

DARTFORD
BOROUGH COUNCIL

**STATEMENT OF
ACCOUNTS**

2021/22

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The Statement of Accounts 2021-22 showing signatures is available for inspection at the Civic Centre.

NARRATIVE REPORT

Introduction

This Narrative Report provides a guide to the Council's accounts for the year ending 31 March 2022. The Accounts and Audit Regulations 2015 (as amended due to the Coronavirus outbreak) require the 2021/22 Statement of Accounts to be prepared, and signed, by the responsible officer by 1st August 2022. The statement also provides some analysis of the development and performance of the Council in the financial year and of its position at the end of that year.

The accounts are set out on pages 30 to 135.

The Statement of Accounts comprises:

The Statement of Responsibilities for the Statement of Accounts: this sets out the Council's and the Section 151 Officer's responsibilities for the statement of accounts. This statement also carries the certification of the Section 151 Officer.

Movement in Reserves Statement: this statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for Council Tax setting and dwellings' rent setting purposes. The line titled "Net Increase/Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund and Housing Revenue Account balances, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement: this 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 regulations; this may be different from the accounting cost.

Balance Sheet: The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where cash amounts would only become available to provide services if the assets were sold.

Cash Flow Statement: this statement brings together the total movements of the Council's assets and liabilities during the financial year; these are inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Expenditure and Funding Analysis: Officially a note to the accounts, this analysis brings together both the fiscal/funding framework and the accounting framework by service. It takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Surplus or Deficit on the Provision of Services line in the Consolidated Income and Expenditure Statement.

Other Notes to the Accounts: the various accounts and statements are supported by detailed notes to help the reader. These include the significant accounting policies adopted by the Council and other explanatory information.

Housing Revenue Account (HRA) and notes: the Council is required by law to account separately for the provision of social housing. This account shows the major elements of housing revenue expenditure: repairs and maintenance, administration and financing costs as well as how the expenditure is financed from rents and other income. The HRA Income and Expenditure Statement is supported by a Movement on the HRA Statement.

Collection Fund and notes: there is a statutory requirement for local authorities that bill for council tax and non-domestic rates (billing authorities) to maintain a separate fund to show the transactions in respect of these items and the way in which they have been distributed to precepting authorities.

Glossary: this provides a guide to some of the technical terms used in this document.

Changes to the 2021/22 Statement of Accounts

There were no significant changes to the 2021/22 accounting rules.

Summary of financial performance in the year

The General Fund

The financial statements are produced in accordance with accounting principles. These differ markedly from the internal financial management information used to set budgets and monitor performance.

The General Fund accounts for all revenue services other than those provided in respect of council housing. The budget requirement is the net expenditure on services and is the sum to be met from government grants, retained business rates and council tax.

The Council set its budget requirement for 2021/22 at the budget meeting on 1 March 2021. This allowed for a net increase in reserves and balances of £2,639,890

The following table compares the final figures for 2021/22 with the original budget.

	Original Budget £,000	Actual £,000
Net expenditure on services	14,303	11,160
Contribution to reserves	2,694	5,837
Budget Requirement	16,997	16,997
Less:		
Business Rates Retention	(5,011)	(5,011)
Other grants	(1,204)	(1,204)
New Homes Bonus	(3,761)	(3,761)
Council tax	(7,021)	(7,021)
Contribution from reserves		
Deficit (Surplus) for the year	0	0

Net expenditure on services was £3.14m lower than the original budget. In the main, this was due to £1.6m additional income from interest relating to the Council's investments.

Other areas where income was markedly higher or expenditure was lower than budget include, staffing variances of £572,000, Court cost income of £380,000 and the savings from not being able to hold special events of £126,000. Conversely, an overspend of £207,000 was incurred on temporary accommodation for homeless families.

There were several other smaller budget variances. Full details can be found in the report to Cabinet of 21 July 2022.

Because of the favourable outturn position, it was possible to increase planned transfer to earmarked reserves by an additional £3.1m which mainly added to the Investment Volatility Reserve and the Financial Stability and Capital Projects Reserve.

Earmarked Reserves

Earmarked Reserves expenditure of £12.1m from the business rates stability reserve was used to make up the business rate figure in the table above. This was due to the need to fund the exceptionally large collection fund deficit which was caused last year by the combination of government's pandemic related business rate support arrangements and the collection fund accounting rules. Further amounts made up of grants previously received will be used again next year.

Set aside service contributions to reserve were made of £1,282,000. The main elements in this transfer normally relate to specific grants that have been transferred to reserves to enable future spending. This year in particular £750,000 of government support related to Covid 19 was transferred to a reserve allocated to continuing leisure pressures caused by the pandemic. Additionally this year, due to the ongoing pandemic, some unused budgets were transferred to

reserves to enable future spend and to continue projects such as Environmental Improvements £70,000, Homelessness Prevention £72,000 (on which most spend was supported by one off Covid 19 related grants) and Community Grants of £22,000. An element of the Acacia Budget (£43,000) was also set aside for an expected rates re-assessment.

An amount of £550,000 of business rates income was also set aside for project work as per the pool agreement with Kent County Council.

The total amount carried forward in earmarked revenue reserves was £68m

The Housing Revenue Account

The Housing Revenue Account accounts for all revenue services in respect of council housing.

The Housing Revenue Account is "ringfenced", i.e. it cannot subsidise or receive subsidies from other accounts. It is also known as the 'Landlord Account', as all costs and income relate to the provision of council housing.

The 2021/22 account was budgeted to make a deficit of £7.96m. The final outturn was a deficit of £7.68m.

Areas of variance are described in the report to Cabinet of 21 July 2022.

The Council paid back a significant debt instalment in 2021/22 and the account continues to fund the new build programme. The reserve balance of £7.7m will be important in responding to these challenges.

The Capital Programme

The Capital Programme consists of a number of projects where expenditure is incurred on investment in new assets or improving existing ones. Ongoing revenue costs, such as those charged to the General Fund or Housing Revenue Account, cannot be charged to capital.

The Council budgeted to spend £29.804m on investment in assets of a capital nature; actual expenditure was £16.428m including £3.9m of Revenue Funded from Capital Under Statute (REFCUS). This was lower due to delays and contract management issues. Ongoing budgets are likely to be rolled forward into the 2022/23 budget. Capital expenditure was funded from capital receipts, government grants, developer contributions, revenue contributions and the Major Repairs Reserve.

The Usable Capital Receipts Reserve had a balance at the beginning of the year of £21.26m. New usable receipts during the year totalled £6.9m, £4.05m was used to finance expenditure, £0.35m was paid to the Government in respect of receipts pooling. Additionally capital receipts of £2.9m arising from the sale of council housing, were set aside to be used to finance the provision of new social housing under the "one for one receipts" scheme. The balance of usable capital receipts carried forward at the end of the year was £23.8m.

The Balance Sheet valuation of property, plant and equipment plus investment properties at the end of the year was £419m, a 3% increase on the previous year. Movements within this

figure can be seen in the relevant notes but most of the changes were made up in valuation adjustments.

Capital commitments as at 31 March 2022 stand at £3.5m, compared with £11.3 as at 31 March 2021. This commitment relates to the ongoing completion of various schemes including works to the town centre, new build housing, lift replacement, fire alarm installation in supported housing units and door entry system installation.

Non-Financial Performance

There are 12 Corporate Plan Indicators with up to date values, out of a possible 15. Of those 12, 9 or 75% are green, which means they are meeting or exceeding their targets. 3 or 25% are red or amber, which means they have not met the target set.

Green indicators include:

- The number of households taking part in the Green Bin Service: 8,415, against a target of 6000 and a figure of 7,983 in 2020/21
- Percentage of repairs completed on time: 94.05% compared to a target of 98% (the system has a % margin within which the target is regarded as met) and a figure of 93.25% in 2020/21.
- Percentage of in year Council Tax collected: 96.3% against a target of 97% and a figure of 95.9% in 2020/21. (the system has a % margin within which the target is regarded as met).
- Average number of DBC working days lost to short term illness (less than four weeks) per employee: 1.47 against a target of 2 and 3.13 in 2020/21.
- Average number of DBC working days lost to long term illness (greater than four weeks) per employee: 1.55 against a target of 2.52 and a figure of 4.24 in 2020/21.
- Rent collection and arrears recovery-rent collected as a proportion of rent owed: 97.59% against a target of 97% and a figure of 97.32% in 2020/21.
- Percentage of supplier payments made within 30 days of receipt: 98.24% against a target of 99% and a figure of 98.53% in 2020/21.
- Number of private sector vacant dwellings that are returned into occupation or demolished: 82 against a target of 80 and a figure of 102 in 2020/21.
- Percentage of in year Business Rates collected: 92.8% against a target of 95% and a figure of 98% in 2020/21. (the system has a % margin within which the target is regarded as met).

The red indicators include:

- Number of private sector vacant dwellings that are returned into occupation or demolished: 48 against a target of 80 and a figure of 82 in 2020/21.
- Percentage of repairs completed in time: 86.81% against a target of 98% and a figure of 94.05% in 2020/21.
- Fly tipping incidents: 3,082 against a target of 270 and a figure of 3,474 in 2020/21.
- All of the above need to be viewed within the context of the ongoing Covid 19 pandemic, the most serious peacetime emergency since the Second World War. This continued to have a major effect on Council services. It should also be noted that the indicator relating to fly tipping is misleading as the Council cannot control numbers, but rather deter through its ability to find and prosecute offenders. This indicator has been removed going forward.

Influences affecting the Authority's income and expenditure and levels of reserves

The Council has cash and investments of approximately £158m, compared to £152m as at 31 March 2021. Whilst these levels are affected by various factors, it is expected that balances will reduce over the next 12 months due to planned capital expenditure and payment of the business rates deficit.

The capital programme for 2022/23 totals £28m, of which £12m is for housing. The capital programme is funded from a mixture of capital receipts, grants and contributions, and revenue/reserve contributions.

In recent years the Council had benefitted from increased income from business rates and the New Homes Bonus. The government have continually indicated that the arrangements will change but either delayed change or have introduced temporary measures that have supported the Council's income such as the Lower Tier Services grant.

It is still likely a business rates reset will reduce income from business rates significantly and New Homes Bonus is still likely to be significantly reformed. The Council has approved a Medium Term Financial Plan, which identifies the potential budget needs and resource requirements in the next few years under two main scenarios i.e. with and without the reduction in business rates and the New Homes Bonus reforms.

The major financial risks for the Council in the coming years are the economic pressures caused by rising inflation and supply side demand. Other pre-existing risks include the proposed funding review, business rate changes and the new arrangement to replace the New Homes Bonus.

At 31 March 2022, the Council had £68m of usable reserves for general use and £7.6m for housing. This is considered prudent and adequate for current estimated needs. The Council has sufficient balances and earmarked reserves to enable a smooth transition to lower expenditure levels if government reform necessitates it. The main variable risk to cash flows is income from investments, business rates and council tax.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DARTFORD BOROUGH COUNCIL

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Dartford Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its 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 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Section 151 Officer'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 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Narrative Report, the Statement of Accounts and the Annual Governance Statement other than the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts 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 Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing 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 Audit Board is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit Board, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration to supporting information;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, council dwellings, investment properties and net pension liability; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, council dwellings, investment properties and net pension liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government sector; and
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of

transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Dartford Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

Date: 16 November 2022

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS AND CERTIFICATE OF THE SECTION 151 OFFICER

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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Head of Finance who is the named Section 151 Officer under section 151 of the Local Government Act 1972.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing that statement of accounts, the Section 151 officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Section 151 officer has also:

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

SECTION 151 OFFICER'S CERTIFICATION TO THE STATEMENT OF ACCOUNTS

I hereby certify that the Statement of Accounts for the year ended 31 March 2022 required by the Accounts and Audit Regulations 2015 gives a true and fair view of the financial position and transactions of the Council, and its income and expenditure for the same year then ended.

T SAMS

TIM SAMS CPFA
SECTION 151 OFFICER

**APPROVAL OF THE STATEMENT OF ACCOUNTS IN ACCORDANCE
WITH THE ACCOUNTS AND AUDIT REGULATIONS 2015**

COMPLETION OF THE APPROVAL OF THE ACCOUNTS

The Statement of Accounts was formally approved for publication by delegation of the Audit Board on 19th October 2022

D HAMMOCK

COUNCILLOR D A HAMMOCK
CHAIRMAN OF THE AUDIT BOARD

ANNUAL GOVERNANCE STATEMENT

FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

SCOPE OF RESPONSIBILITY

Dartford Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for implementing proper arrangements for the governance of its affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance (the Local Code), which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The Local Code is published on the Council's website at www.dartford.gov.uk.

This statement explains how the Council has complied with the Local Code and with meeting the requirements of regulation 6 of the Accounts and Audit Regulations 2015 to review and report on the effectiveness of its system of internal control and to prepare an Annual Governance Statement.

The Council has in place appropriate management and reporting arrangements to enable it to satisfy that its approach to corporate governance is adequate and effective in practice.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and by which it, through its activities, can account to, engage with and lead the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This Annual Governance Statement is produced for the year 1 April 2021 to 31 March 2022 and includes the period up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

The Corporate Plan 2021-2023 has been approved by the General Assembly of the Council [28 Feb 2022 Min 7]. The Corporate Plan is published on the Council's website.

Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives is monitored through the Performance Management Framework, with exception reporting of performance to Management. Ordinarily, reports would also go to Cabinet and Policy Overview Committee, and through other internal review mechanisms. This process was suspended initially due to focus on Covid-19 and then due to the policy focus on a new Corporate Plan. New indicators have since been rolled out and will be reported and monitored in 2022-23.

Measuring the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

The Council measures the quality of service to users through a number of mechanisms including:

- Customer surveys
- Comments, compliments and complaints
- Monitoring against targets and indicators
- Scrutiny by the Scrutiny Committee and reviews by the Policy Overview Committee
- Comparison with similar authorities

Establishing clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has developed a Consultation and Engagement Strategy to meet its duty to inform, consult and involve people in the delivery of Council services. An Equalities and Diversity Document Framework has been developed to meet the Council's obligations under the Equality Act 2010. The Statement of Community Involvement sets out how the community will be involved in decisions about the Council's Local Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council has an adopted Constitution, which details how the Council operates, how decisions are made, and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution defines the terms of reference for all Council committees. The Cabinet (exercising the executive functions of the Council) is responsible for most decisions. The Cabinet is made up of the Leader and six Councillors. The Council elects the Leader and the Leader appoints the Cabinet. Key decisions are published in advance, in the Regulation 9 Notice, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to the General Assembly of the Council to decide. There is a Scrutiny Committee that scrutinises the work of the Cabinet, presenting challenge and the opportunity for a decision to be reconsidered. Most scrutiny is undertaken post-decision but a "call-in" procedure allows Scrutiny Committee to review Cabinet decisions before they are implemented.

