£'000	£'000
Balance at 1 April	1,333,786	1,428,095
Remeasurement of the net defined liability/(asset)	-78,590	-180,251
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	181,082	157,059
Employer's pension contributions and direct payments to pensioners payable in the year	-73,075	-71,117
Balance at 31 March	1,363,203	1,333,786

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.

	2019-20	2018-19
	£'000	£'000
Balance at 1 April	-18,190	-14,415
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	10,793	-3,775
Balance at 31 March	-7,397	-18,190

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.

	2019-20		2018-19	
	£'000		£'000	
Balance at 1 April		9,701		9,519
Settlement or cancellation of accrual made at the end of the preceding year	-9,701		-9,519	
Amounts accrued at the end of the current year	9,448		9,701	
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		-253		182
Balance at 31 March		9,448		9,701

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.

	2019-20		2018-19	
	£'000		£'000	
Balance at 1 April		5,118		6,645
Settlement or cancellation of accrual made at the end of the preceding year	-2,540		-2,899	
Amounts accrued at the end of the current year	1,752		1,372	
		-788		-1,527
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		4,330		5,118

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

	2019-20		2018-19	
	£'000		£'000	
Balance at 1 April		-218		1,299
Upward revaluation of investments	22,306		-1,792	
Downward revaluation of investments				
Change in impairment loss allowances				
		22,306		-1,792
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				275
Balance at 31 March		22,088		-218

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 will be taking 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 2019 or 31 March 2020, the sum of which are shown in the tables on pages 98 and 99.

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.

Note 25 - Earmarked Reserves

Earmarked Reserve to support future year's budget

The approved medium term plan for 2019-21 includes support from central reserves from the residual underspending in 2018-19 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.

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.

Public Inquiries Reserve

This reserve is required to smooth the fluctuations in costs incurred in major strategic developments and defence of the County Council's position at a public inquiry, either at an appeal against a County Council's enforcement decision or in response to a strategic decision determined by a Local Planning Authority.

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.

Highways Adverse Weather Reserve

This reserve is required to absorb the costs of adverse weather events.

Deprivation of Liberty Safeguards (DoLs) Reserve

This reserve relates to a dedicated project to clear the DoLs backlog.

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.

Note 25 - Earmarked Reserves

Fast Track Bus Maintenance Reserve

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

Leap Year Reserve

A number of care services are paid based in days of service. This reserve required to fund the additional day of funding required for leap years. The reserve is funded from base budget in the intervening years.

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 on 27 March 2020. This reserve is to be used to fund our response to the COVID outbreak and will be entirely used during 2020-21.

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 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 25 - Earmarked Reserves

Other Earmarked Reserves	**Balance at 1 April 2018**	**Movement**	**Balance at 31 Mar 2019**
	£'000	£'000	£'000
VPE reserve	-16,253	-307	-16,560
Special funds	-558	-34	-592
Kings Hill development smoothing reserve	-2,507	-50	-2,557
Swanscombe School PFI equalisation reserve	-984	573	-411
Six schools PFI	-314	-734	-1,048
Three schools PFI	-1,936	-741	-2,677
Excellent Homes for All PFI	-2,448	86	-2,362
Westview/Westbrook PFI equalisation reserve	-3,680	-170	-3,850
Better Homes Active Lives PFI equalisation reserve	-3,316	-100	-3,416
Responding to Government Deficit Reduction reserve	-9,000	-1,371	-10,371
Corporate Reserve for Social Care Funding Issues	-7,552	0	-7,552
Payments reserve	-3,935	-508	-4,443
Local Taxation Equalisation reserve	-10,638	-6,155	-16,793
Public Health reserve	-3,634	-2,402	-6,036
Rolling budget reserve	-27,606	-9,567	-37,173
Emergency Conditions reserve	-839	-796	-1,635
Safety Camera Partnership reserve	-751	282	-469
Elections reserve	-156	-431	-587
Dilapidations reserve	-3,303	241	-3,062
Modernisation of the Council (formerly Workforce Reduction) reserve	-10,580	-419	-10,999
IT Asset Maintenance reserve	-2,595	812	-1,783
Earmarked reserve to support future year's budget	-6,682	1,000	-5,682
Prudential Equalisation reserve	-9,594	-788	-10,382
Turner Contemporary Investment reserve	-758	-207	-965
Kent Lane Rental Scheme reserve	-1,695	-984	-2,679
Public Inquiries reserve	-484	-36	-520
PIF Property Reserve	-668	-177	-845
Bus Services Operator Grant	-571	112	-459
Financial Instruments Revaluation Reserve	0	-647	-647
Highways Adverse Weather Reserve	0	-500	-500
Deprivation of Liberty Safeguards (DoLs) Reserve	0	-1,047	-1,047
Other	-4,008	-1,369	-5,377
Total	-137,045	-26,434	-163,479
Insurance Reserve			
KCC	-13,448	-199	-13,647
	-150,493	**-26,633**	**-177,126**
Commercial Services Earmarked Reserves	-3,233		-3,233
EKO	-4,981		-4,981
Royal Mail Sorting Office	-23	-175	-198
Total Earmarked Reserves	**-158,730**	**-26,808**	**-185,538**

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	Accumulated Absences	Other Provisions	Total
	£'000		£'000	£'000	£'000
Short Term					
Balance at 1 April 2019	-4,058	-3,120	-9,701	-1,668	-18,547
Additional Provisions made in 2019-20	-2,752	-2,213	-6,182	-3,139	-14,286
Amounts used in 2019-20	3,498	3,033	6,435	1,081	14,047
Unused amounts reversed in 2019-20	0	0	0	0	0
Balance at 31 March 2020	**-3,312**	**-2,300**	**-9,448**	**-3,726**	**-18,786**
Long Term					
Balance at 1 April 2019	-7,859	-2,578	0	-123	-10,560
Additional/Reduction in Provisions made in 2019-20	355	0	0	0	355
Amounts used in 2019-20	0	461	0	123	584
Unused amounts reversed in 2019-20	0	0	0	0	0
Balance at 31 March 2020	**-7,504**	**-2,117**	**0**	**0**	**-9,621**
Total Provisions at 31 March 2020	**-10,816**	**-4,417**	**-9,448**	**-3,726**	**-28,407**

Note 26 - Provisions and Note 27 - Debtors

Insurance

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 2020. 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 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**

31 March 2019	**Short Term**	**Long Term**	**Total**
	£'000	**£'000**	**£'000**
Medway Council (transferred debtor)		34,073	**34,073**
Recoverable VAT	13,720		**13,720**
Trade Receivables	90,812		**90,812**
Payments in Advance	18,495		**18,495**
General Debtors	104,548	20,197	**124,745**
Total	**227,575**	**54,270**	**281,845**

Capital short term debtors amounting to £12.8m are included in the Accounts at 31 March 2020 (£19.4m in 2018-19). These relate to grants and external funding towards capital expenditure incurred in 2019-20 which had not been received by 31 March 2020 along with loan repayments funded from capital falling due in 2020-21.

Note 28. Amounts owed by the Council to creditors

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**

31 March 2019	**Short Term**	**Long Term**	**Total**
	£'000	**£'000**	**£'000**
Receipts in Advance	29,745		**29,745**
Contract Liabilities	2,612		**2,612**
Deferred Income	480		**480**
General Creditors	265,304	5,327	**270,631**
Total	**298,141**	**5,327**	**303,468**

Capital creditors amounting to £29.3m are included in the Accounts at 31 March 2020 (£36.0m in 2018-19).

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 2020	**At 31 March 2019**
	£000's	**£000's**
Bank current accounts	956	-12,495
Call accounts (same day access funds)	56,684	92,870
Total Cash and Cash Equivalents	57,640	80,375

Notes 30 Operating Activities

Note 30. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2019-20	**2018-19**
	£'000	**£'000**
Interest received	-15,318	-11,492
Interest paid	62,487	77,874
Employee Costs	784,612	763,001
Income from Council Tax	-765,584	-1,011,493
Government Grants	-1,298,167	-1,106,923

		Restated
	2019-20	**2018-19**
	£'000	**£'000**
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-108,007	-85,942
Carrying amount of non-current assets sold	-71,992	-52,430
Carrying amount of Financial Assets held at FVPL	-20,116	1,498
Amortisation of fixed assets	-2,279	-1,915
Depreciation of fixed assets	-162,299	-157,425
Impairment and downward valuations	24,913	-11,685
Increase/(decrease) debtors	-2,181	15,342
(Increase)/decrease creditors	-19,943	-36,409
Increase/(decrease) stock	-531	263
Movement on investment properties	-6,642	2,375
REFCUS	-68,699	-48,799
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-9,638	3,934
	-447,414	-371,193
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	13,100	15,747
Capital grants applied	105,341	226,920
	118,441	242,667

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

	2019-20	Restated 2018-19
	£'000	£'000
Purchase of property, plant and equipment, investment property, and intangible assets	260,322	175,965
Purchase of short-term and long-term investments	456,222	1,202,324
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-12,962	-15,628
Proceeds from short-term and long-term investments	-470,690	-1,052,992
Other receipts from investing activities	-111,308	-250,208
Net cash flows	121,584	59,461

Note 32. Cash Flow Statement - Financing Activities

	2019-20	2018-19
	£'000	£'000
Cash receipts of short- and long-term borrowing	-682	-49,093
Relating to finance leases and on-balance sheet PFI contracts	3,691	3,859
Repayments of short- and long-term borrowing	23,065	85,485
Net cash flows from financing activities	26,074	40,251

Note 33. Reconciliation of Liabilities arising from Financing Activities

	2019-20 1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2019-20 31 March
	£'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 33. Reconciliation of Liabilities arising from Financing Activities and Note 34 - Trading Operations

	2018-19 1 April	Financing cash flows	Non-cash changes		2018-19 31 March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	-889,995	46,854		-11,170	-854,311
Short-term borrowings	-64,716	1,651		-487	-63,552
• IFRIC 12	-2,677	121			-2,556
• Lease Liabilities	-553	39			-514
• On balance sheet PFI liabilities	-230,426	5,998			-224,428
Total liabilities from financing activities	**-1,188,367**	**54,663**	**0**	**-11,657**	**-1,145,361**

Note 34. Trading Operations

The results of the various trading operations for 2019-20 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-) 2019-20	Surplus/ Deficit(-) 2018-19
	£'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	29,668	27,511	2,157	2,795
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	10,583	8,231	2,352	2,297
Transport Services Provision of lease cars, minibuses and lorries, plus vehicle maintenance and repairs	855	855	0	6
Total surplus	41,106	36,597	4,509	5,098

Note 35. Audit Costs

In 2019-20 the following fees were paid relating to external audit and inspection :

	2019-20	2018-19
	£'000	£'000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	164	120
Fees payable in respect of other services provided by the appointed auditor	24	12
	188	132

The 2019-20 fee payable for external audit services represents the audit fee of £151k plus £13k for prior year objections. The £24k fee payable for other services relates to the CFO insights services.

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 2019-20 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2019-20 before academy and high needs			1,221,207
Academy and high needs figure recouped for 2019-20			-539,114
Total DSG after academy and high needs recoupment for			682,093
Brought forward from 2018-19			-6,500
Carry-forward to 2020-21 agreed in advance			
Agreed initial budget distribution in 2019-20	122,838	552,755	675,593
In-year adjustments	-2,532	3,863	1,331
Final budgeted distribution in 2019-20	120,306	556,618	676,924
Less actual central expenditure	141,811		
Less Actual ISB deployed to schools		556,618	
Plus Local Council contribution for 2019-20			0
Carry Forward to 2020-21	-21,505	0	-21,505

The deficit of £21.505m is expected to be cleared through future increases to the DSG High Needs budget. This deficit is offset in the Schools Reserves in Note 23 on pages 85 to 86.

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.

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 108 to 114 of these Accounts.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £3.892m and cash owed the Pension Fund by KCC is £2.859m.

Payments to other local authorities and health bodies, excluding precepts, totalled £79.6m.
Receipts from other local authorities and health bodies totalled £78.1m.

Entities Controlled or Significantly Influenced by the Council:

The Council has two active subsidiary companies, 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 £55.6m and £8.6m respectively (£61.1m and £3.6m respectively in 2018-19)

Invicta Law Limited sales to KCC amounted to £8.3m (£8.3m in 2018-19). Invicta Law Limited made purchases from KCC amounting to £0.7m (£0.4m in 2018-19). Invicta Law also made purchases from the Kent Holdco Ltd group of £0.01m (£nil in 2018-19) and sales of £0.4m.

Kent County Council also has an interest in the following companies:	**Payments made in 2019-20**
Active companies with less than or equal to 50% control	**£**
Visit Kent Ltd	365,018
Locate in Kent Ltd	810,687
Trading Standards South East Ltd	2,620
Kent PFI Holdings Company 1 Ltd	10,800,814
TRICS Consortium Ltd	3,450
Aylesham & District Community Workshop Trust	5,761
Discovery Park Technology Investments (GP) Ltd	2,706
The North Kent Architecture Centre Ltd	8,235
The Research Network Ltd (TRN)	68,400
Produced in Kent (PINK) Ltd	90,475

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 2019-20 Kent County Council paid £45.1m (£36.1m in 2018-19), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 20.7% (16.5% in 2018-19) 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 2019-20 these amounted to £4.8m (£4.8m in 2018-19), representing 2.2% (2.2% in 2018-19) 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.

Note 38 - Pensions Costs

In 2019-20 Kent County Council paid £0.10m (£0.11m in 2018-19), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2018-19) 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 15e 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.