The Policy Overview Committee reviews general policies and makes recommendations on future policy options to Cabinet.

A Scheme of Delegations to Officers is approved by the Cabinet/General Assembly of the Council. This defines the framework and limits within which officers can take decisions.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of Council Members and Officers, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- A Member Code of Conduct
- An Employee Code of Conduct
- An Anti-Fraud and Corruption Strategy
- A Member/Officer Protocol
- A Whistleblowing Policy
- An Annual Monitoring Officer report
- An Audit Board to oversee and monitor the Member Code of Conduct
- A Code of Practice for Effective Joint Working Arrangements
- Organisational Behaviours
- Regular Staff Briefings

Whistleblowing and receiving and investigating complaints from the public

The Council's Whistleblowing Policy is regularly reviewed and provides for confidential reporting on matters of concern. Informants are requested to be open in their disclosure, but it is recognised that on occasions, informants will wish to remain anonymous.

The Council has an effective Corporate Complaints Procedure. A report is submitted annually to the Audit Board on corporate complaints. The Cabinet receives an annual report from the Local Government and Social Care Ombudsman containing feedback statistics from the complaints made to the Ombudsman and comment on the Council's performance in responding to Ombudsman investigations.

The Housing Ombudsman publishes data annually¹, showing how the Council as landlord, is performing on complaints.

Reviewing and updating standing orders, financial instructions, scheme of delegations and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Standing Orders, Contract Standing Orders, Financial Regulations and the Scheme of Delegations to Officers are regularly reviewed as are supporting procedures and manuals, to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its Officers and Members to ensure that, as far as possible, they understand their responsibilities both to the Council and to the public. Key documents and procedures include:

- Standing Orders
- Contract Standing Orders
- Procurement Guide
- Finance Guidance incorporating Financial Regulations
- Money Laundering procedures
- Committee reporting procedure including requirements for the monitoring of legal and financial implications
- Regular training on new legal requirements
- Regular updates from the Head of Legal Services for Members and Officers on key changes to the local authority legal framework

Other key corporate policies on a range of topics such as Equalities, Customer Care, Data Protection, Freedom of Information and Fraud have been adopted. All policies are subject to internal review, to ensure they are adequately maintained and fit for purpose.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

The Council, through its budgetary monitoring and control processes, ensures that financial resources are being used in accordance with the budget and corporate policy via regular management reporting to Directors, the Finance Portfolio Member and Cabinet.

Financial planning is underpinned by annual budget reviews to ensure that service changes are in line with corporate objectives.

¹From 2019

Through exception reporting, corporate and key service objectives were monitored to ensure that the Council objectives are being achieved. This will be developed in 2022/23 so that performance reports are produced and examined to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review through the work of the Scrutiny and Policy Overview Committees, Internal and External Audit and annual budget reviews.

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the S151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The CIPFA Statement on the Role of the Chief Financial Officer is noted by the General Assembly of the Council as part of the annual budget report. The Council meets all the governance requirements contained in the statement.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties where practical, management supervision and a system of delegation and accountability.

In particular, the process in 2021/22 included:

- The setting of a one year detailed budget and Medium Term Financial Plan;
- Monitoring of actual income and expenditure against the annual budget;
- A budget review by officers and Members;
- Setting of financial and performance targets;
- Regular reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

The Council's Internal Audit service is provided in partnership with Sevenoaks District Council.

During 2021/22, the internal audit team have worked to deliver the annual audit plan, approved by the Audit Board in March 2021. The service has provided regular updates to Members on the outcomes of audit work, progress on implemented audit actions, and also updates regarding progress against our Quality Action Plan.

In the 2020/21 financial year, Internal audit have issued 13 Reasonable and 3 Limited assurance opinions together with 2 advisory pieces of work. The majority of audit actions have been agreed; all 'High' priority actions have accompanying actions. The Audit Board requests details of outstanding or deferred high priority actions, and while the Board has not expressed

any concerns over 2021/22, it has the power to invite Officers to attend meetings to provide updates directly.

Individual audit reports continue to be issued and distributed to relevant Senior Managers.

The effectiveness of the Internal Audit service was assessed via an internal self-assessment in 2020/21 against the Public Sector Internal Audit Standards. A full independent external quality assessment was completed in 2020/21.

The outcomes, along with actions, were reported to the Audit Board. These outcomes from the External Quality Assessment were used to create an audit strategy and action plan. The newly appointed Audit Manager joined the Internal Audit Partnership in February 2022.

The Audit Board, as those charged with governance, will provide continued oversight and direction as required. As such, the operation of the service will also be monitored by the Leadership Team and the Section 151 Officer.

Performance and Risk Management

Performance indicators and targets remain under review and have been reported internally by exception. Performance data has continued to be managed through Pentana, which enables the Council to input, collate, and report on real time performance as necessary.

The Council has worked with the Audit Partnership to update and rollout a new Risk Management Strategy, which was approved by Audit Board in Jan 2022 [Minute 36]. The Strategic Risk register has since been approved [April 2022 Min 49] and the roll out across the organisation continues.

By continuing and embedding this process, the Council will have greater oversight and more effective management of key risks as they arise.

The development needs of Members and senior officers in relation to their strategic roles, are supported by appropriate training

Members receive training on key topics or where significant changes have occurred or new legislation introduced. Training for officers is considered during the year as staff meet with their managers and is monitored via the appraisal system.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by:

- The work of Internal Audit and the Chief Audit Executive's Annual Opinion
- The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment
- The work of the Data Protection Officer
- The work of the Senior Information Risk Owner
- The opinion of the external auditors as expressed in their annual report to the Audit Board.

- The detailed review undertaken on behalf of the Leadership Team
- The overview provided by the Leadership Team.
- The Monitoring Officer's Annual Report to the Audit Board.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

The Corporate Plan and the budget are approved and reviewed by the General Assembly of the Council. Other strategies and policies are approved and reviewed by the General Assembly of the Council (where the functions are reserved to it, by legislation).

Cabinet

The Cabinet receives reports on financial performance, strategies and policies are approved and reviewed by Cabinet (where the functions are reserved to Cabinet, by legislation).

Scrutiny Committee and Policy Overview Committee

These Committees have respectively a role in (a) reviewing/scrutinising action and decisions taken, (b) advising on and reviewing policies and (c) external scrutiny i.e. looking at issues, which lie outside the Council's responsibilities.

Audit Board

The Audit Board receives quarterly updates on the assurance, which can be placed on various systems and processes during the year, along with an annual assessment at the year-end.

The Audit Board reviews reports presented to it by the Audit Manager (Chief Audit Executive). The Board receives a summary of all internal audit reports and keeps a check on those areas where adverse audit findings or assurance is given. Additionally, the Board has regard to the effectiveness of the Council's risk management arrangements.

The Audit Board receives an annual report from the Monitoring Officer on ethical governance arrangements and on the effectiveness of the Corporate Complaints Procedure.

Ethics is a key element of governance and the purpose of the Monitoring Officer's annual review of the Council's ethical governance is to ensure that robust arrangements are in place and that the Council continues to develop and improve management and reporting arrangements so as to satisfy itself that its approach to ethical governance is both adequate and effective in practice.

Data Protection Officer

The Head of Legal Services has been appointed the Data Protection Officer (DPO) in accordance with the Data Protection Act 2018 and the UK GDPR (derived from the General Data Protection Regulation (EU) 2016/679) (Data Protection Legislation).

The DPO's minimum tasks are:

- to inform and advise the Council and its employees about their obligations to comply with the Data Protection Legislation;
- to monitor compliance with the Data Protection Legislation, including managing internal data protection activities, advising on data protection impact assessments, training staff and conducting internal compliance audits;
- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc.).

The DPO operates independently and is required to report to the highest management level in the Council.

Senior Information Risk Owner (SIRO)

The Chief Officer and Director of Corporate Services is the Council's appointed SIRO who has responsibility for ensuring that the Council's IT systems' risk within the organisation is managed appropriately.

The SIRO's other responsibilities can be summarised as:

- owning the Council's overall IT Security Policy and IT risk assessment processes and ensuring they are implemented consistently by Information Asset Owners;
- advising the Leadership Team and the Audit Board on the information risk aspects of the Council's statement on internal controls/annual governance statement;
- reporting to the Audit Board on the effectiveness of the Council's' cyber security management processes;
- owning the Council's IT incident management framework.

Annual Audit Opinion

Based on the work completed to date in 2021-22, the Chief Audit Executive's overall annual assurance opinion is that the Council's arrangements for internal control, risk management and governance during the period is "Reasonable". This means that although systems are generally sound, some areas of risk were found which may, until addressed, prevent the achievement of some objectives.

SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review undertaken and considered by the Directors, the Council is satisfied that there are no significant governance matters that need to be brought to the immediate attention of Members and that the Council's corporate governance arrangements are adequate and operating effectively.

However, the Council continues to seek to improve and strengthen the governance and control environment. As such, the assessment against the Governance Code and Principles have highlighted some areas for improvement. A supporting action plan is appended to this statement.

Over the coming year, the Council will monitor and track progress against the action plan, to ensure steps are taken to improve and enhance its governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the

review of effectiveness and will monitor their implementation and operation as part of the next annual review.

COVID-19 pandemic

The Council's response to the Covid 19 pandemic and ongoing recovery during 2021/22 included:

- Business as usual with delivery of services through a hybrid of home and office working,
- Providing accommodation for rough sleepers
- Support to the 'Local Test & Trace' service.
- Track and Trace Payments for those on low incomes.
- Support to local businesses through the administration and payment of Government business grants and advice to retail and hospitality businesses on reopening.
- Placing itself at the centre of reliable and accurate communications network to inform and reassure residents
- Support to businesses via Welcome Back Fund

The Leader of the Council

J Kite

Chief Officer and Director of Corporate Service

S Martin

Governance Action Plan

Ref	Action	Link to Code & Framework	Co-ordinating Officer	How will success be measured?
1	Review Code of Corporate Governance	All	Head of Finance	<ul style="list-style-type: none"> • Updated Code of Governance agreed by Audit Board
2	Annual report of Audit Board on its activities to General Assembly of the Council	A & B	Audit Manager	<ul style="list-style-type: none"> • Report submitted to General Assembly of the Council
3	Equalities engagement work	B	Director of Growth and Community	<ul style="list-style-type: none"> • New equalities strategy taking in views of the community
4	Embed new performance arrangements	C, E & F	Community Services Manager	<ul style="list-style-type: none"> • Regular reporting to Cabinet and Performance Board in place
5	Finalise service plans	C & E	Community Services Manager, All Senior Managers	<ul style="list-style-type: none"> • Completed suite of Service plans being regularly reviewed
6	Update Procurement Strategy	A,C, D	Head of Finance	<ul style="list-style-type: none"> • Updated and approved Procurement Strategy

Ref	Action	Link to Code & Framework	Co-ordinating Officer	How will success be measured?
7	Review/action Strategic Asset Management Strategy Action Plan	C	Property Services Manager	<ul style="list-style-type: none"> Action Plan substantially completed
8	Liaise with KCC to establish the reasons for such large differences in the number of safeguarding referrals being received by KCC and those recorded on the Council's internal safeguarding log. Following the outcome of any discussion with KCC, suitable action should be taken to address any potential issue	D	Director of Housing and Public Protection	<ul style="list-style-type: none"> Review completed and action plan developed
9	Roll out refreshed induction plan	E	Directors & HR Manager	<ul style="list-style-type: none"> Refreshed induction programme in place
10	New appraisal roll out	E	Human Resources Manager	<ul style="list-style-type: none"> New scheme guidance published and scheme operating
11	Develop Member training programme for new member intake in May 2023	E	Head of Legal Services Democratic Services Manager	<ul style="list-style-type: none"> Training programme in place
12	Deliver adult and children Safeguarding awareness training to elected members	E	Director of Housing and Public Protection	<ul style="list-style-type: none"> Face to face training programme initiated and online module to be evaluated
13	Embed new risk arrangements	F	Audit Manager	<ul style="list-style-type: none"> Regularly reviewed strategic and operational risks reported to Leadership Team. Audit Board receives regular reports on strategic risks

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This 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 regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and in the Expenditure and Funding Analysis.

		2021/22 Gross Expenditure £,000	2021/22 Gross Income £,000	2021/22 Net Expenditure £,000	2020/21 Gross Expenditure £,000	2020/21 Gross Income £,000	2020/21 Net Expenditure £,000
Corporate Services		27,214	(23,439)	3,775	30,858	(24,580)	6,278
Growth and Community		15,484	(2,868)	12,616	7,880	(2,521)	5,359
Housing and Public Protection		17,887	(8,692)	9,195	15,244	(8,253)	6,991
Local Authority Housing (HRA)	Page 109	13,850	(22,192)	(8,342)	13,074	(21,768)	(8,694)
Cost of Services*		74,435	(57,191)	17,244	67,056	(57,122)	9,934
Other Operating Expenditure	Note 11			(2,097)			(661)
Financing and Investment Income and Expenditure	Note 12			(2,509)			(11,158)
Taxation and Non Specific Grant Income and Expenditure	Note 13			(26,745)			(32,144)
Surplus or Deficit on the Provision of Services				(14,107)			(34,029)
(Surplus) / Deficit on the revaluation of non current assets	Note 9			(30,917)			(5,759)
Remeasurements of the net defined benefit liability (asset)	Note 9			(8,567)			5,656
Total Other Comprehensive Income and Expenditure				(39,484)			(103)
Total Comprehensive Income and Expenditure				(53,591)			(34,132)

*The net cost of services has been restated for 2021/22 in line with the Council's new departmental structure (see note 34)

MOVEMENT IN RESERVES STATEMENT

The statement below shows the movement in the financial year for the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Movement in Reserves during 2021/22	General Fund Balance	Earmarked GF Reserves	Total General Fund Reserves	Housing Revenue Account	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31 March 2021	(3,000)	(74,866)	(77,867)	(12,561)	(20,923)	(21,259)	(132,610)	(287,814)	(420,424)
Total Comprehensive Income and Expenditure	(3,999)	0	(3,999)	(10,108)	0	0	(14,107)	(39,484)	(53,591)
Adjustments between accounting basis and funding basis under regulations	10,645	0	10,645	14,987	(6,012)	(2,493)	17,127	(17,127)	0
(Net increase) / decrease before transfers to Earmarked Reserves	6,646	0	6,646	4,879	(6,012)	(2,493)	3,020	(56,611)	(53,591)
Transfers (to) / from Earmarked Reserves	(6,646)	6,646	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	6,646	6,646	4,879	(6,012)	(2,493)	3,020	(56,611)	(53,591)
Balance at 31 March 2022	(3,000)	(68,220)	(71,221)	(7,682)	(26,935)	(23,752)	(129,590)	(344,425)	(474,015)

Further analysis of the specific adjustments and transfers which have been made to reserves is contained in notes 8 and 9.

The following table shows the comparative information for movements in reserves which took place during previous financial year:

Movement in Reserves during 2020/21	General Fund Balance	Earmarked GF Reserves	Total General Fund Reserves	Housing Revenue Account	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31 March 2020	(3,000)	(41,968)	(44,968)	(13,804)	(11,069)	(24,622)	(94,463)	(291,829)	(386,292)
Total Comprehensive Income and Expenditure	(25,216)	0	(25,216)	(8,813)	0	0	(34,029)	(103)	(34,132)
Adjustments between accounting basis and funding basis under regulations	Note 8 (7,683)	0	(7,683)	10,056	(9,854)	3,363	(4,118)	4,118	0
(Net increase) / decrease before transfers to Earmarked Reserves	(32,899)	0	(32,899)	1,243	(9,854)	3,363	(38,147)	4,015	(34,132)
Transfers (to) / from Earmarked Reserves	Note 10 32,899	(32,899)	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(32,899)	(32,899)	1,243	(9,854)	3,363	(38,147)	4,015	(34,132)
Balance at 31 March 2021	(3,000)	(74,867)	(77,867)	(12,561)	(20,923)	(21,259)	(132,610)	(287,814)	(420,424)

BALANCE SHEET

		31 March 2022	31 March 2021
		£,000	£,000
Long Term Assets			
Property, Plant and Equipment	Note 14	409,889	397,805
Investment Property	Note 15	9,129	8,550
Intangible Assets		348	200
Long Term Investments	Note 17	76,084	71,447
Long Term Debtors	Note 18	10,837	11,293
Total Long Term Assets		506,287	489,295
Current Assets			
Cash and Cash Equivalents	Note 19	47,094	45,725
Inventories		1	2
Short Term Debtors	Note 18	15,614	37,701
Short Term Investments	Note 17	35,866	35,389
Assets Held for Sale	Note 16	14,700	0
Total Current Assets		113,275	118,817
Current Liabilities			
Short Term Borrowing	Note 17	(3,701)	(9,636)
Short Term Creditors	Note 20	(29,618)	(56,202)
Cash and Cash Equivalents	Note 19	(563)	0
Grants Receipts in Advance - Revenue	Note 28	(6,602)	(2,100)
Grants Receipts in Advance - Capital		0	0
Provisions	Note 21	(3,578)	(2,418)
Total Current Liabilities		(44,062)	(70,356)
Net Current Assets		69,213	48,461
Long Term Liabilities			
Long Term Creditors	Note 20	(6,367)	(11,323)
Provisions	Note 21	(5,887)	(6,974)
Long Term Borrowing	Note 17	(33,975)	(37,518)
Net Pensions Liability	Note 32	(55,256)	(61,517)
Total Long Term Liabilities		(101,485)	(117,332)
Total Net Assets		474,015	420,424
Financed by:			
Usable Reserves			
Usable Capital Receipts Reserve	Note 8	(23,752)	(21,259)
Earmarked Reserves	Note 10	(68,220)	(74,866)
Capital Grants Unapplied Reserve	Note 8	(26,935)	(20,923)
General Fund		(3,000)	(3,000)
Housing Revenue Account	HRA	(7,683)	(12,561)
Unusable Reserves			
Capital Adjustment Account	Note 9	(231,335)	(222,193)
Revaluation Reserve	Note 9	(164,659)	(136,520)
Collection Fund	Note 9	11,045	24,546
Pensions Reserve	Note 9	55,256	61,517
Deferred Capital Receipts Reserve	Note 9	(12,934)	(13,482)
Pooled Fund Adjustment Account	Note 9	(1,798)	(1,683)
Total Net Worth		(474,015)	(420,424)

I certify that these accounts provide a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2022.

T SAMS

Tim Sams CPFA
Head of Finance

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

		2021/22	2020/21
		£,000	£,000
Net surplus or (deficit) on the provision of services		14,107	34,029
Adjustments to net surplus or deficit on the provision of services for non cash movements	Note 22	10,972	12,667
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 22	(16,095)	(19,622)
Net cash flows from operating activities		8,984	27,074
Investing activities	Note 23	(1,068)	(9,679)
Financing activities	Note 24	(7,110)	(12,031)
Net increase (decrease) in cash and cash equivalents		806	5,364
Cash and cash equivalents at the beginning of the reporting period		45,725	40,360
Cash and cash equivalents at the end of the reporting period		46,531	45,725

1a Expenditure and Funding Analysis

This analysis brings together both the fiscal/funding framework and the accounting framework by service. It takes the net expenditure that is chargeable to taxation and rents, and reconciles it to the Surplus or Deficit on the Provision of Services line in the Consolidated Income and Expenditure Statement.

2021/22	Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS) £,000	Adjustments between Funding and Accounting Basis (Note 6) £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Corporate Services	500	3,275	3,775
Growth and Community	2,463	10,153	12,616
Housing and Public Protection	7,586	1,609	9,195
Local Authority Housing (HRA)	4,878	(13,220)	(8,342)
Net cost of services	15,427	1,817	17,244
Other income and expenditure	(3,903)	(27,448)	(31,351)
(Surplus) or deficit	11,524	(25,631)	(14,107)
Opening General Fund and HRA Balance at 31 March 2021	90,428		
Plus Surplus on General Fund and HRA Balance in year	(11,524)		
Closing General Fund and HRA Balance at 31 March 2022	78,904		

2020/21	Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS)	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
(Restated to reflect departmental changes - see note 34)	£,000	£,000	£,000
Corporate Services	2,510	3,768	6,278
Growth and Community	1,871	3,488	5,359
Housing and Public Protection	7,333	(342)	6,991
Local Authority Housing (HRA)	1,244	(9,938)	(8,694)
Net cost of services	12,958	(3,024)	9,934
Other income and expenditure	(44,614)	651	(43,963)
(Surplus) or deficit	(31,656)	(2,373)	(34,029)
Opening General Fund and HRA Balance at 31 March 2020	58,772		
Plus Surplus on General Fund and HRA Balance in year	31,656		
Closing General Fund and HRA Balance at 31 March 2021	90,428		

1b Note to the Expenditure and Funding Analysis

The tables below show a further breakdown of the adjustments made to the General Fund position in order to arrive at Comprehensive Income and Expenditure Statement amounts.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2021/22	Adjustment for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
	Note 1 £,000	Note 2 £,000	Note 3 £,000	£,000
Corporate Services	219	(480)	3,536	3,275
Growth and Community	9,281	743	129	10,153
Housing and Public Protection	1,006	603	0	1,609
Local Authority Housing (HRA)	(15,509)	523	1,766	(13,220)
Net cost of services	(5,003)	1,389	5,431	1,817
Other income and expenditure	(8,560)	917	(19,805)	(27,448)
Surplus or deficit	(13,563)	2,306	(14,374)	(25,631)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2020/21	Adjustment for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustments
(Restated to reflect departmental changes)	Note 1 £,000	Note 2 £,000	Note 3 £,000	£,000
Corporate Services	122	(837)	4,483	3,768
Growth and Community	3,022	323	144	3,488
Housing and Public Protection	(596)	254	0	(342)
Local Authority Housing (HRA)	(9,812)	(244)	118	(9,938)
Net cost of services	(7,264)	(506)	4,746	(3,024)
Other income and expenditure	(11,813)	972	11,492	651
Surplus or deficit	(19,077)	466	16,238	(2,373)

1 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.

2 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 CIES.

3 Other Differences

This column includes variations in the amount chargeable for Business Rates and Council Tax under statute and the code. Other differences include interest costs budgeted and reported under the service headings during the year but accounted in other income and expenditure under the code and timing differences for debits or credits relating to premiums or discounts on debt settlement

2 Expenditure and Income Analysed by Nature

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

Expenditure/Income	2021/22	2020/21
	£000	£000
Expenditure		
Employee benefits expenses	13,902	11,521
Other services expenses	46,256	48,127
Depreciation, amortisation, impairment	14,277	7,408
Interest payments and similar charges	4,464	2,541
Precepts and levies	1,228	1,233
Payments to Housing Capital Receipts Pool	354	405
Non Domestic Rates Tariff/Levy	30,400	30,569
Total expenditure	110,881	101,804
Income		
Fees, charges and other service income	(29,531)	(30,190)
Gain on the disposal of assets	(2,582)	(1,637)
Discounted sale scheme	(1,097)	(661)
Interest and investment income	(6,972)	(11,039)
Income from council tax and non domestic rates	(33,970)	(19,983)
Government grants and contributions	(50,836)	(72,323)
Total income	(124,988)	(135,833)
Surplus or Deficit on the Provision of Services	(14,107)	(34,029)

3 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals and Revenue Recognition

Expenditure and Income are accounted for in the year that it takes place, not simply when cash payments are made or received and relate to activity on all of the Council's functions including non-exchange transactions e.g. Council Tax, Housing Rents and Business Rates. 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 those from 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.
- “There is a de-minimis limit for manual accruals (not automatic accruals) of £5,000 to aid faster closing, transactions below this limit are not generally accrued for as they are deemed not material to the understanding of these accounts.”

One exception to this policy exists in respect of Housing Benefits payments which are accounted for when the payment is made.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months of the Balance Sheet date and are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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, and do not give rise to a prior period adjustment.

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

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 Authority 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 (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision (MRP) or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, 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 is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Discounted Sales Scheme

Discounts were historically provided by two third parties on sales of new dwellings on a development scheme in the borough between 2011 and 2018.

Income due is based on a percentage of the market value of the properties and becomes due to the Council upon either the first sale or redemption of the property or after 25 years if no sale or redemption takes place.

The income due is secured as a result of a charge on the properties. For properties sold before January 2017 the charge is in the Council's favour. For properties after this date the charge is in the favour of a third party and a floating charge over the portfolio held by the Council.

To determine the fair value of the asset at the balance sheet date each year the following method is used:

- Adjust the historic sale figure by appropriate price indices to reflect the gross income due at the balance sheet date.
- Estimate the likely income stream based on disposals of properties over the 25 year period.
- In order to reflect that the income will come in the future these values are discounted, using an appropriate rate of discount to be determined by the Council and its advisers.

Indices and discount rates are reviewed annually, and the value is updated for any sales that have occurred, to reflect the estimated position at 31 March.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. Such benefits are recognised as an expense for services in the year in which employees render service to the Authority. The calculated cost of unpaid benefits owing to employees at year end is not considered material, so no accrual has been made in the accounts for this.

Termination Benefits

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

Employees of the Council are generally eligible to be members of the Local Government Pension Scheme, administered by Kent County Council.

The scheme provides defined benefits (retirement lump sums and pensions) to its members, linked to their length of service as employees of the Council, including transferred-in service from past employers.

The local government scheme is accounted for as a defined benefits scheme. The liabilities of the Kent County Council pension scheme 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 earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality (AA) corporate bonds. At March 2022 the discount rate was 2.60%.

The assets of the Kent County Council pension scheme, attributable to the Council, are included in the Balance sheet at their fair value, as follows:

Quoted securities:	current bid price
Unquoted securities:	professional estimate
Unitised securities:	current bid price
Property:	market value

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

Service Cost

- current service cost: the increase in liabilities as a result of years of service earned this year (allocated to the revenue accounts of services for which the employees worked, in the Comprehensive Income and Expenditure Statement).
- 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 as part of Non Distributed Costs).
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – 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 of 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 (asset) during the period as a result of contribution and benefit payments).

Remeasurement

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions 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 actuary has updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Kent County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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, appropriations are required, 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, or any amounts payable to the fund 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 are earned by employees.

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 are accrued in the year of the decision to make the award, and are accounted for using the policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

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.

Financial Instruments

Financial Liabilities

Financial Liabilities are recognised in the Balance Sheet when the authority 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. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority'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 the 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 authority 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 authority, 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.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for material trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part 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.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the 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 and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI)

It is the policy of the authority that certain equity assets will be designated as Financial Assets Measured at Fair Value through other Comprehensive Income. Designation is considered when the investment would normally fall into the Fair Value through Profit of Loss classification, the investment meets the definition of an equity instrument and is not held for trading. Any designation is determined so that a reliable accounting policy is maintained for the investment reflecting the long term strategical nature of each investment. Designation is irrevocable so that gain/losses in movements in fair value are not recognised in usable reserves until the investment matures or is sold.

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 Authority when there is reasonable assurance that:

- the Authority 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on 'new build' (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income

from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement, in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held principally for its contribution to knowledge and culture. The value of Heritage Assets held by the Council is not material and therefore is not recognised on the balance sheet.

Interest in Companies or Other Entities

The Council does not have material interests in companies, nor in other entities that have the nature of subsidiaries; accordingly group accounts have not been prepared. The Council is a shareholder in the Bridge Estate Management Company Limited. To date the company's activities have been very limited and are not considered material; and it is not considered that the preparation of group accounts would aid in the understanding of the financial standing of the Council.

Investment Property

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 council services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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.

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.

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 Authority 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 Authority as a joint operator recognises its:

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

Leases

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 Authority 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 authority 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).

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 authority at the end of the lease period).

The authority 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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance, and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement. 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 therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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. Credits are made on a straight-line basis over the life of the lease.

Overheads and Support Services

In past years these have been charged to appropriate Service Reporting Code of Practice line, however as part of the "Telling the Story" changes to the accounts outlined in the Narrative Report the costs of overheads and support services are now charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

Property, Plant and Equipment

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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure above £10,000 is capitalised; amounts below this sum are charged directly to revenue.