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	
	2019-20	**2018-19**
Comprehensive Income and Expenditure Statement	£000's	£000's
Cost of Services:		
• Current service cost	-127,324	-121,491
• Past service costs	-28,491	-1,507
	-155,815	-122,998
Financing and Investment Income and Expenditure		
• Net interest expenses	-30,987	-35,395
• (Gain)/loss from settlements	7,271	2,585
• Administration expenses	-1,551	-1,251
Total Charged to the Surplus or Deficit on the Provision of Services	-181,082	-157,059

Note 38 - Pensions Costs

	2019-20	2018-19
	£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)	-236,584	131,015
• Actuarial gains and losses arising on changes in demographic assumptions	75,463	225,975
• Actuarial gains and losses arising on changes in financial assumptions	326,496	-181,354
• Experience loss/(gain) on defined benefit obligation	-91,391	
• Other	4,606	4,615
Total Charged to the Comprehensive Income and Expenditure	78,590	180,251
Total charged to Comprehensive Income and Expenditure Statement	**-102,492**	**23,192**
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	181,082	157,059
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	-73,075	-71,117
Total Movement in Reserves statement	**108,007**	**85,942**

Other Employees

The implications of the McCloud judgement has been reflected in the Past Service cost for 2019-20 and is calculated to be £25,011m of the £28,491m.

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 2019-20, Kent County Council paid an employer's contribution of £73.1m (£71.1m in 2018-19) into the Pension Fund, representing 22% (21% in 2018-19) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2019-20 was based on the review carried out as at 31 March 2017. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Pension Assets and Liabilities in the Balance Sheet

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

	Local Government Pension Scheme £'000	
	2019-20	**2018-19**
Present value of the defined benefit obligation	3,796,940	3,959,064
Fair value of plan assets	-2,483,660	-2,679,625
Sub total	1,313,280	1,279,439
Other movements in the liability/(asset)	49,923	54,347
Net liability arising from defined benefit obligation	**1,363,203**	**1,333,786**

Note 38 - Pensions Costs

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

	Local Government Pension Scheme £'000	
	2019-20	**2018-19**
Opening fair value of scheme assets	2,679,625	2,505,233
Interest income	64,054	63,630
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)	-261,924	131,015
• Other	25,340	
Contributions from employer	77,681	75,732
Contributions from employees into the scheme	26,945	25,030
Benefits paid	-117,130	-116,527
Other	-10,931	-4,488
Closing fair value of scheme assets	**2,483,660**	**2,679,625**

The actual return on scheme assets in the year was £197,870k (2018-19: £194,645k)

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

	Liabilities: Local Government Pension Scheme £'000	
	2019-20	**2018-19**
Opening balance at 1 April	4,013,411	3,933,328
Current service cost	127,324	121,491
Interest cost	95,041	99,025
Contribution from scheme participants	26,945	25,030
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	-75,463	-225,975
• Actuarial gains and losses arising on changes in financial assumptions	-326,496	181,354
• Experience loss/(gain) on defined benefit obligation	91,391	
• Other	-4,606	-4,615
Past service costs	28,491	1,507
Benefits paid	-112,524	-111,912
Liabilities extinguished on settlements	-16,651	-5,822
Closing balance at 31 March	**3,846,863**	**4,013,411**

Note 38 - Pensions Costs

Local Government Pension Scheme assets comprised:

	2019-20		2018-19	
	£'000	**%**	**£'000**	**%**
Equities	1,527,948	61.5%	1,837,445	68.6%
Gilts	19,298	0.8%	17,621	0.7%
Other Bonds	323,720	13.0%	244,003	9.1%
Property	337,935	13.6%	321,849	12.0%
Cash	64,999	2.6%	46,749	1.7%
Absolute return fund	209,760	8.4%	211,958	7.9%
Total assets	**2,483,660**	**100%**	2,679,625	100%

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

	2019-20		2018-19	
	% Quoted	**% Unquoted**	**% Quoted**	**% Unquoted**
Fixed Interest Government Securities				
UK				
Overseas	0.8%		0.7%	
Corporate Bonds				
UK	4.2%		4.5%	
Overseas	8.8%		4.6%	
Equities				
UK	19.2%		25.5%	
Overseas	38.6%		40.6%	
Property				
All		13.6%		12.0%
Others				
Absolute return portfolio	8.4%		7.9%	
Private Equity		2.5%		1.7%
Infrastructure		1.1%		0.8%
Derivatives		-0.3%		-0.1%
Cash/Temporary Investments		2.6%		1.5%
Net Current Assets				
Debtors		0.6%		0.6%
Creditors		-0.3%		-0.2%
Total assets	**80.0%**	**19.8%**	**83.8%**	**16.3%**

Note 38 - Pensions Costs

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 2019 levels then the pensions deficit would have been £326,496k greater at £1,689,699k.

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 2021 is £69,910k, this is in line with the revised IAS19 Standard.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019-20	**2018-19**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8 years	22.0 years
Women	23.7 years	24.0 years
Longevity at 65 for future pensioners:		
Men	23.2 years	23.7 years
Women	25.2 years	25.8 years
Rate of inflation	2.75%	3.4%
Rate of increase in Consumer Price Index	1.95%	2.4%
Rate of increase in salaries	2.95%	3.7%
Rate of increase in pensions	1.95%	2.4%
Rate for discounting scheme liabilities	2.35%	2.4%
Take-up option to convert annual pension into retirement lump sum	50%	50%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Adjustment to discount rate (increase or decrease by 0.1%)	3,772,721	3,922,536
Adjustment to long-term salary increase (increase or decrease by 0.1%)	3,852,752	3,841,022
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	3916871	3778202
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	4,004,603	3,695,787

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 2020 in accordance with IAS19.

Commercial Services, GEN² Property Ltd, and 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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.

Note 39 - Financial Instruments

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.

Note 39 - Financial Instruments

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Financial Instruments

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

Financial Liabilities

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

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- overdraft with NatWest Bank
- finance leases on land and buildings
- Private Finance Initiative contracts detailed in Note 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 three 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 2020		31 March 2019	
	Long Term	**Short Term**	**Long Term**	**Short Term**
	£000's	**£000's**	**£000's**	**£000's**
Investments				
- Fair value through profit or loss	181,311	56,684	170,277	92,870
- Amortised cost	85,018	84,307	90,464	123,908
	266,329	**140,991**	**260,741**	**216,778**
Debtors				
- Amortised cost		74,824		90,812
- Non financial assets	65,061	111,284	54,270	110,076
	65,061	**186,108**	**54,270**	**200,888**
Cash & Cash Equivalents		12,991		
Total	**331,390**	**340,090**	**315,011**	**417,666**

Financial Liabilities

	31 March 2020		31 March 2019	
	Long Term	**Short Term**	**Long Term**	**Short Term**
	£000's	**£000's**	**£000's**	**£000's**
Borrowing				
- Amortised cost	813,624	81,465	854,311	63,552
- Non financial liabilities	212,543	8,124	220,818	6,680
	1,026,167	**89,589**	**1,075,129**	**70,232**
Creditors				
- Amortised cost		1,665		2,612
- Non financial assets	40	265,870	5,327	265,514
	40	**267,535**	**5,327**	**268,126**
Cash & Cash Equivalents				-12,495
Total	**1,026,207**	**357,124**	**1,080,456**	**325,863**

Financial Instruments Designated at Fair Value through Profit or Loss

For Money Market Funds, Bond, equity and property funds the fair value is calculated at Level 1 valuation techniques, as set out on page 119.

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

Note 39 - Financial Instruments

Income, Expense Gains / Losses

	2019-20		2018-19	
	Surplus or Deficit on the Provision of Services	**Other Comprehensive Income and Expenditure**	**Surplus or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Net gains/losses on:				
Financial assets measured at fair value through the profit or loss	19,976		-1,498	-
Financial assets measured at amortised cost			-	-
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-950	-950	-1,258	-950
Total net gain/losses	**19,026**	**-950**	**-2,756**	**-950**
Interest revenue				
Financial assets measured at amortised cost	1,966	-	510	-
Financial Assets measured at fair value through profit or loss	8,462		7,920	
Total interest revenue	**10,428**	**0**	**8,430**	**0**
Interest expenses	**-40,980**	**-**	**-55,677**	**-**
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	-20,166	-	-20,482	-
Trust and other fiduciary activities		-		-
Total fee expense	**-20,166**	**0**	**-20,482**	**0**

Note 39 - Financial Instruments

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table on the following page, 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 2020	As at 31 Mar 2019
			£'000	£'000
Fair value through Profit and Loss				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	56,684	92,870
Equity Shares	Level 1	Unadjusted quoted prices in active markets for identical shares	2	43
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	157,462	149,768
Equity Funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	10,782	8,407
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	12,566	12,059
			237,496	**263,147**

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:

	2019-20	2018-19
	£'000	£'000
Opening balance	12,059	5,544
Transfers into Level 3		6,317
Transfers out of Level 3	-1,325	
Additions	140	2,898
Derecognition	-56	
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	1,748	-2,700
Included in Other Comprehensive Income and Expenditure		
Closing Balance	12,566	12,059

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 2020		31 March 2019	
Financial Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities held at amortised cost				
PWLB loans	480,334	617,408	498,432	635,565
Long-term LOBO and Market Loans	414,755	651,588	419,431	634,861
Other long-term loans				
PFI and finance lease liabilities	220,667	277,153	227,498	288,096
Total	**1,115,756**	**1,546,149**	**1,145,361**	**1,558,522**

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 2020) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2020		31 March 2019	
Financial Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets held at amortised cost				
- long-term investments	85,018	84,541	90,464	90,435
- short-term investments	83,807	83,807		
- cash and cash equivalents	12,991	12,991	-12,495	-12,495
Long-term debtors	65,061	63,318	54,271	50,777
Total	**246,877**	**244,657**	**132,240**	**128,717**

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 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				
Financial assets held at amortised cost:				
• Soft loans to third parties			22,890	**22,890**
Total	**0**	**0**	**22,890**	**22,890**

	31 March 2019			
	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		635,565		**635,565**
• Long-term LOBO and Market Loans		634,861		**634,861**
PFI and finance lease liabilities			288,096	**288,096**
Total	**0**	**1,270,426**	**288,096**	**1,558,522**
Financial Assets				
Loans and receivables:				
• Soft loans to third parties			22,821	**22,821**
Total	**0**	**0**	**22,821**	**22,821**

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 2020 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 2020 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2020 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 banks, building societies and companies, a smaller limit of £15m applies. An exception was made for overnight deposits with the Council's business banking provider, NatWest, at the outbreak of the COVID 19 pandemic in the UK in March. The exposure limit was temporarily increased to £30m to facilitate the increased demands on short-term liquidity at this time. 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 £85m 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 2020**	**31 Mar 2019**
	£000's	**£000's**
AAA	141,602	235,622
AA-	0	0
A	30,000	0
A-	0	2,000
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	157,462	149,768
Equity	23,159	25,041
Other Local Authorities	53,807	65,000
Total Investments	**406,030**	**477,431**

All deposits outstanding as at 31 March 2020 met the Council's credit rating criteria on 31 March 2020.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £367k.

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 2020 was £5.1m.

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 2020	31 Mar 2019
Years	£000's	£000's
Not over 1	30,199	23,065
Over 1 but not over 2	27,761	33,291
Over 2 but not over 5	73,312	76,551
Over 5 but not over 10	56,890	77,916
Over 10 but not over 20	177,911	154,057
Over 20 but not over 30	140,910	164,527
Over 30 but not over 40	145,700	135,700
Over 40	191,100	201,100
Uncertain date *	40,000	40,000
Total	**883,783**	**906,207**

* The Council has £90m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. £40m of these LOBO loans have option dates in 2020-21. 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 2020, £400m (2019: £338m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £90m (2019: £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	33
Increase in interest receivable on variable rate investments	584
Decrease in fair value of investments held at FVPL	-705
Impact on Provision of Services (surplus)	**-88**
Decrease in fair value of fixed rate investment assets	-428
Impact on Other Comprehensive Income and Expenditure	**-428**
Decrease in fair value of loans and investments at amortised cost*	**-253,599**

*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 investment of £60m (2019 £50m) in the CCLA local authority property fund is subject to the value of the underlying investments and trading in this fund was suspended in March 2020 due to material uncertainty in the values of the fund's property holdings. A 5% fall in commercial property prices would result in a £1.82m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

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 five claims relating to discrimination and breach of contract in employment. Of these, four are unfair dismissal and discrimination cases and one is a compensation 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 £126.1k 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 439 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 15 such cases of which legal costs are expected to exceed £543k in total.

Asylum & Judicial review cases

There are seven judicial review cases of age assessment and fall of these cases the costs are likely to exceed £10k. There are eight 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.

Civil Claim

There is one civil claim. The legal costs are expected to be below £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 2019-20, in the draft, unaudited EKOLLP accounts, the net assets of the joint operation are £8.8m with an operating profit before members remuneration and profit shares available for discretionary division among members of £0.2m.

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.

Two schools and one playing field on the balance sheet as at 31 March 2020 are due to convert to academy status on 1 September 2020. The net book value of these assets as at 31 March 2020 is £7.63m.

March 2020 saw the start of the COVID-19 pandemic and our Balance Sheets recognises the initial impact of the crisis. The full financial impact will be felt in 2020-21 and future years and the Recent Events section of the narrative report, see pages 11 to 12, provides detail of the future financial impact of the crisis and how the Council is responding.