Measurement

Assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). They have been classified in accordance with the IFRS Code.

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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV),
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- 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), the depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount was not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service).

The schedule of valuations for operational property is shown in note 14. The date of revaluation for non-dwelling Property, Plant and Equipment assets valued during the year is 31 March 2022. Investment Properties have been revalued as at 31 March 2022.

Council dwellings are revalued annually using the Beacon principle. The asset valuations in these accounts have been prepared by the Council’s in-house valuer Neil King in accordance with the Royal Institute of Chartered Surveyors’ current guidance notes for Asset Valuation.

The basis for Council dwellings’ valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 33% of the market value, to reflect their occupation by secure tenants. A full valuation of the Beacon properties is undertaken every five years, but an annual adjustment to reflect market changes is made in the

intervening years. The date of valuation for Housing Revenue Account dwellings was 31 March 2022.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains can also be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where such indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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 provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- dwellings – straight-line allocation over 60 years, the useful life of the property as estimated by the valuer,
- other buildings (and their components as relevant) – reducing balance charge over the useful life of the property as estimated by the valuer, (ranges from 3-91 years).
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet on a reducing balance basis, as advised by a suitably qualified officer, (ranges from 3-10 years).
- Infrastructure – reducing balance charge over the useful lives of the assets, (ranges from 10-35 years).

Expenditure on the acquisition or enhancement of an asset is not depreciated in the year it is incurred unless the value is significant.

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.

Components

The IFRS code requires local authorities to identify elements of major assets that either have a capital cost that is significant in relation to the total cost of the asset and/or have a different useful life or depreciation method. The Council accounts for components for individual assets with a gross book value in excess of £1m, and where any individual component has a value in excess of £100,000.

The treatment of components for the Housing Revenue Account dwellings differs from that shown above. The component policy for the HRA dwelling stock has been compiled based on advice received from valuers and officers. The criterion for this asset class is if an individual component has a value in excess of 20% of the average dwelling valuation. The Council has not implemented component accounting for the HRA stock as no individual components meet the Council's criterion.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 its 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 the 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet 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. Receipts from disposals (if any) are also credited to the same line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 received for a disposal are categorised as capital receipts. A proportion of certain receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

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.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. 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 and retirement benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax

VAT has been included in the income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

4 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2021/22 code are:

Annual Improvements to IFRS Standards 2018–2020.

The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

5 Critical Judgements in Applying Accounting Policies

The Council's aggregate interest in the discounted sales scheme is continuing, (129 properties as at 31 March 2022). The historic costs of the sales since the commencement of the scheme have been uplifted to March 2022 prices using the Land Registry indices for Dartford, relevant to the respective balance sheet dates.

It has been determined that the discounted sales scheme receivable is not a financial instrument as the Council's rights under the scheme do not meet the definition of a financial asset. This is because the Council's legal charge over the properties concerned does not arise from a contractual relationship between the Council and the purchasers of the property. Additionally, the Council has offered no consideration to the owners of the property in return for the economic benefits received.

The Authority carries out a rolling programme of valuations, in accordance with the IAS16 and code requirements, to ensure that all Property, Plant and Equipment (PPE) required to be measured at current value is revalued at least every five years. Properties with a higher valuation are valued annually to ensure a materially correct carrying value.

6 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 Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other related factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Property Valuations

Revaluations of property, plant and equipment, investment property and surplus assets are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency.

If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated. The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of. A reduction of 1% in the value of PPE at 31.3.2022 would reduce the balance sheet value by £4.1m

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The sensitivity of the net Pension Fund liability to a change in assumptions can be measured and is shown in the sensitivity table as part of Note 32 in the accounts.

7 Events After The Reporting Period

The Statement of Accounts was approved and authorised for issue on the _____ by the Audit Board, and this is the date to which events after the Balance Sheet date have been considered for inclusion in the financial statements.

8 Adjustments Between Accounting Basis and Funding Basis Under Regulations, including Usable Reserves Disclosure

Details of movements in the Authority's usable reserves are set out in the Movement in Reserves Statement and the tables later in this note. The movements are summarised in the table below. Earmarked Reserves are also part of useable reserves and are analysed separately in note 10.

	Movements in Year				
	2020/21	CI&ES	MIRS	Reserves	2021/22
	£'000	£'000	£'000	£'000	£'000
General Fund Balance	3,000	3,999	(10,645)	6,646	3,000
Housing Revenue Account	12,561	10,109	(14,987)	0	7,683
Capital Grants Unapplied	20,923	0	6,012	0	26,935
Capital Receipts Reserve	16,567	0	2,195	0	18,762
"One for One" Receipts	4,692	0	298	0	4,990
Total	57,743	14,108	(17,127)	6,646	61,370

The Usable Reserves are composed of:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all its liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure, as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the nature of capital expenditure against which it can be applied and/or the financial year in which this can take place.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

'One for One' Receipts

This is a part of the capital receipts reserve and is broken down here for additional disclosure; these receipts arise from the sale of Council properties via the Right to Buy. The receipts must be held separately and used to fund the provision of new social housing, within three years of receipt.

Adjustments Between Accounting Basis and Funding Basis Under Regulations

The table below details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves				
	General Fund Balance £,000	Housing Revenue Account £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Capital Receipts Reserve £,000
2021/22					
Adjustments to the Revenue Resources					
Pensions Costs	(1,783)	(523)	0	0	0
Council Tax and NDR	13,501	0	0	0	0
Reversal of entries in relation to Investments	874	505	0	0	0
Reversal of entries in relation to Capital Expenditure	(13,210)	(6,581)	0	0	0
Total Adjustments to Revenue Resources	(618)	(6,599)	0	0	0
Adjustments Between Revenue and Capital Resources					
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	2,372	4,456	0	0	(6,828)
Transfer from Deferred Capital Receipts on receipt of cash	0	0	0	0	(73)
Recognition of Deferred Capital Receipt on change of lease conditions	0	0	0	0	0
Recognition of Long Term Debtor re Discounted Sales Scheme	1,098	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(354)	0	0	0	354
Capital expenditure financed from the General Fund and Housing Revenue Account Balances	957	3,697	0	0	0
Statutory provision for the repayment of debt	99	9,443	0	0	0
Transfer from HRA to Major Repairs Reserve	0	3,990	(3,990)	0	0
Total Adjustments between Revenue and Capital Resources	4,172	21,586	(3,990)	0	(6,547)
Adjustments to Capital Resources					
Capital Grants Applied to Finance Capital expenditure	0	0	0	1,079	0
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,091	0	0	(7,091)	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	3,990	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	4,054
Total Adjustments to Capital Reserves	7,091	0	3,990	(6,012)	4,054
Total Adjustments	10,645	14,987	0	(6,012)	(2,493)

	Usable Reserves				
	General Fund Balance £,000	Housing Revenue Account £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Capital Receipts Reserve £,000
2020/21					
Adjustments to the Revenue Resources					
Pensions Costs	(711)	(244)	0	0	0
Council Tax and NDR	(26,216)	0	0	0	0
Reversal of entries in relation to Investments	10,489	92	0	0	0
Reversal of entries in relation to Capital Expenditure	(6,054)	(5,544)	0	0	0
Total Adjustments to Revenue Resources	(22,492)	(5,696)	0	0	0
Adjustments Between Revenue and Capital Resources					
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,105	2,652	0	0	(5,757)
Transfer from Deferred Capital Receipts on receipt of cash	(10)	0	0	0	(27)
Recognition of Deferred Capital Receipt on change of lease conditions	0	0	0	0	0
Recognition of Long Term Debtor re Discounted Sales Scheme	661	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(405)	0	0	0	405
Capital expenditure financed from the General Fund and Housing Revenue Account Balances	300	4,806	0	0	0
Statutory provision for the repayment of debt	191	4,443	0	0	0
Transfer from HRA to Major Repairs Reserve	0	3,851	(3,851)	0	0
Total Adjustments between Revenue and Capital Resources	3,842	15,752	(3,851)	0	(5,379)
Adjustments to Capital Resources					
Capital Grants Applied to Finance Capital expenditure	0	0	0	1,113	0
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,967	0	0	(10,967)	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	3,851	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	8,742
Total Adjustments to Capital Reserves	10,967	0	3,851	(9,854)	8,742
Total Adjustments	(7,683)	10,056	0	(9,854)	3,363

9 Unusable Reserves

	2021/22	2020/21
	£,000	£,000
Capital Adjustment Account	(231,335)	(222,193)
Revaluation Reserve	(164,659)	(136,520)
Collection Fund Adjustment Account	11,045	24,546
Pensions Reserve	55,256	61,517
Deferred Capital Receipts Reserve	(12,934)	(13,482)
Pooled Investment Fund Adjustment Account	(1,798)	(1,683)
Total Unusable Reserves	(344,425)	(287,815)

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 Authority 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 authority. 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.

CAPITAL ADJUSTMENT ACCOUNT	2021/22 £,000	2020/21 £,000
Balance as at 1 April	(222,193)	(206,636)
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	14,247	7,390
Amortisation of intangible assets	30	18
Revenue expenditure funded from capital under statute	3,918	3,230
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	2,673	3,206
Adjusting amounts written out of the Revaluation Reserve		
Adjustment re Historic Cost Depreciation	(2,114)	(2,045)
Other Adjustments	(664)	(413)
Net written out amount of the cost of non-current assets consumed in the year:	18,090	11,386
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,054)	(8,742)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,990)	(3,656)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,651)	(3,160)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,079)	(1,113)
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances	(9,542)	(4,635)
Capital expenditure charged against the General Fund and HRA balances	(4,653)	(5,301)
	(25,969)	(26,607)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,263)	(336)
Balance as at 31 March	(231,335)	(222,193)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 as the gains are consumed through depreciation, or
- disposed of and the gains 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.

REVALUATION RESERVE	2021/22		2020/21	
		£,000		£,000
Balance as at 1 April		(136,520)		(133,219)
Upward revaluation of assets	(31,942)		(9,515)	
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	1,025		3,756	
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		(30,917)		(5,759)
Difference between fair value depreciation and historical cost depreciation		2,114	2,045	
Accumulated gains on assets sold or scrapped		664	413	
Amount written off to the Capital Adjustment Account				2,458
Balance at 31 March		(164,659)		(136,520)

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 and business rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2021/22	2020/21
COLLECTION FUND ADJUSTMENT ACCOUNT	£,000	£,000
Balance at 1 April	24,546	(1,670)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(217)	382
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(13,284)	25,834
Balance at 31 March	11,045	24,546

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 Authority 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 Authority 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 shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021/22	2020/21
PENSIONS RESERVE	£,000	£,000
Balance at 1 April	61,517	54,906
Remeasurements of the net defined benefit liability (asset)	(8,567)	5,656
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services	5,494	3,949
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,188)	(2,994)
Balance at 31 March	55,256	61,517

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements the authority does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The Council has identified monies due to it in respect of discounts provided by two third parties on sales of new dwellings on a development in the borough. These receipts will arise over the next 25 years, as relevant properties are sold or redeemed, and they are shown on the balance sheet and within Long Term Debtors in note 18 to the accounts.

	2021/22	2020/21
DEFERRED CAPITAL RECEIPTS RESERVE	£,000	£,000
Balance at 1 April	(13,482)	(13,772)
Transfer to the Capital Receipts Reserve upon receipt of cash	73	37
Discounted Sale Scheme - New Receipts and Valuation Changes	(1,098)	(661)
Discounted Sales Scheme - Written Out on Receipt of Cash	1,573	914
Balance at 31 March	(12,934)	(13,482)

Pooled Investment Fund Adjustment Account

The pooled investment fund adjustment account holds unrecognised gains and losses of financial instruments accounted for at fair value through profit and loss. A statutory override allows for these unrecognised gains and losses to be transferred from the general fund to the pooled investment fund adjustment account via the MIRS so that the fluctuations in the movement of these funds does not impact the council tax payer. When the asset is eventually sold the accumulated gain or loss is then transferred back to the General fund via the MIRS.

POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT	2021/22 £,000	2020/21 £,000
Balance at 1 April *	(1,683)	8,562
Upward revaluation of investments	(2,269)	(10,259)
Downward revaluation of investments	2,154	14
Balance at 31 March	(1,798)	(1,683)

10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future expenditure plans, and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2021/22.

Earmarked Reserve	Balance at 31 March 2020 £,000	Transfers Out 2020/21 £,000	Transfers In 2020/21 £,000	Balance at 31 March 2021 £,000	Transfers Out 2021/22 £,000	Transfers In 2021/22 £,000	Balance at 31 March 2022 £,000
Museum Donation Box	(14)	0	0	(14)	0	0	(14)
Provision for Default	(572)	572	0	0	0	0	0
Pensions Contributions	(2,000)	0	0	(2,000)	0	0	(2,000)
Financial Stability and Capital Projects Reserve	(20,992)	120	(9,874)	(30,746)	0	(3,757)	(34,503)
Homelessness Reserve	(400)	0	0	(400)	0	(100)	(500)
Identified Initiatives	(2,701)	294	(593)	(3,000)	343	(408)	(3,065)
Grants and Contributions	(943)	432	(1,581)	(2,092)	277	(1,142)	(2,957)
Feasibility	(721)	353	(132)	(500)	113	(113)	(500)
Service Provision	0	0	(500)	(500)	102	(102)	(500)
Minor Insurance Liability	(100)	0	0	(100)	0	0	(100)
Replacement and Renewals	(693)	3	(79)	(769)	152	(37)	(654)
Structural Changes	(498)	55	(57)	(500)	6	(6)	(500)
Acacia Reserve	(300)	0	(30)	(330)	0	(43)	(373)
Corporate Property Maintenance	(639)	0	(11)	(650)	102	(102)	(650)
Investment Volatility	(4,811)	0	0	(4,811)	0	(1,500)	(6,311)
Community Infrastructure Reserve	(279)	0	0	(279)	0	0	(279)
Environmental & Waste Management	(426)	0	0	(426)	96	(71)	(401)
NNDR Deficit Reserve	(305)	0	(24,347)	(24,652)	12,637	0	(12,015)
Exceptional Cost Overrun	(1,000)	1,000	0	0	0	0	0
NNDR Growth Fund Reserve	(1,564)	0	(523)	(2,087)	28	(550)	(2,609)
Major Projects Reserve	(1,999)	1,999	0	0	0	0	0
Business Rates - Economic Development	(1,010)	0	0	(1,010)	721	0	(289)
Total	(41,967)	4,828	(37,727)	(74,866)	14,577	(7,931)	(68,220)

11 Other Operating Expenditure

	2021/22	2020/21
	£,000	£,000
Parish Council precepts	1,229	1,232
Payments to the Government Housing Capital Receipts Pool	354	405
(Gains)/Losses on the disposal of non-current assets	(2,582)	(1,637)
Notional Income - Discounted Sale Scheme	(1,098)	(661)
Total Other Operating Expenditure	(2,097)	(661)

12 Financing and Investment Income & Expenditure

	2021/22	2020/21
	£,000	£,000
Interest payable and similar charges	3,295	1,286
Net interest on the net defined benefit (liability)	1,169	1,255
Interest receivable and similar income	(5,415)	(13,059)
Income and expenditure in relation to investment properties	(295)	(304)
Changes in the fair value of investment property	(1,263)	(336)
Total Financing and Investment Income and Expenditure	(2,509)	(11,158)

13 Taxation and Non-Specific Grant Income and Expenditure

	2021/22	2020/21	
	£,000	£,000	
Council Tax Income	(8,466)	(8,250)	
NNDR Tariff	29,735	29,735	
NNDR Income Share	(25,503)	(11,733)	
Business Rates Levy / Pool Contribution	666	833	
Section 31 Business Rates Grants	Note 28	(11,056)	(24,766)
Non-Ring Fenced Government Grants	Note 28	(5,601)	(7,715)
Capital Grants and Contributions	Note 28	(6,520)	(10,248)
Total Taxation and Non Specific Grant Income	(26,745)	(32,144)	

14 Property, Plant and Equipment

Movements on Balances									
Movements in 2021/22	Council Dwellings	Other Land and Buildings*	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Assets held for sale	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation									
at 1 April 2021	322,056	44,716	6,679	3,357	10,460	7,115	9,852	0	404,235
Additions	7,330	1,180	539	0	113	48	3,122	0	12,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18,079	5,301	0	0	0	7,537	0	0	30,917
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(719)	(7,182)	0	0	0	0	0	0	(7,901)
Derecognition - Disposals	(2,013)	0	(22)	0	0	0	0	0	(2,035)
Assets reclassified	196	8,030	0	0	0	(14,700)	(8,226)	14,700	0
Other Movements*	(3,617)	(2,012)	(228)	0	0	0	0	0	(5,857)
At 31 March 2022	341,312	50,033	6,968	3,357	10,573	0	4,748	14,700	431,691
Accumulated Depreciation and Impairment									
At 1 April 2021	0	(517)	(3,896)	(1,654)	(363)	0	0	0	(6,430)
Depreciation charge	(3,757)	(2,405)	(506)	(102)	0	0	0	0	(6,770)
Depreciation written out to Revaluation Reserve	3,617	2,012	0	0	0	0	0	0	5,629
Depreciation written out to Surplus/Deficit on provision of Services	117	307	0	0	0	0	0	0	424
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	23	0	22	0	0	0	0	0	45
At 31 March 2022	0	(603)	(4,380)	(1,756)	(363)	0	0	0	(7,102)
Net Book Value at 31 March 2022	341,312	49,430	2,588	1,601	10,210	-	4,748	14,700	424,589

Movements on Balances									
Movements in 2020/21	Council Dwellings	Other Land and Buildings*	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Assets held for sale	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation									
at 1 April 2020	313,399	46,181	6,166	3,357	9,397	6,408	3,450	0	388,358
Additions	10,074	452	513	0	1,063	0	6,458	0	18,560
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,877	1,175	0	0	0	707	0	0	5,759
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(533)	(718)	0	0	0	0	0	0	(1,251)
Derecognition - Disposals	(1,285)	0	0	0	0	0	0	0	(1,285)
Assets reclassified	52	0	0	0	0	0	(56)	0	(4)
Other Movements*	(3,528)	(2,374)	0	0	0	0	0	0	(5,902)
At 31 March 2021	322,056	44,716	6,679	3,357	10,460	7,115	9,852	0	404,235
Accumulated Depreciation and Impairment									
At 1 April 2020	0	(853)	(3,439)	(1,552)	(363)	0	0	0	(6,207)
Depreciation charge	(3,656)	(2,405)	(457)	(102)	0	0	0	0	(6,620)
Depreciation written out to Revaluation Reserve	3,527	2,374	0	0	0	0	0	0	5,901
Depreciation written out to Surplus/Deficit on provision of Services	114	367	0	0	0	0	0	0	481
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	15	0	0	0	0	0	0	0	15
At 31 March 2021	0	(517)	(3,896)	(1,654)	(363)	0	0	0	(6,430)

Net Book Value

at 31 March 2021 322,056 44,199 2,783 1,703 10,097 7,115 9,852 - 397,805

* Other movements in both years are related to the write back of depreciation on revaluation.

During 2021/22 the Council spent £16.4m on capital works to its asset portfolio. Of this sum, £5.8m was spent on HRA dwelling stock assets, including a programme of new build/acquisitions. The Council sold 26 dwellings with a total balance sheet valuation of £1.99m under the Right to Buy scheme during 2021/22. The Council completed the build of 3 wheelchair accessible units and continued work on 29 other dwellings across three sites. The Council also purchased a further 4 dwellings.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	60 years
Other Land and Buildings	10-60 years
Vehicles, Plant and Equipment	3-10 years
Infrastructure	10-35 years

Capital Commitments

At 31 March 2022 the Authority is contractually committed to spending a total of £3.5m on capital projects. This is provided for in the capital budget and is fully funded from the Council's own resources.

Revaluations

The Authority carries out a rolling programme of valuations, in accordance with the IAS16 requirements, to ensure that all Property, Plant and Equipment (PPE) required to be measured at current value is revalued at least every five years. Properties with a higher valuation are valued annually to ensure a materially correct carrying value.

Valuations were carried out by external Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

With regard to PPE properties valued during the year, these were split between properties / land that were valued on an 'Existing Use value' basis (such as, Civic Offices and the Car Parks) and those valued on Depreciated Replacement Cost (DRC) such as Public Conveniences, Theatre, Football Stadium etc.

An existing use value involves analysing other market transactions, in terms of purchase price, rents, yields etc. and making adjustments to relate this evidence to the subject property and, where appropriate, making allowances for cost of acquisition etc. The relevant factors in terms of adjustments relate to tenure (in particular the terms of any leases), age, location, use, condition and suitability of the property for its intended use.

Housing is valued at Existing Use Value for Social Housing (EUV-SH) as detailed in the accounting policies.

With regard to DRC properties the Valuer relied on the rebuilding costs supplied by the RICS Building Cost Information Service and made assumptions based on the life expectancy of building components based on his knowledge of the property type and any other information supplied.

	Council dwellings £'000	Other land and buildings £'000	Total £'000
Valued at current value as at:			
31 March 2022	341,312	43,235	384,547
31 March 2021*	0	3,086	3,086
31 March 2020*	0	2,430	2,430
31 March 2019*	0	142	142
31 March 2018*	0	537	537
Total Cost or Valuation	341,312	49,430	390,742

*Other Land and buildings valued as at 1 Jan of relevant year in years prior to 2022

Surplus Assets: land at Stone Lodge was revalued at Fair Value as at 31 March 2022. Land at Stone Lodge has been revalued at Fair Value, based on Market Value for best and most valuable use as appropriate to the site. In this instance, the most valuable use is considered to be land for residential development. The methodology for the valuation of development land can be site specific, based on capacity where there are sufficient details known / planning permission in place. However, more usually such land frequently transacts in the market subject to planning / pre-detailed planning. This gives rise to market based sales evidence which can be analysed to produce indicative prices per unit of measurement (i.e. £ per acre / hectare) or on a per developable unit basis, which can then be used for comparison subject to any necessary adjustment for site specific factors. As at the valuation date, 31st March 2022, Land at Stone Lodge has been subject to market testing through an informal tendering process and a sale agreed / proceeding. There are sufficient observable inputs available to establish Level 2 category evidence supporting the valuation The surplus asset was then transferred to an asset held for sale as the sale of the land is expected within the next 12 months.

15 Investment Properties

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

	2021/22	2020/21
	£,000	£,000
Balance at 1 April	8,550	10,150
Additions:		
Reclassifications	0	0
Disposals	(684)	(1,936)
Net gains/(losses) from fair value adjustments	1,263	336
Balance at 31 March	9,129	8,550

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

Recurring fair value measurements using:	Other significant observable inputs (Level 2) £,000	Significant unobservable inputs (Level 3) £,000	Fair value as at 31 March 2022 £,000
Commercial units	9,129	0	9,129
Total	9,129	0	9,129

Recurring fair value measurements using:	Other significant observable inputs (Level 2) £,000	Significant unobservable inputs (Level 3) £,000	Fair value as at 31 March 2021 £,000
Commercial units	8,550	0	8,550
Total	8,550	0	8,550

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the commercial investment portfolio has been based on the market approach using current market conditions and recent sales or lettings evidence and other relevant information for similar assets in Dartford Borough, or other suitably comparable locations. Where appropriate, adjustments have been made to the comparable evidence to relate these directly to the subject properties. Market conditions are such that similar properties are actively sold or let and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

16 Assets Held for Sale

Non-current	31 March 2022 £,000	31 March 2021 £,000
Balance at 1 April	0	0
Assets newly classified as held for sale:		
Property, Plant and Equipment	14,700	0
Revaluation losses	0	0
Asset Disposal	0	0
Total	14,700	0

Land at Stone Lodge has been actively marketed and the sale is expected to complete in the next 12 months.

17 Financial Instruments

Categories of Financial Instruments

	Long term		Short term	
	31 March 2022 £,000	31 March 2021 £,000	31 March 2022 £,000	31 March 2021 £,000
Financial Assets				
At fair value through profit & loss	76,084	71,447	35,866	35,389
Total Investments	76,084	71,447	35,866	35,389
At amortised cost	0	0	5,009	(455)
At fair value through profit & loss	0	0	42,085	46,180
Total cash & cash equivalents	0	0	47,094	45,725
Trade debtors	92	117	6,271	5,689
Lease receivables	2,641	2,715	0	0
Included in debtors	2,734	2,832	6,271	5,689
Total Financial assets	78,818	74,279	89,231	86,803

Reconciliation to debtors note 18

	Long term		Short term	
	31 March 2022 £,000	31 March 2021 £,000	31 March 2022 £,000	31 March 2021 £,000
Trade debtors	92	117	6,271	5,689
Lease receivables	2,641	2,715	0	0
Debtors included in financial assets	2,734	2,832	6,271	5,689
Discounted sales scheme	8,103	8,461	2,189	2,307
Statutory amounts	0	0	7,154	29,706
Non-financial assets total	8,103	8,461	9,343	32,013
Total debtors	10,837	11,293	15,614	37,702

Financial liabilities	Long term		Short term	
	31 March 2022 £,000	31 March 2021 £,000	31 March 2022 £,000	31 March 2021 £,000
Loans at amortised cost:				
Principal sum borrowed	33,975	37,518	3,543	9,443
Accrued interest	0	0	158	193
Total Borrowing	33,975	37,518	3,701	9,636
At amortised cost	0	0	563	0
Cash & cash equivalents	0	0	563	0
Trade creditors	5,838	10,494	25,227	17,763
Finance leases	529	829	168	195
Included in creditors	6,367	11,323	25,395	17,958
Total financial liabilities	40,342	48,841	29,659	27,594

Reconciliation to creditors note 20

	Long term		Short term	
	31 March 2022 £,000	31 March 2021 £,000	31 March 2022 £,000	31 March 2021 £,000
Trade creditors	5,838	10,494	25,227	17,763
Finance leases	529	829	168	195
Creditors included in financial liabilities	6,367	11,323	25,395	17,958
Statutory amounts	0	0	4,223	38,244
Non-financial liability creditors	0	0	4,223	38,244
Total creditors	6,367	11,323	29,618	56,202

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2021/2022			2021/22 Total	2020/21 Total
	Financial Liabilities	Financial Assets			
	Amortised Cost £,000	Amortised Cost £,000	Fair Value through Profit & Loss £,000		
Interest Expense	(1,141)	0	0	(1,141)	(1,272)
Losses on derecognition	0	0	0	0	0
Losses from changes in fair value	0	0	(2,154)	(2,154)	(14)
Interest Payable and Similar Charges	(1,141)	0	(2,154)	(3,295)	(1,286)
Interest income	0	244	2,902	3,146	2,800
Gains on derecognition	0	0	0	0	0
Gains from changes in fair value	0	0	2,269	2,269	10,259
Interest and investment income	0	244	5,171	5,415	13,059
Net gain/(loss) for the year	(1,141)	244	3,017	2,120	11,773

Fair Value of Assets and Liabilities

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

	Fair Value Level	Balance Sheet 31 March 2022 £,000	Fair Value 31 March 2022 £,000	Balance Sheet 31 March 2021 £,000	Fair Value 31 March 2021 £,000
<i>Financial assets held at fair value:</i>					
Money market funds	1	42,085		46,180	
Bond, equity and multi asset funds	1	109,732		104,949	
Property funds	1	2,218		1,887	
<i>Financial assets held at amortised cost:</i>					
Lease receivables	2	2,641	3,247	2,715	3,183
Total		156,676	157,282	155,731	156,199
Assets for which fair value is not disclosed*		11,369		5,351	
Total Financial Assets		168,045		161,082	
Recorded on balance sheet as:					
Long-term debtors		2,734		2,832	
Long-term investments		76,084		71,447	
Short-term debtors		6,271		5,689	
Short-term investments		35,866		35,389	
Cash & cash equivalents		47,094		45,725	
Total Financial Assets		168,049		161,082	

*The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

There has been no change in the valuation technique used during the year for the financial instruments, nor has there been any transfer between input levels.