There have been no events since 31 March 2020, 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 145 to 173

Contents Page

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:

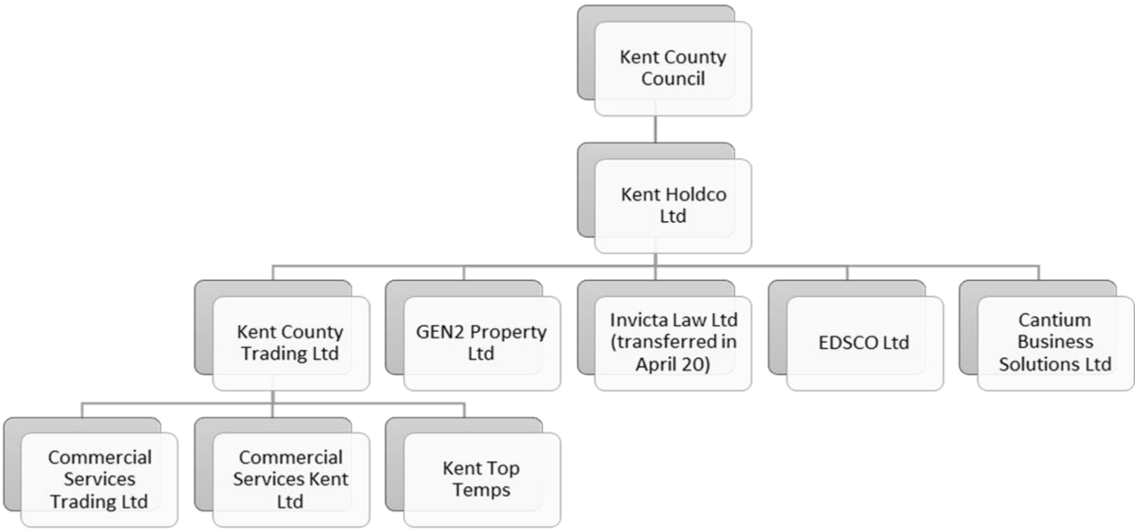
▪ Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

▪ 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
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). 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 and Connect2Hampshire), 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.

Group Accounts Introduction

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 Accounts Introduction

Group Accounting Policies

This is the first year that Group Accounts have been completed by Kent County Council. A review of net assets and liabilities and the non KCC revenue have been reviewed and along with consideration of a lowered materiality level, the decision was made that Group Accounts were required.

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 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 Comprehensive Income and Expenditure Statement

Service	Notes	Year ended 31 March 2019 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Social Care & Health	ASCH	508,030	145,847	362,183
Children, Young People & Education	CYPE	1,210,404	913,116	297,288
Growth, Environment & Transport	GET	306,613	52,233	254,380
Strategic & Corporate Services including Public Health	S&CS	191,127	95,154	95,973
Financing Items & Unallocated	FI&U	8,185	1,205	6,980
Groups - Holdco Ltd		69,770	19,428	50,342
Groups - Other Services		3,552	721	2,831
Group Cost of Services		**2,297,681**	**1,227,704**	**1,069,977**
Other operating Income and Expenditure	**13**			45,234
Net Surplus on trading accounts	**G2**			-16,073
Financing and Investment Income and Expenditure	**14**			87,829
Taxation and Non Specific Grant Income	**15**			-1,166,468
(Surplus) or deficit on Provision of Services				**20,499**
Share of (surplus)/Deficit of associate or subsidiary				
Taxation of Group Entities	G3			158
Group (Surplus)/Deficit	**G2**			**20,657**
(Surplus)/deficit arising on revaluation of non current assets				-49,289
Remeasurement of the net defined benefit liability				-180,251
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				**-230,490**
Total Comprehensive Income and Expenditure				**-209,833**

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 2019			
	General Fund and Earmarked Reserves	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Profit and Loss Reserve**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	**-225,870**	**-28,520**	**-57,438**	**-2,831**
Movement in reserves during 2018-19				
Total Comprehensive Expenditure & Income	-45,140			65,797
Adjustments between group accounts and Kent County Council accounts	65,593			-65,593
Net increase or decrease before transfers	**20,453**	**0**	**0**	**204**
Adjustments between accounting basis & funding basis under regulations - Note 12	-44,705	-10,759	-76,887	
Net increase/Decrease before Transfers to Earmarked Reserves	**-24,252**	**-10,759**	**-76,887**	**204**
Transfer between Usable and Unusable Reserves	-276			
Increase/Decrease (movement) in Year	**-24,528**	**-10,759**	**-76,887**	**204**
	Year ended 31 March 2020			
Balance at 31 March 2019 carried forward	**-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**
Balance at 31 March 2020 carried forward	**-284,861**	**-30,928**	**-77,238**	**-3,242**

Group Movement in Reserves Statement

	Year ended 31 March 2019		
	Total Usable Reserves	Unusable reserves	Total Group Reserves
	£'000	£'000	£'000
Balance at 31 March 2018	**-314,660**	**136,679**	**-177,981**
Movement in Reserves during 2018-19			
Total Comprehensive Expenditure and Income	**20,657**	-230,490	**-209,833**
Adjustments between group accounts and Kent County Council accounts	**0**		**0**
Net increase or decrease before transfers	**20,657**	**-230,490**	**-209,833**
Adjustments between accounting basis & funding basis under regulations - Note 12	**-132,351**	132,351	**0**
Net increase/Decrease before Transfers to Earmarked Reserves	**-111,694**	**-98,139**	**-209,833**
Transfers between Usable and Unusable Reserves	**-276**	276	**0**
Increase/Decrease (movement) in Year	**-111,970**	**-97,863**	**-209,833**
	Year ended 31 March 2020		
Balance at 31 March 2019 carried forward	**-426,630**	**38,816**	**-387,814**
Movement in reserves during 2019-20			
Total Comprehensive Expenditure & Income	**206,107**	-661,415	**-455,308**
Adjustments between group accounts and authority 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**
Transfer between Usable and Unusable Reserves	0	0	**0**
Increase/Decrease (movement) in Year	**30,360**	**-485,668**	**-455,308**
Balance at 31 March 2020 carried forward	**-396,270**	**-446,852**	**-843,122**

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2020. The net assets of the Group are matched by Group reserves.

		31 March 2020		31 March 2019
	Notes	£'000	£'000	£'000
Property Plant & Equipment	**17**	3,015,262		2,496,707
Heritage Assets	**21**	6,650		6,474
Investment Property	**18**	61,971		43,907
Intangible assets		11,293		7,524
Long-term investments	**G8**	255,442		252,526
Long-term debtors	**G4**	59,166		49,538
Deferred tax asset	**G4**	45		31
Total Long-Term Assets			3,409,829	2,856,707
Inventories		4,961		4,951
Assets held for sale (<1yr)		1,491		4,273
Short-term debtors	**G4**	207,794		234,257
Short-term investments	**G8**	80,607		119,908
Cash and Cash equivalents	**G6**	81,446		92,975
Current tax asset	**G4**	0		14
Total Current Assets			376,299	456,378
Temporary borrowing	**G8**	-81,465		-63,552
Short-term Lease Liability	**39**	-8,139		-6,685
Short-term provisions	**26**	-18,786		-18,547
Creditors	**G5**	-325,737		-306,541
Current tax liability	**G5**	-1,375		-616
Total Current liabilities			-435,502	-395,941
Creditors due after one year	**G5**	-40		-5,327
Provisions	**26**	-9,730		-10,560
Long-term borrowing	**G8**	-813,624		-854,311
Other Long-Term Liabilities	**G8/38**	-1,608,657		-1,588,691
Deferred tax liability		-555		-501
Capital Grants Receipts in Advance	**16**	-74,898		-69,941
Total Long-Term Liabilities			-2,507,504	-2,529,331
Net Assets/(Liabilities)			843,122	387,813
Usable Reserves	**G7/23**	-396,269		-426,629
Unusable Reserves	**24**	-446,853		38,816
Total Reserves			-843,122	-387,813

Group Cash Flow Statement

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

	Notes	2019-2020 £'000	2018-2019 £'000
Net (Surplus) or deficit on the provision of services		205,432	20,499
Adjustments to net surplus or deficit on the provision of services for non cash movements	**G9**	-462,017	-376,913
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G9**	118,441	242,673
Taxation		264	0
Net cash flows from operating activities		-137,880	-113,741
Investing Activities	**G10**	123,095	58,915
Financing Activities	**G11**	26,314	39,854
Net increase (-) or decrease in cash and cash equivalents		11,529	-14,972
Cash and cash equivalents at the beginning of the reporting period		92,975	78,003
Cash and cash equivalents at the end of the reporting period	**G6**	**81,446**	**92,975**

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

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.

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.

	2019-20 £'000	2018-19 £'000s
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	204,050	20,128
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	2,672	325
(Surplus) or deficit attributable to subsidiaries	-615	204
Total Group (Surplus) or Deficit	**206,107**	**20,657**

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

	2019-20 £'000	2018-19 £'000s
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-4,509	-5,097
KCS and Laser expenditure with Subsidiaries	-14,524	-12,161
KCS and Laser income generated through sales to Subsidiaries	1,076	1,185
	-17,957	**-16,073**

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

Note G3 - Tax Expenses of Group Entities

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

	2019-20 £'000	2018-19 £'000s
Tax in respect of the current year	875	236
Adjustment in respect of prior years	-250	-15
Deferred tax in respect of the current year	-61	-4
Deferred tax on actuarial loss/(gain) for the year	52	0
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	59	-59
Total Taxation Expenses	**675**	**158**

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 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Medway Council			32,710	34,073	32,710	34,073
Recoverable VAT	7,469	13,720	-	-	7,469	13,720
Trade Receivables	84,347	102,050	-	-	84,347	102,050
Payments in Advance	25,745	22,981	-	-	25,745	22,981
General Debtors	90,233	95,505	26,501	15,496	116,734	111,001
	207,793	**234,256**	**59,211**	**49,569**	**267,004**	**283,825**

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 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Receipts in Advance	48,811	29,745	-	-	48,811	29,745
VAT Payable	3,481	3,299	-	-	3,481	3,299
Contract Liabilities	3,548	4,397	-	-	3,548	4,397
Other HMRC Liabilities	2,401	1,654	-	-	2,401	1,654
Deferred Income	12,282	12,143	-	-	12,282	12,143
General Creditors	256,590	255,918	40	5,327	256,630	261,245
	327,112	**307,156**	**40**	**5,327**	**327,152**	**312,483**

Note 6 - 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 2020	**31 March 2019**
	£'000s	**£'000s**
Single Entity Cash and Bank balances	956	- 12,495
Subsidiary cash and bank balances	23,806	12,600
Short term deposits with the Money Market	56,684	92,870
Total Group Cash and Cash Equivalents	**81,446**	**92,975**

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:

	2018-19		**2019-20**
	Usable Reserves		**Usable Reserves**
	Retained Earnings		**Retained Earnings**
	£'000s		**£'000s**
Balance at 1 April 2018	**2,831**	**Balance at 1 April 2019**	**2,626**
Profit/(Loss) for the year	135		4,791
Dividends paid	-340		-3,956
Balance at 31 March 2019	**2,626**	**Balance at 31 March 2020**	**3,461**

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 2020		31 March 2019	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Investments				
- Fair value through profit or loss	170,424	56,684	162,062	92,870
- Amortised cost	85,018	80,607	90,464	119,908
	255,442	**137,291**	**252,526**	**212,778**
Debtors				
- Amortised cost		84,347		102,050
- Non financial assets	59,166	96,605	49,538	100,582
	59,166	**180,952**	**49,538**	**202,632**
Cash & Cash Equivalents		24,762		12,600
Total	**314,608**	**343,005**	**302,064**	**428,010**

Financial Liabilities

	31 March 2020		31 March 2019	
	Long Term	Short Term	Long Term	Short Term
	£000's	£000's	£000's	£000's
Borrowing				
- Amortised cost	813,624	81,465	854,311	63,552
- Non financial liabilities	212,543	8,139	220,818	6,685
	1,026,167	**89,604**	**1,075,129**	**70,237**
Creditors				
- Amortised cost		3,548		4,397
- Non financial assets	40	256,589	5,327	255,919
	40	**260,137**	**5,327**	**260,316**
Cash & Cash Equivalents				-12,495
Total	**1,026,207**	**349,741**	**1,080,456**	**318,058**

Supporting the Cash Flow

Note G9. Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2019-20	2018-19
	£'000	£'000
Interest received	-15,317	-11,497
Interest paid	62,693	78,142

	2019-20 £'000	2018-19 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	-108,007	-85,942
Carrying amount of non-current assets sold	-71,992	-52,451
Carrying amount of Financial Assets held at FVPL	-22,788	1,173
Amortisation of fixed assets	-3,206	-2,700
Depreciation of fixed assets	-162,901	-158,007
Impairment and downward valuations	24,913	-11,685
Income from shares in group undertakings	1,996	0
Increase/(decrease) debtors	-4,565	27,355
(Increase)/decrease creditors	-25,624	-52,927
Increase/(decrease) stock	-411	194
Change in provisions	-9	0
Movement on investment properties	-6,642	2,375
REFCUS	-68,699	-48,799
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-13,814	4,501
Taxation	-268	
	-462,017	-376,913
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	13,100	15,753
Capital grants applied	105,341	226,920
	118,441	242,673

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

Note G10 - Group Cash Flow Statement - Investing Activities

	2019-20	2018-19
	£'000	£'000
Purchase of property, plant and equipment, investment property, and intangible assets	261,760	177,625
Purchase of short-term and long-term investments	455,731	1,202,324
Proceeds from sale of property, plant and equipment, investment	0	-6
property, and intangible assets	-12,962	-15,628
Proceeds from short-term and long-term investments	-469,890	-1,052,992
Other receipts from investing activities	-111,544	-252,408
Net cash flows from investing activities	**123,095**	**58,915**