	Fair Value Level	Balance Sheet 31 March 2022 £,000	Fair Value 31 March 2022 £,000	Balance Sheet 31 March 2021 £,000	Fair Value 31 March 2021 £,000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	37,676	37,891	47,154	50,672
Lease payables	2	697	699	1,024	1,078
Total		38,373	38,590	48,178	51,750
Liabilities for which fair value is not disclosed		31,628		28,257	
Total Financial Liabilities		70,001		76,435	
Recorded on balance sheet as:					
Short-term creditors		25,395		17,958	
Short-term borrowing		3,701		9,636	
Long-term creditors		6,367		11,323	
Long-term borrowing		33,975		37,518	
Cash & cash equivalents		563		0	
Total Financial Liabilities		70,001		76,435	

*The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's borrowing with the PWLB includes a number of loans where the interest rate is lower than the current rates available for similar loans as at the Balance sheet date.

Reconciliation of liabilities arising from financing activities

	2021/22 1 April	Financing Cash Flows Repayment £,000	Non-Cash Changes		2021/22 31 March £,000
			Reclassification £,000	Other £,000	
Long-term borrowing	37,518	0	(3,543)	0	33,975
Short-term borrowing	9,636	(9,636)	3,543	158	3,701
Total liabilities from financing activities	47,154	(9,636)	0	158	37,676

18 Debtors

Long Term Debtors

	31 March 2022 £,000	31 March 2021 £,000
Finance Leases	2,642	2,715
Discounted Sales Scheme	8,103	8,461
Works in Default	57	54
Car Loans to Employees	35	63
Total	10,837	11,293

Short Term Debtors

	31 March 2022	31 March 2021
	£,000	£,000
Gross amounts owing at year end		
Central Government Bodies	3,328	21,042
Other Local and Public Authorities	3,208	7,138
Discounted Sales Scheme	2,189	2,307
Over Paid Housing Benefits	2,738	3,111
Other Entities and Individuals	11,899	11,498
	23,362	45,096
Less Impairment for Bad Debts analysed below	(7,748)	(7,395)
Total	15,614	37,701

Bad Debts - Impairment	Balance as at 31 March 2021	Amounts Written Off	Adjustments	Balance as at 31 March 2022
	£,000	£,000	£,000	£,000
General Fund	3,283	(226)	241	3,298
Housing Revenue Account	1,422	(11)	89	1,499
Collection Fund - Council Tax	651	(123)	87	614
Collection Fund - NNDR	2,039	(235)	533	2,336
	7,395	(596)	949	7,748

19 Cash and Cash Equivalents

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

	31 March 2022	31 March 2021
	£,000	£,000
Cash held by the Authority	4	5
Bank current accounts	(563)	(462)
Short term deposits in Money Market Funds and Instant Access Deposit Accounts	47,090	46,182
Total	46,531	45,725

20 Creditors

	31 March 2022	31 March 2021
	£,000	£,000
Long Term Creditors		
Section 106 Agreements	(5,169)	(5,270)
The Bridge	0	(3,668)
Other Long Term Creditors	(1,198)	(2,385)
Total	(6,367)	(11,323)

	31 March 2022	31 March 2021
	£,000	£,000
Short Term Creditors		
Central Government Bodies	(16,816)	(43,232)
Other Local and Public Authorities	(2,260)	(1,378)
Business Rates Overpayments	(1,895)	(1,520)
The Bridge	(1,807)	(1,400)
Other Entities and Individuals	(6,840)	(8,672)
Total	(29,618)	(56,202)

21 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

	2020/21 £'000	New Provision	Amounts Used	2021/22 £'000
Business Rate Valuation Appeals	(7,822)	(642)	569	(7,895)
Former Co-op Site	(1,400)	0	0	(1,400)
Other Provisions	(170)	0	0	(170)
Balance Carried Forward	(9,392)	(642)	569	(9,465)

Provision for Business Rate Valuation Appeals

A provision is made against the potential effect of outstanding or future appeals made in respect of rating list entries relating to the Collection Fund:

The provision against the 2010 list is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn. Specific knowledge about individual or a group of appeals is applied to the likelihood of success and the provision is based upon the results of similar claims in the area or elsewhere.

A provision has also been made for the 2017 appeals list, which is based upon average estimates of successful appeals as calculated by central government.

The total provision is split between current and long term liabilities in the Balance Sheet; the current element is £2.178m and the long term element is £5.718m.

Former Co-op Site Town Centre Planning Application

In September 2019 the Council agreed to underwrite the Former Co-op Site Town Centre planning application costs of its development partner Muse Developments Limited to the sum of £1.4m. This was to enable the scheme to be progressed to planning while outstanding viability issues were addressed.

Viability on development schemes continues to be challenging nationwide and as such a provision for £1.4m was previously made to reflect the challenges the scheme faces. It is now expected that the provision will be used in 2022/23 as the necessary legalities for leaving the development agreement are finalised.

22 Operating Activities (Cash Flow Statement)

The cash flows for operating activities include the following items:

	2021/22 £,000	2020/21 £,000
Interest received	(129)	19
Interest paid	(3,330)	(1,301)
Dividends received	0	0

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2021/22 £,000	2020/21 £,000
Depreciation	6,770	6,620
Impairment and downward valuations	7,477	770
Amortisation	30	18
Increase/(decrease) in Interest Creditors	(35)	(15)
Increase/(decrease) in Creditors	(7,318)	10,054
(Increase)/decrease in Interest Debtors	(129)	19
(Increase)/decrease in Debtors	515	(193)
(Increase)/decrease in Inventories	1	0
Movement in pension liability	2,306	955
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,673	3,206
Other non-cash items charged to the net surplus or deficit on the provision of services	(65)	0
Movement in investment property values	(1,263)	(10,759)
Contributions to (from) provisions	73	1,992
	10,972	12,667

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2021/22 £,000	2020/21 £,000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(9,742)	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	0	(5,494)
Capital Grants credited to surplus or deficit on the provision of services	(6,353)	(14,128)
	(16,095)	(19,622)

23 Investing Activities (Cash Flow Statement)

	2021/22 £,000	2020/21 £,000
Purchase of property, plant and equipment, investment property and intangible assets	(12,618)	(18,602)
Purchase of short-term and long-term investments	(5,000)	(11,000)
Other payments for investing activities	(841)	(65)
Proceeds from the sale of short term and long term investments	6,901	5,784
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0
Capital grants	10,388	14,127
Other receipts from investing activities	102	77
Net Cash flow from Investing Activities	(1,068)	(9,679)

24 Financing Activities (Cash Flow Statement)

	2021/22 £,000	2020/21 £,000
Council Tax and NNDR adjustments	2,633	(7,392)
Repayment of short-term and long-term borrowing	(9,443)	(4,443)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(300)	(196)
Net Cash flow from Financing Activities	(7,110)	(12,031)

25 Members' Allowances

The Authority paid the following amounts to Members of the Council during the year.

	2021/22 £,000	2020/21 £,000
Allowances	375	375
Expenses	0	0
Total	375	375

26 Officers' Remuneration and Termination Benefits

The remuneration paid to the Authority's senior employees in 2021/22 was as follows:

Post title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contributions £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
Managing Director*	0	0	0	0	40,149
Chief Officer and Director of Corporate Services^	105,017	0	18,296	123,314	0
Strategic Director of Internal Services#	9,547	0	1,663	11,210	133,192
Strategic Director of External Services~	19,496	445	0	19,941	93,989
Director of Growth and Community\$	93,802	0	16,342	110,144	0
Director of Housing and Public Protection^	76,328	0	13,348	89,676	0
Head of Legal Services	89,598	2,898	18,129	110,625	108,731
Head of Housing	80,463	717	14,626	95,806	86,790
Head of IT and Transformation\$	39,320	280	7,233	46,833	0
Head of Regeneration"	0	0	0	0	60,786
Head of Planning Services	74,110	0	13,529	87,639	27,093
Head of Finance	74,110	0	13,529	87,639	83,345
	662,241	4,340	116,695	782,827	634,075

*Deceased June 2020

^# Chief Officer and Director of Corporates Services' was previously the Strategic Director of Internal Services

~ Postholder retired May 2021, post deleted

\$ Appointed September 2021

"Postholder retired November 2020, post deleted

The Authority's employees (including those detailed above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band			2021/22	2020/21
£	-	£	Total No.	Total No.
50,000	-	54,999	10	7
55,000	-	59,999	6	3
60,000	-	64,999	2	0
65,000	-	69,999	4	7
70,000	-	74,999	4	3
75,000	-	79,999	0	0
80,000	-	84,999	0	0
85,000	-	89,999	0	0
90,000	-	94,999	2	2
95,000		99,999	0	0
100,000	-	104,999	1	0
105,000	-	109,999	0	0
110,000	-	114,999	1	1
Total			30	23

Termination Benefits and Exit Packages

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

	2021/22		2020/21	
	Compulsory Redundancy	Other Departures	Compulsory Redundancy	Other Departures
up to £10,000	1	2	0	0
£10,000-£20,000	0	0	0	0
£20,000-£30,000	0	0	0	0
£30,000-£40,000	0	0	1	0

27 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors:

	2021/22 £,000	2020/21 £,000
Fees payable for external audit services:		
Financial Statements/Scale Fee	64	59
Composite Certification Fee	28	28
Total	87	87

28 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

	2021/22	2020/21
	£,000	£,000
Credited to Taxation and Non Specific Grant Income <small>Note 13</small>		
Capital Grants and Contributions	(6,520)	(10,248)
Section 31 Business Rates Grants	(11,056)	(24,766)
COVID-19 Emergency Funding	(636)	(1,966)
New Homes Bonus Grant	(3,761)	(5,240)
Lower Tier Services Grant	(1,025)	0
EU Exit	0	(500)
Miscellaneous Grants	(178)	(9)
Total	(23,176)	(42,729)

	2021/22	2020/21
	£,000	£,000
Credited to Services		
Housing Benefits (DWP)	(17,841)	(20,184)
Housing Benefits Administration (DWP)	(234)	(232)
Homelessness Support (MHCLG/DLUHC)	(1,210)	(810)
Disabled Facilities Grant (MHCLG/DLUHC)	(592)	(592)
Local Council Tax Support Scheme (KCC)	(115)	(112)
Local Council Tax Support Scheme (MHCLG/DLUHC)	(130)	(109)
Discretionary Covid 19 Grant for Businesses (MHCLG/DLUHC)	(2,672)	(2131)
Fees & Charges Compensation Scheme (MHCLG/DLUHC)	(65)	(864)
Household Support (KCC)	(182)	0
Covid 19 Miscellaneous Grants	(984)	(564)
Local Authority Delivery Scheme (MHCLG/DLUHC)	(462)	(630)
National Leisure Recovery Fund (Sport England)	(181)	(54)
Town Centre (KCC)	(2,001)	(2,650)
Other Miscellaneous Grants and Contributions	(991)	(662)
Total	(27,660)	(29,594)

The Council is also holding the following grants and contributions.

	2021/22 £,000	2020/21 £,000
Grants Receipts in Advance - Revenue		
Discretionary Covid 19 Grant for Businesses (MHCLG)	0	(1,792)
Miscellaneous Grants	(6,602)	(308)
Total	(6,602)	(308)

	2021/22 £,000	2020/21 £,000
Unapplied Capital Grants and Contributions		
Community Infrastructure Levy	(24,559)	(17,600)
Other Third Party	(2,376)	(3,323)
Total	(26,935)	(20,923)

29 Related Parties

The Authority 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 it. 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 Authority.

Central Government

Central government has significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits and business rates). Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement and in notes 13 and 28 and Debtors and Creditors relating to Central Government transactions are shown in notes 18 and 20.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 25.

Members have been asked to declare whether they, or any member of their close family, have had any significant interest in any company or voluntary organisation that had any financial

dealing with the Council during the 2021/22 financial year. A significant interest would include transactions exceeding £10,000 in total or a major shareholding in a company where the shareholding exceeds 25% of the total shares.

Material declarations are as follows:

Councillor Kite is the Leader of the Council and is a voluntary, unpaid and non-shareholding Director of Dartford Football Club (1992) Limited. The Council made payments of £124,946 in 2021/22 (£115,187 in 2020/21) to Dartford Football Club (1992) Limited to manage and maintain council facilities at Princes Park including a council owned golf course and operate other sports activities on the council's behalf in accordance with service agreements and additional grants of £12,017 (£32,350 2020/21) including £7,175 in discretionary business grants relating to the pandemic.

Councillor Kite is also a Board member of the Ebbsfleet Development Corporation (EDC). The council has received payments from the EDC of £61,910 (£279,000 2020/21) for affordable Housing section 106 contributions.

The above named Councillor declared interests at the relevant meetings and took no part in relevant discussions.

Officers

Senior officers have been asked to declare whether they, or any member of their close family, have had any significant interest in any company or voluntary organisation that had any financial dealing with the Council during the 2021/22 financial year. A significant interest would include transactions exceeding £10,000 in total or a major shareholding in a company where the shareholding exceeds 25% of the total shares. No relevant declarations have been made.

Other Public Bodies

The Authority has a shared services arrangement with Sevenoaks District Council to provide various services, namely: Revenues, Benefits, Audit and Anti-Fraud, and Environmental Health. The relevant costs to the Council are accounted for within the Comprehensive Income and Expenditure Statement.