Note G11 - Group Cash Flow Statement - Financing Activities

	2019-20	2018-19
	£'000	£'000
Cash receipts of short- and long-term borrowing	-1,982	-49,093
Relating to finance leases and on-balance sheet PFI contracts	3,698	3,863
Repayments of short- and long-term borrowing	22,702	85,599
Other payments from financing activities	1,896	-515
Net cash flows from financing activities	**26,314**	**39,854**

Pension Fund Accounts

The following financial statements are included in the Kent County Council Superannuation Fund's Annual Report and Accounts 2020 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March

	Notes	2019-20 £000's	2018-19 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	250,263	238,331
Transfers in from other pension funds	8	9,328	9,427
		259,591	247,758
Benefits	9	-243,832	-235,953
Payments to and on account of leavers	10	-12,708	-12,585
		-256,540	-248,538
Net additions from dealings with Members		**3,051**	**-780**
Management Expenses	11	-25,606	-27,184
Net additions/withdrawals including fund management expenses		**-22,555**	**-27,964**
Returns on Investments			
Investment Income	13	135,344	117,258
Taxes on Income		-380	-5,103
Profits and losses on disposal of investments and changes in the market value of investments	15a	-613,700	305,132
Net Return on Investments		**-478,736**	**417,287**
Net increase / (decrease) in the Net Assets available for benefits during the year		**-501,291**	**389,323**

Net Assets Statement as at 31 March

	Notes	2020 £000's	2019 £000's
Investment Assets		5,720,555	6,211,004
Investment Liabilities		-17,405	-5,906
Net Investment Assets	15	**5,703,150**	**6,205,098**
Current Assets	21	34,625	31,537
Current Liabilities	22	-20,897	-18,466
Net Assets available to fund benefits at the period end		**5,716,878**	**6,218,169**

Pension Fund Accounts

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 315 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council		Other Employers		Total	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Contributors	20,986	21,435	30,699	29,910	51,685	51,345
Pensioners	22,372	21,696	21,069	20,043	43,441	41,739
Deferred Pensioners	24,316	22,676	23,090	21,656	47,406	44,332
Total	67,674	65,807	74,858	71,609	142,532	137,416

Funding

Benefits are funded by contributions and investment earnings. The 2016 triennial valuation certified a common contribution rate of 21% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2019-20. 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 2019-20 financial year and its position at 31 March 2020.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 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.

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.

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 2019. 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 2020.

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 2020 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019. 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.

Recent market movements since the outbreak of Covid-19 have seen falls 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, although the falls have been significant, the ongoing funding position under the model will not have fallen as significantly as markets as 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 £182m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £171m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £354m.
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. Following the Covid-19 outbreak, special considerations for valuations in view of the increased uncertainty around economic growth, include applying increased discount rates or reduced multiples of earnings.	The total private equity including infrastructure and other level 3 investments on the financial statements are £226m. 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. Since the outbreak of COVID-19, as at the valuation date, valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.	Less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. However, the affect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property of £48m on a fair value of £478m.

6. Events after the Balance Sheet date

Since the outbreak of COVID-19, market activity is being impacted in many sectors. Initially, market volatility in almost all asset classes significantly increased and affected valuations negatively. Subsequently, the monetary and fiscal support measures announced by the governments across the world reduced volatility and valuations recovered to a significant extent. Prices and valuations of assets as at 31 March 2020 already reflect the impact of the economic uncertainty prevailing as at 31 March 2020. Where the impact cannot be easily determined as in the case of property and other illiquid asset classes, valuations have been issued with material uncertainty caveats or by making adjustments for future variability in income streams. Any actual impact of the changing economic conditions will only become clear and be reflected in valuations of the assets in the subsequent periods and would not require an adjustment to these accounts as at 31 March 2020.

In addition, dealing in the Lothbury Property Unit Trust has been suspended from 22 May 2020, which restricts the ability of the Kent Fund to redeem its investments valued at £10.7m in that Unit Trust. This however does not affect the accessibility of those investments in the long term, although it is difficult to estimate the impact on the valuations in the short term and do not require an adjustment to these accounts.

There have been no other events since 31 March 2020, up to the date when these accounts were authorised, that require any adjustment to these accounts.

7. Contributions Receivable

	2019-20 £000's	2018-19 £000's
By Category		
Employees' contributions	56,324	53,904
Employers' contributions		
- normal contributions	134,662	127,999
- deficit recovery contributions	53,952	51,965
- augmentation contributions	5,325	4,463
Total Employers' contributions	193,939	184,427
Total contributions receivable	**250,263**	**238,331**
By type of employer		
Kent County Council	94,300	89,394
Scheduled Bodies	141,689	135,013
Admission Bodies	14,274	13,924
	250,263	**238,331**

8. Transfers in from other pension funds

	2019-20 £000's	2018-19 £000's
Individual	9,328	9,427
Group	0	0
	9,328	**9,427**

9. Benefits Payable

	2019-20 £000's	2018-19 £000's
By Category		
Pensions	203,810	192,254
Retirement Commutation and lump sum benefits	34,195	38,006
Death benefits	5,827	5,693
	243,832	**235,953**
By type of employer		
Kent County Council	109,643	107,867
Scheduled Bodies	119,218	113,639
Admission Bodies	14,971	14,447
	243,832	**235,953**

10. Payments to and on account of leavers

	2019-20 £000's	2018-19 £000's
Group transfers	11,087	0
Individual transfers	0	10,695
Payments/refunds for members joining state scheme	-95	199
Refunds of contributions	1,716	1,691
	12,708	**12,585**

11. Management Expenses

	Notes	2019-20 £000's	2018-19 £000's
Administration costs		3,545	3,110
Governance and oversight costs		764	343
Investment management expenses	12	21,163	23,570
Audit Fees		60	24
Pooling Expenses		74	137
		25,606	**27,184**

The Audit fee for 2019-20 includes £23k for charges for assurance letters to scheduled bodies in relation to 2019 and 2020 audits.

12. Investment Management Expenses

	2019-20 £000's	2018-19 £000's
Investment Managers Fees	20,415	20,220
Transaction Costs	709	3,260
Custody fees	39	90
Total	**21,163**	**23,570**

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

Transaction costs are substantially lower in the current year due to a significant number of assets previously held directly now being held in pooled funds. 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	2019-20 £000's	2019-20 %	2018-19 £000's	2018-19 %
Bonds		17,132	12.7	17,007	14.5
Equities		5,421	4.0	52,526	44.8
Pooled Investments		85,335	63.1	14,099	12.0
Private Equity / Infrastructure		4,644	3.4	7,978	6.8
Property	14	15,488	11.4	18,114	15.4
Pooled Property Investments		6,010	4.4	5,482	4.7
Cash and cash equivalents		1,273	0.9	1,010	0.9
Stock Lending		42	0.0	1,042	0.9
Total		**135,344**	**100.0**	**117,258**	**100.0**

The reduction in income from equities and increase in income from pooled funds is mainly as a result of the transition of directly held assets into pooled funds and the timing of distributions by funds.

14. Property Income and Expenditure

	2019-20 £000's	2018-19 £000's
Rental Income from Investment Properties	21,697	22,326
Direct Operating Expenses	-6,209	-4,212
Net operating income from Property	**15,488**	**18,114**

15. Investments

	Market Value as at 31 March 20 £000's	Market Value as at 31 March 19 £000's
Investment Assets		
Bonds	339,055	363,728
Equities	236,536	249,994
Pooled Investments	4,028,527	4,601,708
Private Equity/Infrastructure	189,864	150,015
Property	478,104	487,193
Pooled Property Investments	287,008	257,690
Derivatives-Forward Currency contracts	0	3,122
Investment Cash and cash equivalents	131,959	80,526
Investment Income due	11,975	17,028
Amounts receivable for sales	724	0
Margin cash	16,803	0
Total Investment Assets	**5,720,555**	**6,211,004**
Investment Liabilities		
Amounts payable for purchases	-324	-1,373
Margin cash liability	0	-4,533
Derivatives-Forward Currency contracts	-17,081	0
Total Investment Liabilities	**-17,405**	**-5,906**
Net Investment Assets	**5,703,150**	**6,205,098**

Investment income due (debtors) includes a sum of £4.5m for rents and service charges payable by tenants of properties owned by the Pension Fund. Based on historic experience and information of similar properties, as well as in view of the special circumstances of the COVID-19 pandemic, it is likely that dues of £1.82m may not be fully received.

15a. Reconciliation of movements in investments and derivatives

	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
- 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
Net Investment Assets	**6,205,098**			**-613,700**	**5,703,150**

	Market Value as at 31 March 18 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 19 £000's
Bonds	353,090	96,498	-110,813	24,953	363,728
Equities	2,224,616	406,586	-2,447,741	66,533	249,994
Pooled Investments	2,195,389	2,573,875	-364,067	196,511	4,601,708
Private Equity/Infrastructure	128,895	30,710	-25,899	16,309	150,015
Property	484,241	31,700	-43,749	15,001	487,193
Pooled Property Investments	247,201	2,011	-2,706	11,184	257,690
	5,633,432	3,141,380	-2,994,975	330,491	6,110,328
Derivative contracts					
- Forward Currency contracts	5,593	5,262,823	-5,239,422	-25,872	3,122
	5,639,025	**8,404,203**	**-8,234,397**	**304,619**	**6,113,450**
Other Investment balances					
- Investment Cash and cash equivalents	148,514			513	80,526
- Amounts receivable for sales	2,253				0
- Amounts payable for purchases	-8,864				-1,373
- Margin cash liability	-7,993				-4,533
- Investment Income due	17,995				17,028
Net Investment Assets	**5,790,930**			**305,132**	**6,205,098**

15b. Analysis of Investments

	Market Value as at 31 March 20 £'000's	Market Value as at 31 March 19 £'000's
Bonds		
UK		
Corporate Quoted	28,266	34,873
Overseas		
Public Sector Quoted	43,520	39,948
Corporate Quoted	267,269	288,907
	339,055	**363,728**
Equities		
UK		
Quoted	29,238	33,301
Overseas		
Quoted	207,298	216,693
	236,536	**249,994**
Pooled Funds		
UK		
Fixed Income Unit Trusts	216,010	240,897
Unit Trusts	1,080,951	1,553,260
Overseas		
Fixed Income Unit Trusts	228,556	0
Unit Trusts	2,503,011	2,807,551
	4,028,528	**4,601,708**
Property	478,104	487,193
Property Unit Trusts	287,008	257,690
Private Equity Funds/Infrastructure	189,864	150,015
	954,976	**894,898**
Derivatives	0	3,122
Cash and cash equivalents	131,959	80,526
Investment income due	11,975	17,028
Amounts receivable for sales	724	0
Margin Cash	16,803	0
	161,461	**100,676**
Total Investment Assets	**5,720,556**	**6,211,004**
Investment Liabilities		
Amounts payable for purchases	-324	-1,373
Margin cash liability	0	-4,533
Derivatives	-17,082	0
Total Investment Liabilities	**-17,406**	**-5,906**
NET INVESTMENT ASSETS	**5,703,150**	**6,205,098**

15c. 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	245	USD	-304	1	
Up to one month	GBP	26	EUR	-29	1	
Up to one month	USD	5	GBP	-4		-1
Up to one month	USD	400	GBP	-324		-2
Up to one month	GBP	728	CHF	-867	6	
Up to one month	GBP	702	CHF	-883		-35
Up to one month	CHF	867	GBP	-729		-6
Up to one month	GBP	141,174	USD	-182,884		-6,235
Up to one month	GBP	141,195	USD	-182,884		-6,215
Up to one month	GBP	697	USD	-903		-31
Up to one month	GBP	1,379	USD	-1,802		-73
Up to one month	USD	1,220	GBP	-939	44	
Up to one month	USD	479	GBP	-370	16	
Up to one month	USD	356	GBP	-276	11	
Up to one month	USD	2,637	GBP	-2,043	82	
Up to one month	GBP	608	USD	-778		-19
Up to one month	USD	1,296	GBP	-1,013	32	
Up to one month	USD	5,604	GBP	-4,365	152	
Up to one month	USD	1,655	GBP	-1,298	36	
Up to one month	GBP	402	USD	-513		-12
Up to one month	USD	6,285	GBP	-5,083		-17
Up to one month	USD	9,298	GBP	-7,699		-205
Up to one month	USD	2,104	GBP	-1,763		-67
Up to one month	USD	3,694	GBP	-3,164		-187
Up to one month	USD	2,264	GBP	-1,941		-116
Up to one month	GBP	5,344	USD	-6,266	293	
Up to one month	USD	8,952	GBP	-7,721		-506
Up to one month	USD	5,898	GBP	-5,008		-254
Up to one month	USD	9,386	GBP	-8,106		-541
Up to one month	USD	4,826	GBP	-4,138		-248
Up to one month	USD	879	GBP	-746		-37
Up to one month	GBP	998	USD	-1,174	52	
Up to one month	USD	2,506	GBP	-2,104		-84
Up to one month	GBP	6,663	USD	-8,199	55	
Up to one month	USD	304	GBP	-245		-1
Up to one month	GBP	1,125	USD	-1,390	5	
Up to one month	GBP	618	USD	-762	4	

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	324	USD	-400	2	
Up to six months	GBP	39,310	EUR	-47,299		-2,578
Up to six months	EUR	552	GBP	-465	24	
Up to six months	EUR	1,931	GBP	-1,726		-15
Up to six months	EUR	6,747	GBP	-6,277		-302
Up to six months	EUR	2,741	GBP	-2,527		-100
Up to six months	EUR	890	GBP	-798		-9
					816	-17,896
Net forward currency contracts at 31 March 2020						**-17,080**
Prior year comparative						
Open forward currency contracts at 31 March 2019					3,414	-292
Net forward currency contracts at 31 March 2019						**3,122**

15d. Property Holdings

	Year ending 31 March 20 £000's	Year ending 31 March 19 £000's
Opening Balance	487,193	484,241
Additions	1,844	31,700
Disposals	-4,710	-43,750
Net increase in market value	-6,222	15,002
Closing Balance	**478,105**	**487,193**

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 20 £000's	Year ending 31 March 19 £000's
Within one year	18,228	19,769
Between one and five years	42,150	47,985
Later than five years	33,885	39,740
	94,263	**107,494**

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.

15e. Investments analysed by Fund Manager

	Market Value as at 31 March 2020		Market Value as at 31 March 2019	
	£000's	%	£000's	%
Investments managed by Link for the ACCESS Pool				
Baillie Gifford	1,122,058	19.7	1,299,300	20.9
M&G	298,971	5.2	357,903	5.8
Ruffer	71,377	1.3	0	0.0
Schroders	770,263	13.5	957,557	15.4
Investments managed outside the ACCESS Pool				
Baillie Gifford	1,406	0.0	2,763	0.0
CQS	108,422	1.9	0	0.0
DTZ	529,174	9.3	543,548	8.8
Fidelity	130,671	2.3	129,377	2.1
Goldman Sachs	368,288	6.5	384,637	6.2
HarbourVest	94,199	1.8	73,316	1.2
Impax	43,028	0.8	47,716	0.8
Kames	47,176	0.8	52,368	0.8
Kent County Council Investment Team	96,613	1.7	55,040	0.9
M&G	185,344	3.2	31,604	0.5
Partners Group	60,157	1.1	48,211	0.8
BMO (Pyrford)	415,074	7.3	424,373	6.8
Ruffer	0	0.0	67,970	1.1
Sarasin	246,207	4.3	253,960	4.1
Schroders	466,119	8.2	532,993	8.6
UBS	577,391	10.1	654,320	10.5
YFM	35,508	0.6	28,488	0.5
Link Fund Solutions (previously Woodford)	35,704	0.6	259,654	4.2
	5,703,150	100	6,205,098	100

All the external fund managers above are registered in the United Kingdom. During the year assets managed by Ruffer were transferred to the ACCESS pool. Following the commencement of liquidation proceedings of the LF Woodford Equity Income Fund it is now managed by Link Fund Solutions.

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

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
UBS Life World Ex-UK Equity Tracker Fund	289,255	5.1
LF ACCESS Global Dividend Fund	298,971	5.2
BMO Investments Ireland (Plc) Global Total Return Fund	415,074	7.3

Investments	31 March 2019	
	£000's	% of net assets
LF ACCESS Global Equity Core Fund	1,299,300	20.9
LF ACCESS UK Equity Fund	957,557	15.4
UBS Life UK Equity Tracker Fund	336,049	5.4
LF ACCESS Global Dividend Fund	357,903	5.8
BMO Investments Ireland (Plc) Global Total Return Fund	424,373	6.8

15g. 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 2020		
Loan Type	Market Value	Collateral Value	**Collateral type**
	£000's	£000's	
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**	

	31 March 2019		
Loan Type	Market Value	Collateral Value	**Collateral type**
	£000's	£000's	
Equities	11,877	12,444	Treasury Notes and other Government debt
Bonds	11,653	12,210	Treasury Notes and other Government debt
	23,530	**24,654**	

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. The implementation of IFRS9 has not resulted in changes to the classification of financial assets/liabilities.

	31 March 2020			31 March 2019		
	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	339,054			363,728		
Equities	236,536			249,994		
Pooled Investments	4,028,528			4,601,708		
Property Pooled Investments	287,008			257,690		
Private Equity/Infrastructure	189,864			150,015		
Derivative contracts	0			3,122		
Cash & Cash equivalents		135,027			86,099	
Other Investment Balances		29,502			17,028	
Debtors/ Receivables		31,557			25,964	
	5,080,990	**196,086**	**0**	**5,626,257**	**129,091**	**0**
Financial Liabilities						
Derivative contracts	-17,081					
Other Investment balances	0		-324			-5,906
Creditors			-20,897			-18,466
	-17,081	**0**	**-21,221**	**0**	**0**	**-24,372**
Total	**5,063,909**	**196,086**	**-21,221**	**5,626,257**	**129,091**	**-24,372**

16b. Net Gains and Losses on Financial Instruments

	31 March 20 £000's	31 March 19 £000's
Financial assets		
Fair value through profit and loss	-608,360	289,618
Assets at amortised cost	882	513
Total	**-607,478**	**290,131**

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 which represent the highest and best price available at the reporting date.

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	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

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 2020.

	Assessed valuation range (+/-)	Value as at 31 March 2020 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	26.2%	129,707	163,690	95,724
Infrastructure	28.6%	60,157	77,362	42,952
Other Level 3 investments	26.2%	35,704	45,058	26,350

	Assessed valuation range (+/-)	Value as at 31 March 2019 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	26.2%	101,804	128,477	75,131
Infrastructure	28.6%	48,211	61,999	34,423
Other Level 3 investments	0	0	0	0

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 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 2020 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 2020	Quoted market price Level 1 £000's	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Assets				
Financial assets at fair value through profit and loss	1,861,179	2,994,242	225,568	5,080,989
		478,104		478,104
Non- Financial assets at fair value through profit and loss				
Financial liabilities at fair value through profit and loss	0	(17,081)	0	(17,081)
Net Investment Assets	**1,861,179**	**3,455,265**	**225,568**	**5,542,012**

Values at 31 March 2019	Quoted market price Level 1 £000's	Using observable inputs Level 2 £000's	With significant unobservable inputs Level 3 £000's	Total £000's
Assets				
Financial assets at fair value through profit and loss	2,600,671	2,875,571	150,015	5,626,257
		487,193		487,193
Non- Financial assets at fair value through profit and loss				
Financial liabilities at fair value through profit and loss	0	0	0	0
Net Investment Assets	**2,600,671**	**3,362,764**	**150,015**	**6,113,450**

17b. Reconciliation of Fair Value Measurements within Level 3	£000's
Market Value 1 April 2019	150,015
Transfers into level 3	198,467
Transfers out of level 3	0
Purchases during the year	59,487
Sales during the year	-175,604
Unrealised gains/ losses	(6,797)
Realised gains/losses	0
Market Value 31 March 2020	**225,568**

During the year the LF Woodford Equity Income Fund (now renamed Link Equity Fund) went into liquidation and its units therefore cannot be redeemed by investors. The units will be redeemed as and when the underlying, mainly illiquid assets of the fund are sold. As a result the investment in the Link Fund is now classified as a Level 3 investment.

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 2019-20 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	25.8
Overseas Equities	22.0
Global Pooled Equities inc UK	22.0
Bonds	6.2
Property	9.8
Infrastructure	28.6
Private Equity	26.2

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 20 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	135,027	0.00	135,027	135,027
Investment portfolio assets:				
UK Equities	29,239	25.80	36,783	21,695
Overseas Equities	207,298	22.00	252,904	161,692
Global Pooled Equities inc UK	3,583,961	22.00	4,372,432	2,795,490
Bonds incl Bond Funds	783,621	6.20	832,206	735,036
Property Pooled Funds	287,008	9.80	315,135	258,881
Private Equity	129,707	26.20	163,690	95,724
Infrastructure Funds	60,157	28.60	77,362	42,952
Net derivative liabilities	-17,081	0.00	-17,081	-17,081
Investment income due	11,975	0.00	11,975	11,975
Amounts receivable for sales	724	0.00	724	724
Amounts payable for purchases	-324	0.00	-324	-324
Margin Cash	16,803	0.00	16,803	16,803
Total	**5,228,115**		**6,197,635**	**4,258,595**

Asset Type	Value as at 31 March 19 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	86,099	0.00	86,099	86,099
Investment portfolio assets:				
UK Equities	33,301	25.80	41,893	24,709
Overseas Equities	216,693	22.00	264,365	169,021
Global Pooled Equities inc UK	4,360,811	22.00	5,320,189	3,401,433
Bonds incl Bond Funds	604,625	6.20	642,112	567,138
Property Pooled Funds	257,690	9.80	282,944	232,436
Private Equity	101,804	26.20	128,477	75,131
Infrastructure Funds	48,211	28.60	61,999	34,423
Net derivative assets	3,122	0.00	3,122	3,122
Investment income due	17,028	0.00	17,028	17,028
Amounts receivable for sales	0	0.00	0	0
Amounts payable for purchases	-1,373	0.00	-1,373	-1,373
Margin Cash Liability	-4,533	0.00	-4,533	-4,533
Total	**5,723,478**		**6,842,322**	**4,604,634**

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 2020 and 31 March 2019 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 20 £'000s	31 March 19 £'000s
Cash and cash equivalents	131,959	80,526
Cash Balances	3,068	5,573
Bonds		
- Directly held securities	339,055	363,728
- Pooled Funds	444,566	240,897
Total	**918,648**	**690,724**

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 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**

Asset Type	Carrying amount as at 31 March 19	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	80,526	0	0
Cash Balances	5,573	0	0
Bonds			
- Directly held securities	363,728	-3,637	3,637
- Pooled Funds	240,897	-2,409	2,409
Total change in assets available	**690,724**	**-6,046**	**6,046**

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 2020 and 2019:

Currency exposure - asset type	Asset value as at 31 March 20	Asset value as at 31 March 19
	£000's	£000's
Overseas Equities	207,298	216,693
Overseas Pooled Funds	2,623,144	2,807,551
Overseas Bonds	0	6,577
Overseas Private Equity, Infrastructure and Property funds	154,618	122,156
Non GBP Cash	9,123	15,287
Total overseas assets	**2,994,183**	**3,168,264**

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 2019-20 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 20	Change to net assets available to pay benefits	Change to net assets available to pay benefits
		+7.1%	-7.1%
	£000's	£000's	£000's
Overseas Equities	207,298	222,016	192,580
Overseas Pooled Funds	2,623,144	2,809,387	2,436,901
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	154,618	165,596	143,640
Non GBP Cash	9,123	9,771	8,475
Total change in assets available	**2,994,183**	**3,206,770**	**2,781,596**

Currency exposure - asset type	Asset value as at 31 March 19	Change to net assets available to pay benefits	Change to net assets available to pay benefits
		+7.1%	-7.1%
	£000's	£000's	£000's
Overseas Equities	216,693	232,078	201,308
Overseas Pooled Funds	2,807,551	3,006,887	2,608,215
Overseas Bonds	6,577	7,044	6,110
Overseas Private Equity, Infrastructure and Property funds	122,156	130,829	113,483
Non GBP Cash	15,287	16,372	14,202
Total change in assets available	**3,168,264**	**3,393,211**	**2,943,317**

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 20 £000's	Balance as at 31 March 19 £000's
Money Market Funds			
Northern Trust Sterling Fund	**AAAm**	9,002	7,442
SSGA Liquidity Fund	**AAAm**	2	19
Blackrock ICS	**AAAm**	65	0
Blackrock USD Government Liquidity Fund	**AAAm**	17	6,222
Aberdeen Sterling Liquidity Fund	**AAAm**	18,619	3,750
Goldman Sachs Liquid Reserve Government Fund	**AAAm**	17,523	12,014
Aviva Investors Sterling Liquidity Fund	**AAAm**	42,348	14,996
Federated (PR) Short-term GBP Prime Fund	**AAAm**	10,001	0
Deutsche Managed Sterling Fund	**AAAm**	9,294	15,004
HSBC Global Liquidity Fund	**AAAm**	5,963	33
LGIM Liquidity Fund	**AAAm**	7,161	14,992
Insight Sterling Liquidity Fund	**AAAm**	3,143	16
		123,138	**74,488**
Bank Deposit Accounts			
NatWest SIBA	**BBB+**	0	8
		0	**8**
Bank Current Accounts			
NatWest Current Account	**BBB+**	30	53
NatWest Current Account - Euro	**BBB+**	39	4,146
NatWest Current Account - USD	**BBB+**	0	732
Northern Trust - Current Accounts	**AA-**	9,767	3,939
Barclays - DTZ client monies account	**A*+**	2,053	2,733
		11,889	**11,603**
Total		**135,027**	**86,099**

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 2020 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 20	31 March 19
	£m	£m
Present value of promised retirement benefits	-9,099.7	-9,300.5
Fair value of scheme assets at bid value	5,716.9	6,218.2
Net liability	-3,382.8	-3,082.3

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 62.8% 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	2.95%
Inflation/Pensions increase rate	1.95%
Discount rate	2.35%

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 20	31 March 19
	£000's	£000's
Debtors		
- Contributions due - Employees	4,160	4,055
- Contributions due - Employers	13,791	12,690
	17,951	16,745
Sundry debtors	13,606	9,219
Total Debtors	**31,557**	**25,964**
Cash	3,068	5,573
Total Current Assets	34,625	31,537

22. Current Liabilities

	31 March 20	31 March 19
	£000's	£000's
Creditors		
- Benefits Payable	12,039	10,472
- Sundry Creditors	8,858	7,994
Total Current Liabilities	**20,897**	**18,466**

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	Equitable Life
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£000's	£000's	£000's	£000's	£000's	£000's
Value at 1 April	8,636	8,480	2,017	2,087	424	534
Value at 31 March	8,416	8,636	1,736	2,017	423	424
Contributions paid	1,305	1,633	114	110	1	1

During the year, investments with Equitable Life were transferred to Utmost Life and Pensions following a transfer of business by Equitable life.

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.