30 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2021/22 £,000	2020/21 £,000
Opening Capital Financing Requirement	47,989	52,623
Capital Investment		
Property, Plant and Equipment	12,103	18,560
Intangible Assets	178	182
Revenue Expenditure Funded from Capital Under Statute	3,918	3,230
Sources of Finance		
Capital Receipts	(4,054)	(8,742)
Government Grants and Other Contributions	(3,730)	(4,273)
Major Repair Reserve	(3,990)	(3,656)
Direct Revenue Contributions	(4,654)	(5,301)
Voluntary MRP	(9,542)	(4,634)
Closing Capital Financing Requirement	38,218	47,989
Explanations of movement in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(9,542)	(4,634)
Assets acquired under finance leases	(229)	0
Increase /(Decrease) in Capital Financing Requirement	(9,771)	(4,634)

31 Leases

Authority as Lessee

Finance Lease

The Authority's refuse and waste collection contract conveys the right to use and control specific assets, namely refuse collection vehicles. Under IFRIC 4 this has been recognised as an arrangement containing a lease, which is also referred to as an 'embedded lease'. The implied lease has been accounted for in accordance with IAS 17 and the relevant section of the Code. The Long-term Creditor in the Balance Sheet relates to these assets.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2022	31 March 2021
	£,000	£,000
Property Plant & Equipment - embedded leases	861	1,229

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2022	31 March 2021
	£,000	£,000
Finance lease liabilities (net present value of minimum lease payments):		
Current	168	195
Non-current	529	829
Finance costs payable in future years	42	75
Total	739	1,099

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liability	
	31 March 2022 £,000	31 March 2021 £,000	31 March 2022 £,000	31 March 2021 £,000
Not later than one year	185	220	168	195
Later than one year and not later than five years	554	879	529	829
Later than five years	0	0	0	0
Total	739	1,099	697	1,024

Operating Leases

The Authority leases 158 properties for use as temporary accommodation. A small number of these properties have a lease term of ten years with the rest all a maximum of five years. The payments due under the leases as at 31st March 2022 are as follows:

	Minimum lease payments	
	31 March 2022 £,000	31 March 2021 £,000
Not later than one year	1,542	1,476
Later than one year and not later than five years	2,581	1,890
Later than five years	0	104
Total	4,123	3,470

Authority as Lessor

Finance Leases

The Authority owns three properties which are leased out on finance leases. The first is Crown Buildings, comprising the Court House and Offices. The Court House is leased to Central Government and the offices are leased to BizNiz Point Dartford Lease Limited. Both are on 125 year leases which end in February 2113. The second property is a nightclub which has a lease end date in 2036. The third is on the old site of the Maybledon Hospital. The site is let on a 100 year lease for the development of a crematorium and cemetery. Rent is paid annually.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement

of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2022	31 March 2021
	£,000	£,000
Finance Lease debtor (net present value of minimum lease payments):		
- current	260	288
- non-current	2,273	2,327
Total	2,533	2,615
Unguaranteed residual value of property	108	99
Unearned finance income	14,525	14,765
Gross investment in the lease	17,166	17,479

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£,000	£,000	£,000	£,000
Not later than one year	283	313	283	313
Later than one year and not later than five years	972	1,012	972	1,012
Later than five years	15,911	16,154	15,558	15,801
Total	17,166	17,479	16,813	17,126

Operating Leases

The Authority leases out property under operating leases both on commercial and non-commercial terms.

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

	31 March 2022	31 March 2021
	£,000	£,000
Not later than one year	450	473
Later than one year and not later than five years	1,618	1,615
Later than five years	35,632	35,753
Total	37,700	37,841

32 Defined Benefit Pension Schemes

Characteristics of Defined Benefit Plans and Associated Risks

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The fund is valued once every three years and the latest valuation was at 31 March 2019. The valuation disclosed a net deficit of £13.3m and a change in contribution rates as a result of that valuation took place with effect from 1 April 2020. The employer's contribution has been agreed with the actuary and is based on the aim of eliminating the deficit over 17 years. The weighted average duration of the defined benefit obligation for scheme members remains at 17 years for 2021/22, no change from 2020/21.

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering authority for the fund is Kent County Council. The Pension Fund Committee oversees the management of the fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate, some functions are delegated to the fund's professional advisers.

As administering authority to the fund, Kent County Council, after consultation with the fund actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- Investment risk. The fund holds investment in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

Participation in pension schemes

As part of the terms and conditions of employment, the authority offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered locally by Kent County Council. The current scheme is a Career Average Revalued Earnings Scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance pension liabilities with investment assets.

Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services as they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed. This adjustment is shown in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

Surplus and Deficit for the year to 31 March 2022

	2021/22	2020/21
The amounts recognised in the income and expenditure account are	£,000	£,000
Service Cost	4,262	2,625
Net Interest on Defined Liability	1,169	1,255
Administration Expenses	63	69
Total	5,494	3,949
Actual Return on Scheme Assets	(2,217)	(24,887)

Balance Sheet Disclosure as at 31 March 2022

	31 March 2022	31 March 2021
Net Pension Asset as at	£,000	£,000
Present Value of Defined Benefit Obligation	161,093	166,905
Fair Value of Scheme Assets	(106,985)	(106,668)
Deficit/(Surplus)	54,108	60,237
Present Value of Unfunded Obligation	1,148	1,280
Net Defined Benefit Liability	55,256	61,517

Asset and Benefit Obligation Reconciliation for the year to 31 March 2022

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2021/22 £'000	2020/21 £'000
Opening defined benefit obligation	168,185	138,713
Current service cost	4,262	2,625
Interest cost	3,231	3,202
Changes in financial assumptions	(8,748)	32,133
Changes in demographic assumptions	0	(1,612)
Experience loss/(gain) on defined benefit obligation	337	(1,925)
Estimated benefits paid net of transfers in	(5,485)	(5,335)
Contributions by scheme participants	592	526
Unfunded pension payments	(133)	(142)
Closing Defined Benefit Obligation	162,241	168,185

Reconciliation of opening and closing balances of the fair value of fund assets	2021/22 £'000	2020/21 £'000
Opening fair value of fund assets	106,668	83,807
Interest on assets	2,062	1,947
Return on assets less interest	155	22,940
Administration expenses	(63)	(69)
Contributions by employer including unfunded	3,189	2,994
Contributions by scheme participants	592	526
Estimated benefits paid plus unfunded net transfers in	(5,618)	(5,477)
Closing Fair Value of Fund Assets	106,985	106,668

Reconciliation of opening and closing balances	2021/22	2020/21
	£'000	£'000
Surplus/ (Deficit) at beginning of the year	(61,517)	(54,906)
Current Service Cost	(4,262)	(2,625)
Employer contributions	3,055	2,852
Unfunded pension payments	133	142
Past service costs	0	0
Other finance income (expenditure)	(1,077)	21,616
Actuarial gains (losses)	8,412	(28,596)
Surplus/(Deficit) at the end of the year	(55,256)	(61,517)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits.

Basis for estimating assets and liabilities

The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the fund are based on the latest full valuation of the scheme as at 31 March 2019. To assess the current value of liabilities as at 31 March 2022 the actuarial valuation has been rolled forward, using financial assumptions that comply with IAS19. The principal assumptions used by the actuary have been:

	2021/22	2020/21
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.6 years	21.6 years
Women	23.7 years	23.6 years
Longevity at 65 for future pensioners		
Men	23.0 years	22.9 years
Women	25.1 years	25.1 years
Rate of CPI increase	3.25%	2.85%
Rate of increase in salaries	4.25%	3.85%
Rate of increase in pensions	3.25%	2.85%
Rate for discounting scheme liabilities	2.60%	1.95%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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.

The scheme's assets consist of the following categories, by proportion of the total assets held:

Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	159,504	162,241	165,029
Projected service cost	3,807	3,927	4,051
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	162,465	162,241	162,019
Projected service cost	3,927	3,927	3,927
Adjustments to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	164,784	162,241	159,740
Projected service cost	4,052	3,927	3,805
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	170,007	162,241	154,852
Projected service cost	4,090	3,927	3,770

	2021/22			2020/21		
	Quoted market price in an active market £000's	Price not quoted in an active market £000's	%	Quoted market price in an active market £000's	Price not quoted in an active market £000's	%
Equity investments	62,512	6,357	65%	56,421	12,266	65%
Gilts	653	0	1%	634	0	1%
Bonds	14,771	0	14%	13,321	0	12%
Property	0	12,567	12%	0	11,040	10%
Cash	0	2,210	2%	0	5,289	5%
Target Return portfolio	7,915	0	7%	7,697	0	7%
	85,851	21,134	100%	78,073	28,595	100%

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The projected pension expense for the year to 31 March 2022 is:

Remeasurement of the net assets/(defined liability)	31 March 2022 £000's	31 March 2021 £000's
Return on fund assets in excess of interest	155	22,940
Changes in financial assumptions	8,749	(32,133)
Change in demographic assumptions	0	1,612
Experience gain/(loss) on defined benefit obligation	(337)	1,925
Remeasurement of the net assets/(defined liability)	8,567	(5,656)

The table below shows the projections of the pension scheme transactions for the 2022/23 financial year based on the assumptions and forecasts currently in use by the actuary.

Projections for the year to 31 March 2023	31 March 2023 £'000
Service Cost	3,927
Net Interest on the defined liability (asset)	1,395
Administration Expenses	62
Total loss (profit)	5,384
Employer Contributions	3,100

33 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council also approves 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 Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- liquidity risk - the possibility that the Council might not have the cash 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 measures as interest rates and stock market movements.

Credit Risk – Treasury Investments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution as well as a maximum period of investment.

Although the Council recognises that credit ratings from rating agencies such as Fitch, Moody's and Standard and Poor remain a key source of information, they also have limitations, and investment decisions are based on a range of market intelligence. All investments as at 31 March 2022 met the Council's credit rating criteria at that date and all investments made during 2021/22 were made in line with the Council's Treasury Management Strategy Statement for 2021/22 first agreed at the budget meeting of GAC on 1 March 2021.

The Council's maximum exposure to credit risk in relation to its investments in Money Market Funds of £42.09m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual counterparty. Recent experience has shown that it is rare for such entities to be unable to meet their

commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The table below summarises the credit risk exposure of the Council's treasury investment portfolio by credit rating and remaining time to maturity

Credit rating	31 March 2022	
	Long term £,000	Short term £,000
AAA	0	65,678
AA	0	6,497
A	0	5,004
Total	0	77,179
Credit risk not applicable*	76,084	5,776
Total Investments	76,084	82,955

*Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

No credit limits were exceeded during the reporting period. The Council has neither experienced, nor does it expect, any losses from non-performance of any of its counterparties in relation to its investments. No investments are impaired.

Credit Risk – Trade and Lease Receivables

The Authority does not generally allow credit for customers.

The Council Credit on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the trade receivables, by due date.

	31 March 2022 £,000	31 March 2021 £,000
Less than three months	2,164	1,549
Three to twelve months	244	1,676
More than one year	971	672
	3,379	3,897

All receivables are assessed for credit risk in the following groupings:

	Range of allowances set aside	31 March 2022		31 March 2021	
		Gross receivable £,000	Loss allowance £,000	Gross receivable £,000	Loss allowance £,000
Individuals- HRA Tenants	30-100%	2,118	(1,500)	2,114	(1,422)
Individuals - Housing Benefit Overpayments	50-100%	2,738	(1,916)	3,111	(2,099)
Other	0-100%	3,578	(1,381)	2,802	(1,183)
Private Sector - lessees	0%	2,641	0	2,714	0
Public Sector	0%	2,726	0	2,484	0
Total		13,801	(4,797)	13,225	(4,704)

Amounts assessed at zero within the other category include immaterial sums where no loss assessment was made and receivables relating to interest/dividends receivable in relation to assets that are fair value through profit & loss.

Individually assessed items relate to larger receivables where payment was received before the loss allowance assessment date.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings at favourable rates from the Public Works Loans Board and other local authorities, and at higher rates from banks and building societies, there is no significant risk that it will be unable to raise finance to meet its commitments.

The risks to the Council are that it will:

- have to re-invest a significant proportion of its investments at a time of unfavourable interest rates; to offset this risk, maturity dates are staggered and different types of investment used;
- not have adequate liquidity on a day to day basis; to assist in managing this risk, a detailed cash flow model is maintained and updated daily.

The Council's debt outstanding at 31 March 2022 consisted solely of loans from the Public Works Loan Board (PWLB). A maturity analysis of this debt is shown below:

Time to Maturity (years)	31 March 2022 £'000's
Not over 1	3,543
Over 1 but not over 2	3,543
Over 2 but not over 5	9,988
Over 5 but not over 10	13,977
Over 10 but not over 20	6,467
Total	37,518

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- investments at variable rates (e.g. Money Market Funds) – the investment income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall;
- borrowings at fixed rates – the fair value of the liabilities will fall.
- borrowings at variable rates – the Council has no borrowings at variable rates.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However changes in interest receivable on variable rate 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 or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and which is used to update the budget during the year. This allows any changes (negative or positive) to be accommodated.

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£,000
Increase in interest receivable on variable rate investments	(579)
Decrease in fair value of investments held at FVPL	1,315
Impact on Surplus or Deficit on the Provision of Services	736
Decrease in fair value of fixed rate borrowing*	(2,464)

*No impact on 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 in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is managed by ensuring the portfolio of investments held is diversified across a variety of investment types and by closely monitoring the performance in these funds.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's minimising the investment held in this fund and spreading risk across a variety of investment types.

A fall in either equity or property prices would result in a reduction in the financing and investment income in the comprehensive income and expenditure statement however there would be no impact on the General fund as the change in fair value is reversed out through the MIRS via a statutory override.

Foreign Exchange Risk

The Council does not hold any financial instruments denominated in foreign currencies and thus has no exposure to loss arising from the movement in foreign exchange rates.

34 Net Cost of Services Reclassification

Comprehensive Income and Expenditure Account and Expenditure and Funding Analysis

At the start of 2021/22 the Council implemented a new departmental structure and leadership team.

Therefore amounts previous stated in the old structure in 2020/21 have been restated into the new department structure.

Effect on Comprehensive Income and Expenditure Statement 2020-21

Original	2020/21 Gross Expenditure £,000	2020/21 Gross Income £,000	2020/21 Net Expenditure £,000
Cost of Services			
Managing Director	149	0	149
Strategic Director External Services	17,449	(9,483)	7,966
Strategic Director Internal Services	36,384	(25,871)	10,513
Total	53,982	(35,354)	18,628

Restated Amounts	2020/21 Gross Expenditure £,000	2020/21 Gross Income £,000	2020/21 Net Expenditure £,000
Cost of Services			
Corporate Services	30,858	(24,580)	6,278
Growth and Community	7,880	(2,521)	5,359
Housing and Public Protection	15,244	(8,253)	6,991
Total	53,982	(35,354)	18,628

The original amounts have been fully restated into the new classifications.

Effect on Expenditure and Funding Analysis

Original 2020/21	Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS) £,000	Adjustments between Funding and Accounting Basis (Note 6) £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Cost of Services			
Managing Director	138	11	149
Strategic Director External Services	8,082	(116)	7,966
Strategic Director Internal Services	3,494	7,019	10,513
Total	11,714	6,914	18,628

Restated Amounts 2020/21	Net Expenditure Chargeable to the General Fund and HRA Balances (MIRS) £,000	Adjustments between Funding and Accounting Basis (Note 6) £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Cost of Services			
Corporate Services	2,510	3,768	149
Growth and Community	1,871	3,488	7,966
Housing and Public Protection	7,333	(342)	10,513
Total	11,714	6,914	18,628

The original amounts have been fully restated into the new classifications.