	2019-20	2018-19
	£000's	£000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	71,025	71,127
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.	3,892	3,409
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-823	-4,683

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2019-20 was the Director of Finance

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

	31 March 20	31 March 19
	£000's	£000's
Salary	137	97
Allowances	4	4
Other	0	5
Employer's pension contributions	39	20
Total	180	126

The remuneration for the current year was lower in the previous year as the position of the Director of Finance was vacant for part of the year.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2020 totalled £564.4m (31 March 2019: £352.5m)

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

Opinion

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries and joint venture (the 'group') for the year ended 31 March 2020 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 2019/20.
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 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.
Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where::

• the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

• the Corporate Director of Finance has not disclosed in the financial statements any identified
material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pension fund property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority’s and group’s land and buildings and the Authority’s share of the pension fund’s property investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, due to the unknown future impact that Covid-19 might have on the real estate market, the Authority was advised by their external valuers that valuations were reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. The Authority has also disclosed that they are aware that the Kent Pension Fund intends to disclosure a ‘material valuation uncertainty’ in relation to the directly held property and pooled property funds within the assets of the pension fund. This is due to the level of uncertainty since the outbreak of Covid-19. The Council’s share of these assets is material and therefore the uncertainty has been disclosed. Our opinion is not modified in respect of this matter.

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 of the group and Authority 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘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 matter 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 more fully in the Statement of Responsibilities set out on page 17 of the financial statements, 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 2019/20, 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 financial statements, the Corporate Director of Finance is responsible for assessing the group's and the Authority'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 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.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

London

27th November 2020

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

Opinion

We have audited the financial statements of Kent County Council Superannuation Fund (the 'pension fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.
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 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or

• the Corporate Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

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 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments and pooled property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, since the outbreak of COVID-19, as at the valuation date, valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Our opinion is not modified in respect of this matter.

Other information

The Corporate Director of Finance's is responsible for the other information. The other information comprises the information included in 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 and group'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's 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 this 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 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 for the financial year for which the financial statements are prepared is consistent with the pension fund's 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

• 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.

Independent auditor's report to the Members of Kent County Council on the pension fund financial statements of Kent County Council Superannuation 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 on page 17 of the financial statements 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 2019/20, 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 Kent County Council 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 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.

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

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

London

27th November 2020

Annual Governance Statement

Purpose of Statement

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 2019-20 and in the relevant period up to the signature of the statement. This statement forms part of Kent County Council's Statutory Accounts and it was published in draft before its presentation to the authority's Governance & Audit Committee for approval. The signatories of this statement on behalf of KCC are the Leader of the Council, the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Head of Internal Audit is also required to provide an annual opinion to inform the AGS. All Corporate Management Team members input to and endorse the Annual Governance Statement before it is published.

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, 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.

In this year's statement, the mechanism for collecting information has been changed based upon the discussion at the Governance and Audit Committee in 2019. These changes have allowed greater focus on the key controls and a stronger discussion with Officers about maturity and development of governance. This approach to building the AGS means that, in places, the reader will see recognition of improvements that can and should be made. The changes also allow KCC to move towards a more dynamic assurance model. It has been necessary to reflect on the impact of Covid-19 on governance. The impact of the recent unprecedented times will be felt by many organisations and KCC has been required to make changes in the way governance processes operate in response to this.

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. We have a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. We also have a duty to continuously review and improve the way we work whilst offering services that are efficient and value for money.

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.

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. The Code 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 Monitoring Officer had already committed to further review the Code in 2020/21, which will now be informed by the new LGA Draft Code of Conduct issued in June 2020.

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.

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 staff are expected to live by three core values - the Kent Values. These values affect everything staff do with customers, partners and each other.

- Open - Acting with integrity, honesty and transparency; healthy attitude to risk; welcoming and expecting change and evolving technology; working in new ways; willing to learn; working as a whole-council and treating people fairly and with respect.
- Invite contribution and challenge - Working collaboratively and innovatively to find new solutions that put the interests and wellbeing of customers first; open to challenge and actively encouraging and expecting contribution.
- Accountable - Self-sufficient, taking personal and professional responsibility for our actions, the pace at which we work, performance and the council's money.

All 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 colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust. 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 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?

Kent County Council continues to perform well and respond to increasing demand and financial challenges through its effective operation, political leadership, management, strategies and innovations. Whilst not wholly applicable to the period 2019/20, Covid-19 has presented significant response, recovery and financial challenges that the authority will continue to respond to. These have required Executive Members and Statutory Officers to intervene in order to protect the best interests of the residents of Kent and the statutory functions of the Council. The timing and prolonged nature of the Covid-19 crisis means that the authority must review several of KCC's existing approaches and strategies, including a recast of the 2020-21 budget. Governance is no different in this regard and will be a standing item for discussion at Selection and Member Services Committee.

Quarterly Performance Reports (QPR) are produced to inform Cabinet about key areas of performance for the authority and the direction of travel. At the end of Quarter 4 2019/20 it was reported that 23 of the 35 Key Performance Indicators achieved target (Green), 9 achieved and exceeded the floor standard however not the target to achieve Green (Amber). 3 KPIs did not meet the floor standard (Red).

Whilst a positive direction of travel was seen throughout 2019/20, it is recognised that the impact of Covid-19 on 2020/21 reporting is likely to be significant and include issues with the availability of data. It is anticipated that there will be a requirement to revise KPIs and the associated targets.

During the period 2019/20, '***Increasing Opportunities, Improving Outcomes***' was the authority's strategic statement which set out KCC's vision for a five-year period ending in 2020. The vision described how KCC seeks to improve lives by ensuring that every pound spent in Kent is used to deliver better outcomes for the county's residents, communities and businesses. **Annual Reports** were developed for each year during the period of the plan to illustrate progress and these are available on KCC's public facing website. The report for 2019 was presented to full Council and noted on 17th October 2019.

On 17th February 2020, the public consultation on a new five-year plan closed. The plan was brought together by working with and listening to our residents, young people, local businesses, the voluntary and community sector and staff. Engagement levels were excellent, and the valuable feedback received helped to evolve thinking further.

Unfortunately, because of the Covid-19 emergency the new proposed plan was not launched as the implications of the pandemic have identified a need to re-evaluate the strategy based on the new challenges and longer-term recovery considerations the authority now faces. KCC will have to issue a strategic position and vision that is reflective of the current circumstances. An Interim Strategic Plan is being developed for December 2020 and the roadmap to develop a new Five-Year Plan by 2021 was agreed at full Council in July 2020.

The authority's **Strategic Delivery Plan (SDP)** is a single business plan for KCC and sets out the wide ranging and significant activities we deliver. A monitoring process is in place and this information is considered by Cabinet Committees on a six-monthly basis. The Strategic Delivery Board, as part of the new informal governance arrangements, considers activities of importance and concern identified through the quarterly monitoring alongside activities where engagement is required pre-decision, for example on developing business cases or commissioning plans.

The Corporate Management Team (CMT) are collectively responsible for identifying management actions that should be taken to address any issues arising from the Strategic Delivery Plan monitoring process. CMT provide assurance to Cabinet Members through the Corporate Board forum. The Covid-19 crisis has seen the CMT work together even more closely than before using regular virtual meetings to deal with urgent and pressing issues and to jointly agree operational responses.

Cabinet Members and CMT have agreed that directorate business plans will no longer be produced as the Strategic Delivery Plan is in place. **Annual Operating Plans** are available for each of KCC's divisions and these are published on KCC's intranet site KNet.

In response to the recent impacts of Covid-19, a revised SDP for 2020/21 has been produced. Monitoring arrangements will continue on a proportionate basis which is reflective of the current situation and effectively tracks progress.

A new **Control Framework** for strategies and policies was launched this year. It sets out some simple principles for the management of our strategies and high-level policies. The Control Framework explains which types of document are in scope for inclusion on the **Strategy and Policy Register**. The framework has been agreed by the Corporate Management Team and is referenced within KCC's Constitution and Operating Standards. It is overseen by the Policy and Resources Cabinet Committee.

During 2019/20 a structural review of **KCC's Constitution** was undertaken, this was presented to and agreed by full Council on 17th October 2019. This review was initiated in response to the significantly changed operating environment and the strong view of Members that they would like a Constitution that is dynamic and capable of moving better with the organisation's changing needs. The Constitution is now more streamlined and accessible to the reader and user. Members have and will continue to be engaged in driving work forward to further evolve the Constitution.

In January 2020, members of the Governance & Audit Committee received a report from the General Counsel setting out work planned on a **review of corporate governance**. In addition to several planned activities, the report set out proposals to review the way in which information is gathered to build the Annual Governance Statement. This activity has been progressed and this year a systems-based process was used to collect key information from across directorates. This has proved to be a more streamlined and effective approach. Members of the Governance & Audit Committee have also received training on AGS considerations.

In January 2020, an Independent Member of the Governance & Audit Committee was appointed to support the objectives of the Committee. The Committee continues to ensure that the Council's financial affairs are properly and efficiently conducted and review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

A **Corporate Risk Register** is in place and the Governance & Audit Committee receive this on a six-monthly basis for assurance purposes, Cabinet also receive this information. In January 2020, the Governance & Audit Committee undertook the annual review of **KCC's Risk Management and Policy Statement** and agreed this for the coming year. This has been followed up by a Risk workshop for Committee members in October 2020.

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. On 17th October 2019, full Council approved an updated matrix of approval limits as an amendment to the Constitution. Changes were made to align with new staffing structures and the responsibilities of Strategic Procurement and Commissioning.

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 provided. The annual budget is presented to County Council for approval, this is supported by an assurance statement from the statutory Section 151 Officer. The deferral by Government of the 2019 Spending Review and consequential lack of multi-year funding settlement led to the decision not to publish a detailed Medium-Term Financial plan for 2020/23 as part of the approval of the 2020/21 revenue budget.

For the 20th consecutive year the Council can demonstrate sound financial management, by containing revenue expenditure within the budgeted level (excluding schools). Learning will continue to be taken and an organisation-wide review of the Council's financial management using the CIPFA FM Model will be progressed in 2020/21. This review will help to ensure that the authority continues to maintain and improve its financial management practice and financial resilience and is equipped to respond to the financial pressures local authorities will be facing for the foreseeable future.

Kent County Council's **Scrutiny Committee** continues to investigate issues affecting the authority and Kent residents and makes recommendations to support the improvement of council services. New **Select Committees** were established in 2019/20, and topics included Knife Crime and Affordable Housing. Select Committees present progress updates, findings and recommendations to full Council. The Knife Crime Select Committee report was endorsed on 17th October 2019. The Affordable Housing Select Committee was endorsed on 16th July 2020.

Full Council considered KCC's emerging relationship with the NHS **Integrated Care System (ICS)** this year given the potential proposals put forward to fundamentally change existing KCC social care budgets, policies and decision-making arrangements. The County Council agreed that KCC describes its relationship with the emerging Integrated Care System as being partners to the ICS supporting the vision and direction of travel and not partners in the ICS. It was also resolved that KCC is not bound to any system wide decisions made through STP/ICS Governance but continues to influence, support and align to the vision for the ICS where it makes sense for the County Council to do so. The signing of the ICS Memorandum of Understanding was delegated to the Leader in his role as Cabinet Member for Health Reform.

The **Kent Local Area SEND Written Statement of Action** was issued in 2019 in response to the joint Ofsted and Care Quality Commission inspection that took place between 28 January 2019 and 1 February 2019. The local area inspection focussed on the implementation of disability and special educational needs reforms as set out in the Children and Families Act 2014. The findings of the inspection were detailed in a letter which is available on the Ofsted website.

The Kent Local Area SEND Written Statement of Action explains the steps that are being taken to improve parental engagement and co-production, inclusive practice and outcomes, progress and attainment, the quality of EHCPs, joint commissioning, governance and service provision. Ofsted and the CQC confirmed in writing on 3rd September 2019 that the statement was fit for purpose in setting out how the local area will tackle the significant areas of weakness identified in the published report letter. It was noted by the inspection bodies that several improvements had been made to the statement including more direct links between the planned actions and outcomes for children and young people.

Many positive steps are being taken to address the areas of improvements identified by the inspection including the establishment of the Kent Parents and Carers Together group (PACT) for parents of children and young people with disabilities and additional needs to share their views and to have a voice.

New **Safeguarding Children's Multi-agency partnership arrangements** were established in 2019/20. The KSCMP is a new statutory body which replaces the former local Safeguarding Children Board which has ceased to exist. An agreed governance structure is in place and partner agencies are Kent County Council, the NHS and Kent Police. The partnership was put into effect on 17th September 2019 and County Council were provided with an update on the new arrangements at their meeting on 17th October 2019.

KCC's **EU to UK transition preparedness** was considered by full Council during 2019/20 and this remains a subject of high priority and focus for the authority. It is recognised that there will be significant resource implications associated with the management of the transitional activity at a local level and the Covid-19 response and recovery which will be operating in parallel. The Corporate Director of Growth, Environment and Transport is leading the operational preparations for the transition.

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. The Strategic Delivery Board was established this year.

The Council has continued throughout the year to **engage and consult** with residents, listening to and drawing upon feedback to inform strategies and service developments. Consultation topics this year have included, but have not been exclusive to, proposed changes to our charging policy for Adult Social Care Services provided in a person's own home or in the community, the Domestic Abuse Strategy, the Kent and Medway Energy & Low Emissions Strategy and the Civil Society Strategy.

KCC has an established **complaints and compliments procedure** which helps to improve the services we provide to all customers. The County Council's public facing website provides the detail of how feedback can be provided to each service. There is a commitment to operating an effective customer feedback system, that demonstrates to the public that the authority:

- Puts customers at the heart of everything we do
- Listens to what residents have to say
- Is open, honest and transparent
- Is responsive and fair.

Customer feedback processes were reviewed by internal audit this year. The audit found that *'Internal control, governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. And that there were 'very good' prospects for improvement'*.

At the time of writing this statement, the Annual Complaints, Comments and Compliments Report for 2019/20 has been produced and will be presented to the October Governance & Audit Committee for consideration. The report includes statistics relating to customer feedback received by the Council and a sample of complaints considered by the Local Government and Social Care Ombudsman.

In response to the Covid-19 emergency, the members of the Corporate Management Team agreed a temporary Complaints Policy which was published on the County Council's website.

Kent County Council continues to place a significant emphasis on cyber security. In May 2019, the Strategic and Corporate Services Directorate Management Team received a report setting out the detail of a maturity assessment. Whilst there are no mitigations that are completely effective against cyber-attack, KCC has developed a cyber security framework for the organisation. Multiple controls are in place as part of the network security regime. These controls are audited by a combination of Public Service Network Code of Connection certification (PSN CoCo), internal audit assessments and external auditing assessment.

To provide an independent assessment of the Council's position, a review of KCC's cyber resilience was commissioned from the National Computing Centre Group (NCCG). The NCCG review concluded that whilst KCC has an overall good level of maturity, there are several areas where the authority's approach could be further strengthened. An internal action plan has been developed to address issues raised, this is owned by the Director of Infrastructure.

Unfortunately, criminals appear to be targeting the systems of organisations during the pandemic and one of KCC's wholly owned companies has already fallen victim to a cyber attack, learning is being taken and reported to the Shareholder Board. Measures will continue to be adopted to ensure that systems are secure and resilient. The risk level attributed to cyber security has also been raised in KCC's Corporate Risk Register in recognition of the significant reliance on IT in the current climate, the increasing prevalence of cyber-attacks on organisations and increased remote working.

The Council manages investments in the wholly owned trading companies through a Shareholder Board with a range of governance documents managing the controls including reserved matters. In addition, the shareholder receives relevant audits from the companies with the ability to further review as necessary. As part of actions from the 2019 AGS, this year the Holding Company has carried out an AGS process of their own which will be assured by the Head of Internal Audit.

Whilst many positive steps were taken in 2019/20 to improve and streamline the authority's governance processes, it is important not to lose sight of the requirement to evolve and adapt further to respond to the numerous challenges that Covid-19 has and will continue to present. Decision processes and the ways in which KCC's Committee meetings are conducted have already been adapted to reflect the impracticalities of holding physical meetings at the current time. Members and Officers have responded exceptionally well to the new approach and opportunities to harness new technologies and continue to innovate in this unexpectedly changed operating environment will be sought.

Members and Officers will work together to ensure that KCC's governance arrangements continue to be fit for purpose and support the effective provision of services to Kent's residents. Evolving Government policies, guidance and the central response to the national funding situation will continue to impact the way KCC operates and governs its services moving forward.

The financial implications of Covid-19 are extremely significant and in the 2018/19 AGS specific reflections were made about the existing local government financing position and the requirement to find significant savings in future years. Pressures associated with areas such as asylum remain and continue to increase. The asylum situation in Kent and KCC's position has been widely publicised recently.

The Secretary of State approved Kent County Council's request to transfer 1% from the Schools block of funding to the High Needs block of funding. This transfer of funding has meant that Kent County Council can support greater inclusion of children and young people with Education Health and Care Plans (EHCPs) into mainstream schools.

In the 2018/19 Annual Governance Statement, specific regard was given to capital constraints associated with the delivery of new school placements. Because of Covid-19 it has been necessary to quickly undertake an assessment of the impact on the capital programme with schools, stakeholders and contractors. The review identified over 30 capital projects, which are at risk due to contractors having stopped work or reported delays due reduced labour and material supply issues. To ensure that KCC can continue to support the supply chain and meet the authority's statutory obligation to deliver school places for September 2020 a key decision was taken to approve additional contractor funding for projects that already have a key decision or delegated authority in place.

The financial challenge is being worked through using several high-level scenarios so the implications on the budgets for 2020/21 and 2021/22 can be understood and actions subsequently taken. The size of the challenge the authority faces will be dependent on the level of further Government funding that comes forward and may need to include the use of reserves.

Kent County Council will continue to deliver better outcomes for Kent's residents, communities and businesses in these very difficult circumstances whilst reviewing and revisiting some of the underpinning strategy direction that has been impacted by Covid-19.

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 collating, 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 2018/19. Issues identified by Audit were also considered for inclusion in this statement.

Learning has been taken about the requirement to refine AGS information collation processes and this year technology has been used to support the gathering of data.

Set out below are a range of key findings and identified actions to manage the issues identified. Signature of the statement below is predicated on the basis that the identified actions are discharged within the coming year.

Key Findings

- All directorates have confirmed that their services and staff are compliant with the KCC Operating Standards.

- The new approach to gathering information has provided an opportunity for Officers to comment on the maturity of the governance within their services. Accountable Officers have been able to set out their improvement plans which means that the assessment of governance can be taken cognisant of planned activity and improvements.

- Services have self-assessed with scores ranging between 7/10 and 9/10. These assessments will be reviewed by Internal Audit against known governance issues, risk registers and audit activity to support improvement plans.

• The implementation of the new approach to data capture means that governance issues can now be tracked in real time and reported to the Governance and Audit Committee. This means that the process of reviewing governance can continue throughout the year rather than waiting for the annual review – thereby improving accountability for improvements.

• Officers have confirmed that they have the necessary resources and delegations in place to meet their constitutional, governance and legal obligations. Internal Audit will test the efficacy of these through the audit

• Further improvements and training are required around decision-making (particularly relating to two-stage decisions) to ensure that key and significant decisions are taken and published in accordance with the Constitution.

• Members are concerned about the number of decisions taken under delegation by Officers and the lack of recording and reporting of these.

• There have been occasions where the roles of Officers and Members have not remained clearly defined or as set out in the constitution.

• There are increasing levels of additional governance that have been put in place within individual directorates for operational reasons and in some circumstances, this can risk undermining statutory and constitutional controls.

• There has been a significant increase in the number of urgent decisions and decisions where the time on the FED was reduced. Whilst many of these have been as a result of Covid-19, this has not always been the case.

• Significant assurance has been provided in relation to the importance placed on governance controls by individual directorates and their accountable senior Officers.

• At the time of this document being prepared in draft, there was an even greater need to listen and understand issues of equality, prejudice and discrimination. It is rightly important that the organisation pauses, listens and reflects on these issues. In relation to this statement, the appendix that will be added on final signature will specifically consider these issues from a governance perspective when a more careful and considered view is possible having listened to staff groups and others.

<u>Identified Actions</u>

- **Liaison with Internal Audit on review of self-assessment and improvement plans**
- **Refreshed programme of training for Officers and Members on decision-making.**
- **Review of formal governance to increase controls at FED and Decision stages to ensure mandatory compliance with governance.**
- **Creation of mechanism for recording Officer decisions taken under delegation for scrutiny by Members.**
- **Review of Directorate delegations reporting to Governance and Audit Committee.**
- **Further revisions to the constitution and operating standards.**
- **Review of Company Governance and Audit Arrangements.**
- **Introduction of dynamic review of outstanding governance issues to report quarterly to Governance and Audit Committee.**

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Kent County Council is a Member led authority and the roles and responsibilities of elected Members and Officers and the processes that govern the conduct of the Council's business are defined in the Constitution, Contract and Tenders Standing Orders, and Financial Regulations. The Monitoring Officer and Section 151 Officer respectively are responsible for reviewing and updating these as required.

A structural revision was made to the Constitution this year. Whilst it was noted by Members that the Constitution was legally sound, it was recommended that it would be beneficial to have a document that is dynamic and capable of moving better with the organisation's changing needs. It was also necessary to accurately reflect the Council's operating model. For these reasons, a revised version of the Constitution was presented to and endorsed by full Council in October 2019. Work with Members continues to further evolve the Constitution.

There is a clear expectation that all Members and Officers apply high ethical values and standards of behaviour. Codes of Conduct are in place to ensure that public duties are undertaken fairly and in line with the authority's statutory obligations. Members and Officers are required to declare any potential conflicts of interests and the information for County Councillors and Senior Officers is published on Kent.gov.

KCC's Standards Committee has several responsibilities as set out in the Localism Act 2011 including the promotion and maintenance of high standards of conduct by Members and Co-opted Members of the County Council. The Monitoring Officer delivers a summary of Member complaints received, the advice of the Independent Person engaged and the complaint outcome to the Committee. A Standards Committee Hearing Panel is in place.

The Kent Code sets out the expectations for the conduct of all employees. A staff disciplinary procedure is in place with the primary purpose of improving and maintaining acceptable standards of conduct and behaviour. Serious disciplinary issues associated with staff conduct generate formal investigations and hearings to consider the facts around an allegation.

Kent County Council has an identified set of core values and these are incorporated in staff recruitment and performance management activities.

KCC has an Anti-Fraud and Corruption Strategy and the authority openly welcomes reports from the public, staff and Members of instances of actual, attempted and suspected fraud that pose a threat to resources. Reports made are investigated and fraud prevention data is publicly available on the County Council's website.

The County Council has a Whistleblowing Policy in place and named contacts in directorates are identified.

KCC's Monitoring Officer is responsible for ensuring that all relevant statutes and regulations are complied with and agreed procedures followed. Advice continues to be provided to both Members and Officers and channels to raise any concerns about integrity or governance remain open.

The Governance & Audit Committee considers both internal and external audit activity as well as updates, reports, and advice from the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit.

Principle B - Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public and webcast unless there are reasons for not doing so in line with the relevant statutory provisions. Frequently representatives from the media attend KCC's public meetings.

A back catalogue of Committee meeting webcasts is held on Kent.gov and all papers, except for exempt items, are also publicly available alongside the minutes from each meeting. This system enables the public to watch live coverage of meetings and review the detail of forthcoming items or items previously considered. Forward programmes of work are also made available for each Cabinet Committee.

It is a requirement that Pre Records of Decisions are published before key decisions are considered by Cabinet Committees then subsequently taken by the Executive. This provides transparency of the planned decision so Members can comment on recommendations made.

KCC has paper petition and e-petition systems in place. Anyone who lives, works or studies in Kent County Council's area can submit or sign a petition. Thresholds are in place and if a petition has at least 1,000 signatures it will be debated at the most appropriate local meeting. Petitions receiving 2,500 and 9,999 signatures are considered by the relevant Cabinet Committees. Those receiving 10,000 signatures or more are considered by the County Council. The detail of petitions received are available on Kent.gov.

Kent County Council is increasingly using a variety of social media channels to engage with the county's residents. As an example, the authority has its own Twitter page on which the latest campaigns, news and engagement opportunities are promoted.

An easily accessible consultation portal is in place and members of the public and other stakeholders are invited to provide feedback on consultations relating to a wide range of service and strategy proposals. Opportunities to hold resident engagement events are frequently sought and this forum was used to inform the 2020/21 budget setting process.

Easy read documents are available to ensure that key information is accessible. Alternative formats of information can also be supplied.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Outcome 2 of Kent County Council's current Strategic Statement 'Increasing Opportunities, Improving Outcomes' is 'we want Kent communities to benefit from economic growth by being in-work, healthy and enjoying a good quality of life'. The Strategic Statement Annual Report for 2019 sets out achievements against this outcome and the performance direction of travel. The report highlights many activities undertaken including vital infrastructure improvements, the facilitation of commercial development, broadband delivery progress and the promotion of adult learning.

The Kent and Medway Growth and Infrastructure Framework (GIF) provides a county-wide picture of growth and infrastructure and indicates the extent of the infrastructure challenge. It continues to be used to provide a robust evidence base as part of the "infrastructure first proposition" - to attract investment, engage partners and inform solutions to unlock housing growth. The framework gives specific regard to transport, education, health and social care, community and culture, utilities and the natural environment.

The Kent and Medway Energy and Low Emissions Strategy (ELES) has been developed as a sub strategy of the Kent Environment Strategy. The purpose of the ELES is to identify an evidence-based approach to deliver clean growth. This includes strategies and actions to reduce carbon emissions, eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean and secure energy supply. A public consultation exercise was undertaken in 2019 to inform the ELES. The strategy sets out the vision that by 2050 the county of Kent will have reduced emissions to Net-Zero and will be benefiting from a competitive, innovative and resilient low carbon economy, where no deaths are associated with poor air quality. The four key strategy aims are evidence, policy and strategy, leadership and action.

The Social Isolation and Loneliness Select Committee developed an Action Plan with the purpose of ensuring that services and support are in place for residents of all ages who may be isolated. The Loneliness and Social Isolation Action Plan supports the Government Strategy 'A connected society: a strategy for tackling loneliness – laying the foundations for change'. Kent County Council also progressed its plans to refresh the VCS policy and consult on a new Civil Society strategy for Kent in 2019/20.

A clear process is in place to monitor performance across Kent County Council. Performance monitoring reports are considered within directorates, by the Corporate Management Team, Cabinet Committees, Cabinet and subsequently at meetings of relevance.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

All decision makers are presented with an objective analysis of a variety of options indicating how intended outcomes could be achieved together alongside the detail of any associated risks.

The Council has created a range of informal governance mechanisms, this is an important part of the effective management of the council and supports Officers and Elected Members in decision making, policy and budget development. The new Strategic Delivery Board provides advice to ensure the development of high-quality proposals, effective strategic alignment and financial management, and provides assurance on the delivery of Strategic Delivery Plan activities.

Clear guidance and protocols for decision making and the involvement of legal and financial Officers in significant decisions ensures that they are only made after the relevant options and associated risks have been assessed. Rules are also in place and monitored in relation to the signing and sealing of contracts and agreements.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

The development of the organisation's capacity and capability continues to be a significant and important area of focus. Covid-19 has presented many new and complex challenges associated with the organisation's capacity to manage demand and deliver services in a different way. Programmes of support and development continue to be extended to both Members and Officers and bespoke offers have been put in place in recognition of the implications of Covid-19. Up to date Business Continuity Plans have also been essential in sustaining service provision and the deployment of staff during the emergency period to ensure there is the right resource capacity in the right places.

The Corporate Management Team consists of the Corporate Directors who represent KCC's directorates and is led by the Head of Paid Service. The team are collectively responsible for:

- the managerial leadership and direction of the council
- the formal response to Cabinet policy direction
- council-wide policy and initiatives for Cabinet consideration
- co-ordination and commissioning of council-wide activity, planning, programme management.

Kent County Council has a People Strategy in place for the period 2017-2022 which sets out the intention to make the most of our staff and their talents. The strategy is built on the six key principles of business and outcomes focus, flexibility, building capacity, leadership, innovation and collaboration. It is important that the strategy continues to evolve in response to the impact of Covid-19 on the operational environment. A Corporate Management Team led review of KCC's Organisation Design Principles is currently underway.

KCC has an established Organisation Development Plan which explains how workforce capacity and capability will be improved to deliver transformation and service change. Organisation development is led by the Organisation Development function in partnership with directorate OD Groups and line managers. OD Groups and managers are responsible for implementing interventions which sustain change and improve organisation performance.

A Total Contribution Performance Assessment process is in place for staff. Managers are required to discuss expectations, objectives, performance and development with staff members as part of the regular conversations that take place throughout the year to inform the annual assessment. Toolkits are in place to support both managers and employees to manage conversations well.

Principle F - Managing risks and performance through robust internal control and strong public financial management

The authority has a Risk Management Policy and Strategy which sets out the detail of how risks are managed when they occur. Risks are managed throughout all levels of the organisation and a risk register hierarchy is in place to enable effective escalation. Guidance and toolkits are available to support the identification and management of risks, while accountable risk owners are also allocated. Risk management is embedded into the Council's activities and decision-making and regular reports are provided to Committees, Cabinet, the Corporate Management Team and directorates. The Corporate Risk Register is published on KCC's website and is regularly reviewed.

Because of Covid-19 a review has been undertaken to identify the impact on the authority's risk profile; the Corporate Risk Register has been revised accordingly. It is important to note that the level of risk exposure for KCC has increased due to Covid-19 and acceptable target risk levels for each risk have been put in place and will be monitored. The impacts of Covid-19 on the Corporate Risk Register were presented to the Governance & Audit Committee on 21st July 2020.

This year the County Council's Risk Management arrangements received a 'Substantial' Internal Audit assurance opinion, positively demonstrating the robust nature, organisational awareness and application of processes in place.

KCC's Corporate Director of Finance is the statutory Section 151 Officer and has responsibility for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

Financial Regulations set out the Council's financial governance and virement procedures.

The current Budget Book which was presented to County Council in February 2020, concluded that *'the Council has an increased risk profile since the 2019-20 budget was approved, and on a like-for-like basis the Council will have a similar level of earmarked reserves available during the year. This means the Council is marginally less resilient than before, but this is not a cause for concern at this stage. Whilst no immediate action is required, the Council's resilience will continue to be monitored and the trend will need to be reversed as much as possible in the medium term'*. However, the unexpected impact of Covid-19 has significantly impacted the current budgetary position and an overview of these impacts was presented to the Scrutiny Committee.

Whilst the authority has responded well, current uncertainties have presented new challenges in respect of financial planning. Government grant monies have been received but it is recognised that the financial situation for the Council is unprecedented and challenging. Concerns have been articulated to MHCLG directly by the Council and through Kent Leaders, the Kent Finance Officers' Group, the County Council's Network and the Society of County Treasurers. Cabinet received a report on 22nd June 2020 setting out high level financial planning scenarios alongside the associated budgetary impacts. In September 2020 County Council have also considered the actions that were required to recast the 2020/21 revenue budget in response to the significant financial impact of Covid-19. The Corporate Risk Register will be revised to reflect the increased risk level attributed to the Medium Term Financial and Operating environment and key mitigations will be identified.

Across the organisation, the costs associated with the Covid-19 response are captured by budget managers in the Council's financial forecasting tool Collaborative Planning and cost estimates have been supplied to MHCLG. Kent County Council will continue to plan for multiple scenarios.

Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for control purposes, this includes the annual outturn and the detail of any proposed roll forwards. Members can consider any element of budget monitoring through the relevant Cabinet Committee to ensure performance and risks are managed effectively.

Principle G - Implementing good practices in transparency reporting, and audit to deliver effective accountability

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 which readers are also referred to. Whilst this report details the outcomes, actions and issues from audits insofar as they affect governance the Annual Internal Audit Report provides detail on the full range of audit activity including the limited assurance and no assurance findings.

The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. Quarterly reports on Internal Audit and Counter Fraud activity are presented to the Governance & Audit Committee on a quarterly basis for consideration. The Committee also approves the annual programme of work. External Audit updates and Audit Plans are also received from the authority's external auditor, Grant Thornton.

As mentioned earlier in this statement, an Independent Member was appointed to the Governance and Audit Committee this year. This appointment responded to CIPFA's Position Statement on Audit Committees which recommended as a matter of good practice that authorities consider the appointment of an Independent Member. In a report to the Governance and Audit Committee on 24th April 2019 it was noted that the advantages of having an Independent Member on the Committee are greater levels of apolitical independence and the bridging of certain skills gaps and expertise.

The services provided by the Internal Audit and Counter Fraud Team conform to the Public Sector Internal Audit Standards (PSIAS) 2017.

Kent County Council has established a holding company (Kent Holdco Ltd) to control and manage investments on a commercial basis. The Council exercises its interest in Kent Holdco Ltd through reserved matters and the activities of the Shareholder Board. KCC Non-Executive Directors and Independent Non-Executive Directors are appointed to the Kent HoldCo Ltd Company Board.

The Governance and Audit Committee receive and review the annual statutory financial accounts of the KCC limited companies and financial statements for other trading vehicles; corrective action is considered where appropriate. Kent County Council's wholly owned companies are required to produce an Annual Governance Statement which is reported on a consolidated basis by Kent HoldCo to the Shareholder Board.

Annual Governance Statement 2019/20 Conclusion

It is recognised that the authority must continue to adapt and refine its governance processes to respond to the new and significant challenges posed by Covid-19. The reality is that these challenges will be current for some time and whilst much rapid work has already been undertaken to develop solutions and innovate, the authority must further evolve so quality and fit for purpose services that offer value for money can continue to be delivered to the people of Kent. It is also essential that statutory obligations continue to be maintained.

The financial challenge presented to the authority is notable, and whilst planning will take place there are currently several uncertainties about the quantum of any additional central funding that may come forward as well as the long-term funding arrangements for local authorities.

We will continue to take learning from areas where performance can be improved and will regularly review the authority's risk profile to ensure that it is reflective of current circumstances. Robust controls will remain in place and Internal Audit activity will be particularly important in identifying areas of both strength and improvement. The oversight of the Governance and Audit Committee will continue to be key in terms of ensuring that the financial affairs of the authority are properly and efficiently conducted and that assurances can be given about the adequacy of the risk management and governance framework during this difficult time.

The collective effort of Members and Officers is valued in terms of adapting our governance and decision-making processes to reflect the challenges presented by Covid-19. The authority has embraced new technologies and ways of doing things and it is hoped that this positive momentum of innovation can continue.

We will, over the coming year, take appropriate action to address all matters raised in this Annual Governance Statement. We are satisfied that these steps will address the need for improvements that were identified in the effectiveness review and will monitor their implementation and operation as part of our next annual review.

The Corporate Director for People and Communications has confirmed to the Head of Paid Service that there were sufficient staffing resources available in 2019/20 for the Authority to discharge its responsibilities. Confirmation has also been received that during 2019/20 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. At the time of finalising this statement it is though important to note that the Director of Children's Services reported to the General Counsel on 17th August 2020 that he no longer felt able to safely discharge the Section 20 Duty to receive children into KCC's care at the port of Dover. This significant step was taken in response to the overwhelming demand caused by the high number of Unaccompanied Asylum Seeking Children arriving in Kent. It was not as a result of a lack of staff resources or workforce planning which were both entirely suitable for the normal and expected level of demand in Children's Services. The report required under Section 5 of the Local Government and Housing Act 1989 was provided to full Council on 10th September 2020.

The Monitoring Officer can confirm for the financial year ending March 2020 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 2019 to 31 March 2020, he was required to intervene and seek remedial actions from Officers where decisions were at risk of not being taken lawfully, reasonably and proportionately. These were procedural failures which have now been remedied.

Through his signature, he also agrees to take forward the identified actions as set out on pages 13 and 14 of this statement and the identified actions that are set out at Appendix 1 to the Annual Governance Statement which details the activity since the draft Annual Governance Statement was published.

The Section 151 Officer provided assurance to the County Council that the budget proposed and approved for 2020-21 by the County Council on 20th February 2020 was based on robust estimates and allowed for an adequate level of reserves to cover foreseeable eventualities and general reserve for the unforeseeable risks. It is important to note that the Council's budget was agreed before the Covid-19 crisis and work has therefore been undertaken to recast the budget in line with the new unanticipated funding challenges that have been presented.

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 2019 to 31 March 2020. 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 and the appendix will be taken forward and completed by the Monitoring Officer.

Annual Governance Statement

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.

Ben Watts
Monitoring Officer

Zena Cooke
Section 151 Officer

Roger Gough
Leader

David Cockburn
Head of Paid Service

On behalf of Kent County Council – signed on 27th November 2020

Appendix 1

Since the time of writing the draft Annual Governance Statement, the Council has continued to deal with unprecedented operational pressures, in part caused by the COVID19 pandemic. As such, amendments to the Annual Governance Statement, published in draft earlier this year have been necessary.

Because of the nature and implications of the Covid-19 pandemic it is important that there is a continued emphasis on staff wellbeing, health and workforce planning. Whilst the organisation has faced unprecedented challenges teams have continued to demonstrate resiliency, agility and significant commitment to those who use KCC's services. Staff views will continue to be listened to, to understand how individuals are feeling and to inform future ways of working and change. There is also an accelerated programme of skills development for staff and managers as a result of the different way of working and managing necessitated by the pandemic.

The Corporate Management Team have been reviewing KCC's Organisation Design Principles to respond to the authority's strategic aims for recovery, strategic aims for the medium term and the service ambitions of directorates. KCC's People Strategy is also being reviewed and accelerated to reflect the new challenges and opportunities presented to the organisation and the new strategic reset context.

Work continues in addressing the issues raised by Internal Audit in their audit of the way in which the Superannuation Committee and associated decision making operates in light of investment decisions during 2019/20. Some initial changes have been made to bring the Committee in line with the administration of other Committees but further work is being done to implement the learning from the audit and the agreed actions with external advice underpinning the changes that will be concluded in the coming months.

From a governance perspective, this is particularly important and will be used alongside the identified actions in this AGS to address areas of change that are required and to identify the necessary skills, development and behaviours.

Key Findings

Since the draft statement was published, the following additional key findings are made:

- The Director of Children's Services reported to the General Counsel on 17th August 2020 that he no longer felt able to safely discharge the Section 20 Duty to receive children into KCC's care at the port of Dover. This has been subject to a section 5 report by the Monitoring Officer regarding unlawfulness which is attached at Appendix 2.
- Members and Officers have responded strongly and the Council's systems and business continuity plans have stood up well. That said, the new working arrangements and operating environment have placed pressure on the existing governance framework through the overnight delivery of transformational change to the Council's operating model. Whilst appreciating the unique and unprecedented challenges, this pressure is demonstrated in the number of urgent decisions and increased activity for officers in Governance, Law and Democracy.
- The overnight change in working patterns and methods caused by the pandemic means that the Council now needs to implement discrete digital governance arrangements.
- The Government announced that they will publish a White Paper on devolution and recovery albeit this was delayed shortly before publication of this statement. At the time of writing the Annual Government Statement, the direction of travel which Government may recommend is unclear, but Kent County Council must be prepared to respond. The Secretary of State for Housing, Communities and Local Government has stated that he wants the view of local authorities to be at the heart of Government's ideas.
- Information Governance issues and data breaches by external providers have increased during the pandemic in scale and quantity if not materiality.
- The Council now faces additional and significant financial pressures as a result of the pandemic and associated strain on income, council tax receipts and increased demand.

Identified Actions

In addition to the issues listed in the main statement, the following further actions have been identified:

- Dependent on the outputs of the White Paper there may be some fundamental governance considerations for the authority to review. It will be essential that the right linkages are made between the national direction and Kent County Council's own Strategic Reset Programme.
- For the General Counsel and the SIRO to review the organisation's use of technology and develop detailed digital governance.
- Formal advice note from the General Counsel to Cabinet Members and Extended Corporate Management Team around executive decision-making.

Actions identified by the Governance and Audit Committee on 08 October 2020

- Further reporting to the Governance and Audit Committee regarding the Pensions Governance Lessons Learned Review actions
- Update to Members of Governance and Audit Committee regarding any governance changes to the Council's wholly owned companies

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 27 of the accounts provides clarification of level 2 and 3 inputs.

Government grants

Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets

Capital spend on items such as software licences and patents.

Local Authority Accounting Panel

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice and the Prudential Code.

Long-term debtors

Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure

This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Glossary of terms

Non Delegated
Spend on Education Services which is not delegated to schools.

Precept

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

Public Works Loans Board
A government controlled agency that provides a source of borrowing for public authorities.

Related party transaction

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

Revenue expenditure

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

Revenue expenditure funded from capital under statute (Refcus)

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

Specific grants
See 'government grants'.

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

Unusable reserves

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

Usable capital receipts

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

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.