HOUSING REVENUE ACCOUNT

Housing Revenue Account Income and Expenditure Statement			
		2021/22	2020/21
	HRA Note	£,000	£,000
Expenditure			
Repairs and Maintenance		3,527	3,500
Supervision and Management		5,403	5,046
Rents, rates, taxes and other charges		68	46
Depreciation and Impairment of Non-current Assets		3,990	3,854
Revaluation of Non-current Assets		602	419
Movement in the allowance for bad debts	1	89	109
Total Expenditure		13,680	12,974
Income			
Dwelling rents	1	(20,401)	(19,923)
Non-dwelling rents		(568)	(608)
Charges for services and facilities		(1,221)	(1,222)
Minor capital receipts		(2)	(15)
Total Income		(22,192)	(21,768)
Net Cost of HRA Services		(8,513)	(8,794)
HRA services share of Corporate and Democratic Core		170	100
Net (Income)/cost for HRA Services including HRA share of costs not allocated to specific services		(8,343)	(8,694)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on sale of HRA non-current assets		(2,466)	(1,381)
Interest payable and similar charges		1,125	1,243
Changes in the fair value of Investment Properties		(505)	(92)
Net interest on the net defined benefit liability (asset)	8	252	283
Interest and investment income		(6)	(11)
Income and expenditure in relation to Investment Property		(166)	(161)
(Surplus) / Deficit for the year on HRA Services		(10,109)	(8,813)

Movement on the HRA Statement		
	2021/22	2020/21
	£,000	£,000
Balance on the HRA at the end of the previous year	(12,561)	(13,804)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(10,109)	(8,813)
Adjustments between accounting basis and funding basis under statute	14,987	10,056
Net (increase) or decrease before transfers to and from reserves	4,878	1,243
Transfers to or (from) reserves	0	0
(Increase) or decrease in year on the HRA	4,878	1,243
(Surplus)/Deficit Balance on the HRA at the end of the current year	(7,683)	(12,561)

Note to the Movement on the HRA Statement		
	2021/22	2020/21
	£,000	£,000
Adjustments between accounting basis and funding basis under statute		
Voluntary Minimum Revenue Provision	9,444	4,443
Depreciation charged to the Comprehensive Income and Expenditure Statement	(3,990)	(3,854)
Impairment and Revaluation changes charged to the Comprehensive Income and Expenditure Statement	(602)	(419)
Movement in the Value of Investment Property	505	92
Gain/(Loss) on sale of Non Current Assets	2,466	1,381
Net charges for retirement benefits in accordance with IAS19	(1,185)	(891)
Capital expenditure funded by revenue	3,697	4,806
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	662	647
Statutory Transfer to Major Repair Reserve	3,990	3,851
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	14,987	10,056
Transfers to or (from) reserves		
Major Repairs Allowance element of Housing	0	0
Net amount required by statute to be debited or (credited) to the HRA balance for the year	0	0

HOUSING REVENUE ACCOUNT NOTES

1 Rent Income and Arrears

Total rent income from houses due in the year was:

	2021/22	2020/21
	£,000	£,000
Direct from tenants	13,195	12,110
From housing benefit	7,206	7,813
	20,401	19,923

Average rents for the year were £93.40 per 52 week rent year, a small increase over the previous year. Gross rent arrears at the end of the year were 8.0% of rent income due (8.3% in 2020/21). The amounts were as follows:

	2021/22	2020/21
	£,000	£,000
Arrears at 31 March	1,625	1,644
Less Provision for Bad Debts	(1,500)	(1,422)
	125	222

The Provision for Bad Debts (including rent rebate overpayments) was as follows:

	2021/22	2020/21
	£,000	£,000
Provision Brought Forward	1,422	1,319
Write offs during year	(11)	(6)
Change in provision	89	109
Provision Carried Forward	1,500	1,422
Provision Analysed as follows: -		
Former Tenants' Arrears	1000	896
Current Tenants' Arrears	313	374
Total Provision - Rent Arrears	1,313	1,270
Rent Rebate Overpayments/Other	187	152
	1,500	1,422

2 Major Repairs Reserve

The Council is required to maintain separate records of the Major Repairs Reserve, as shown below.

	2021/22 £,000	2020/21 £,000
<i>Balance as at 1 April</i>	0	0
Contribution to the Reserve		
Major Repairs Allowance	(3,990)	(3,851)
<i>Payments from the Reserve</i>		
Capital Expenditure	3,990	3,851
Balance carried forward as at 31 March	0	0

3 Housing Stock

The stock was made up as follows:

	31-Mar-2022	31-Mar-2021
Bedsits	13	13
Houses	2,063	2,078
Flats/Maisonettes	1,515	1,507
Bungalows	184	180
Supported Housing	454	467
	4,229	4,245

The Council sold 26 dwellings with a total balance sheet valuation of £1.99m under the Right to Buy scheme during 2021/22. The Council completed the build of three wheelchair accessible bungalows and purchased five other properties. The numbers above exclude four "Rent-to-mortgage" properties where the Council owns a proportion of the property.

4 Capital Receipts

The total capital receipts arising from the sale of Housing Revenue Account assets were:

	2021/22 £,000	2020/21 £,000
Dwellings	4,195	2,561
Land	261	91
Repayment of mortgage capital	0	0
	4,456	2,652

5 Property, Plant and Equipment in the Housing Revenue Account

Movements on Balances							
Movements in 2021/22							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets Furniture & Equipment	Assets Under Construction Furniture & Equipment	Total Property, Plant and Equipment	Investment Property
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation							
At 1 April 2021	322,056	4,417	349	1	1,821	328,644	1,804
Additions	7,330	0	125	0	3,122	10,577	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18,079	27	0	0	0	18,106	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(719)	0	0	0	0	(719)	0
Derecognition - Disposals	(2,013)	0	0	0	0	(2,013)	0
Reclassification	196	0	0	0	(196)	0	0
Other movements in cost or valuation	(3,617)	0	0	0	0	(3,617)	0
At 31 March 2022	341,312	4,444	474	1	4,747	350,978	1,804
Accumulated Depreciation and Impairment							
At 1 April 2021	0	(325)	(58)	0	0	(383)	0
Depreciation charge	(3,757)	(161)	(43)	0	0	(3,961)	0
Other Movements in depreciation and impairment	3,757	0	0	0	0	3,757	0
At 31 March 2022	0	(486)	(101)	0	0	(587)	0

Net Book Value

at 31 March 2022	341,312	3,958	373	1	4,747	350,391	1,804
at 31 March 2021	322,056	4,093	291	1	1,821	328,262	1,804

6 Vacant Possession Value of Dwellings in the Housing Revenue Account

The difference between the vacant possession value and the Balance Sheet value of the dwellings represents the economic cost to the Council of providing social housing at rents lower than those in the open market.

	2021/22	2020/21
	£,000	£,000
Open Market Value	1,034,280	975,926
Balance Sheet Value	(341,342)	(322,055)
Economic Cost	692,938	653,871

7 Capital Expenditure

The total capital expenditure on dwellings, land and other properties within the Housing Revenue Account:

	2021/22	2020/21
	£,000	£,000
Additions to Property, Plant and Equipment	7,536	10,346
Assets Under Construction	3,122	1,579
	10,658	11,925
Funded by:		
Contribution from Major Repairs Reserve	3,757	3,656
Revenue Contribution	3,929	5,001
Capital Receipts and Grants and Contributions	2,972	3,268
Increase in Capital Finance Requirement	0	0
	10,658	11,925

8 Contribution to Pensions Reserve

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against housing rents is based on the cash payable in the year, so an adjustment is made in the Statement of Movement on the HRA Statement.

	2021/22 £,000	2020/21 £,000
HRA Income and Expenditure Statement		
Current Service Cost	919	592
Past Service Cost	0	0
Administration Expenses	14	16
Net Interest Expense Cost	252	283
Total Post-employment Benefit Charged to the HRA Income and Expenditure Account	1,185	891
Movement in Reserves Statement		
Reversal of net charges made to the surplus and deficit for the provision of services for post-employment benefits in accordance with the code	(1,185)	(891)
Actual amount charged against the HRA Balance for pensions in the year:		
Employer's contribution payable to the scheme	662	647

COLLECTION FUND

	2021/22 £,000 NNDR	2021/22 £,000 Council Tax	2021/22 £,000 Total	2020/21 £,000
INCOME				
Council Tax Receivable		(77,579)	(77,579)	(73,144)
Business Rates Receivable	(65,685)		(65,685)	(33,836)
	(65,685)	(77,579)	(143,264)	(106,980)
EXPENDITURE				
Apportionment of Previous Year Surplus / (Deficit)				
Central Government	(29,440)		(29,440)	686
Dartford Borough Council	(23,552)	(14)	(23,566)	1,462
Kent County Council	(5,299)	(91)	(5,390)	3,235
Kent Fire and Rescue Authority	(589)	(5)	(594)	165
Kent Police and Crime Commissioner		(14)	(14)	344
	(58,880)	(124)	(59,004)	5,892
Precepts, Demand and Shares				
Central Government	44,221		44,221	44,541
Dartford Borough Council	35,377	8,263	43,640	43,894
Kent County Council	7,960	55,037	62,997	60,388
Kent Fire and Rescue Authority	884	3,135	4,019	3,964
Kent Police and Crime Commissioner		8,463	8,463	7,873
	88,442	74,898	163,340	160,659
Charges to Collection fund				
Less : Increase (-) / Decrease in Bad Debt Provision	1,332	806	2,138	5,067
Less : Increase (-) / Decrease in Provision for Appeals	186	0	186	1,531
Less : Cost of Collection	170	0	170	170
Less : Transitional Protection Payments	1,224	0	1,224	1,537
Less : Interest	0	0	0	0
Add : Deferred amount	0	0	0	0
	2,912	806	3,718	8,305
Total Expenditure	32,474	75,580	108,054	174,856
(Surplus) / Deficit arising during the year	(33,211)	(1,999)	(35,210)	67,876
(Surplus) / Deficit as at 1 April	61,350	36	61,386	(6,490)
(Surplus) / Deficit as at 31 March	28,139	(1,963)	26,176	61,386
Allocated to:				
Dartford Borough Council	11,256	(211)	11,045	24,546
Central Government	14,069		14,069	30,674
Kent County Council	2,533	(1,445)	1,088	5,548
Kent Fire and Rescue Authority	281	(81)	200	615
Kent Police and Crime Commissioner		(226)	(226)	3
	28,139	(1,963)	26,176	61,386

COLLECTION FUND NOTES

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Business Rates (NNDR)

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

2. Council Tax Base

The Council Tax is primarily a property based tax and derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2021/22 was 38,792.33 (38,756.93 in 2020/21).

The tax base and basic Council Tax payable for 2021/22 was approved at the Council meeting on 14 December 2021. The basic tax for each band is shown below:

Band	Basic Tax £	Chargeable Dwellings	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	1,266.05	1,669	6/9	1,113
B	1,477.06	6,732	7/9	5,236
C	1,688.07	14,942	8/9	13,282
D	1,899.08	13,324	1	13,324
E	2,321.10	7,105	11/9	8,684
F	2,743.12	2,853	13/9	4,121
G	3,165.13	1,087	15/9	1,812
H	3,798.16	67	18/9	134
Net effect of premiums and discounts				-8,913.67
Tax Base for the Calculation of Council Tax				38,792.33

Additional amounts are payable for precepts levied by the Parish and Town Councils within the borough.

The level of non-payment provided for in 2021/22 was 2.5%.

Council tax bills for Bands A to H were based on the following proportions of the Band D charge:

Band	Range of 1991 property values	Ratio
A	£40,000 or less	0.67
B	£40,001 to £52,000	0.78
C	£52,001 to £68,000	0.89
D	£68,001 to £88,000	1.00
E	£88,001 to £120,000	1.22
F	£120,001 to £160,000	1.44
G	£160,001 to £320,000	1.67
H	More than £320,000	2.00

3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government.

The total income from business rate payers, after reliefs, collectable in 2021/22 was £65.684m (£33.863m in 2020/21). The main reason for the large difference between the years is because the Government funded special COVID-19 retail relief in 2021/22 was almost £25m lower than the previous year.

For 2021/22, the total non-domestic rateable value (RV) at the year-end is £203m (£203.4m in 2020/21). The national multipliers for 2021/22 were 49.9p for qualifying Small Businesses, and the standard multiplier was 51.2p for all other businesses (49.9p and 51.2p respectively in 2020/21).

4. Contributions to Collection Fund Surpluses and Deficits

The share of the surplus/ (deficit) for each of the precepting authorities is:

Share of surplus/ (deficit)	2021/22 £,000	2020/21 £,000
Kent County Council	(1,088)	(5,548)
Kent Police and Crime Commissioner	226	(3)
Kent Fire and Rescue	(200)	(615)
Dartford Borough Council *	(11,045)	(24,546)
Central Government	(14,069)	(30,675)
	(26,176)	(61,387)

* Shown as the Collection Fund Adjustment Account in the Balance Sheet.

5. Provision for Uncollectable Amounts

The provision for Council Tax and Business Rates bad debt is based on an analysis of the age of the debt plus applying an additional percentage for non-payment to the total tax due, less the write-offs in year.

The movement this year in the provision for non-collection of debt relating to Council tax is shown below:

	2021/22 £,000	2020/21 £,000
Balance Brought Forward	5,898	4,387
Write Offs	(992)	(180)
Increase/ (decrease) in provision	806	1,691
Balance Carried Forward - Council Tax	5,712	5,898

At 31 March 2022, the total Council Tax outstanding debt was just over £9.8m. This was made up as follows:

	2021/22	2020/21
	£,000	£,000
Debt up to 1 year old	2,974	2,965
Debt between 2 to 5 years old	5,072	4,748
Debt over 5 years old	1,767	1,989
Total Council Tax Debt	9,813	9,702

The movement this year in the provision for non-collection of debt relating to Business Rates is shown below:

	2021/22	2020/21
	£,000	£,000
Balance Brought Forward	5,099	1,663
Write Offs	(588)	59
Increase/ (decrease) in provision	1,331	3,376
Balance Carried Forward - Business Rates	5,842	5,099

At 31 March 2022, the total Business Rates outstanding debt was made up as follows:

	2021/22	2020/21
	£,000	£,000
Debt up to 1 year old	4,539	3,463
Debt between 2 to 5 years old	2,675	2,540
Debt over 5 years old	116	128
Total Business Rates Debt	7,330	6,131

6 Provision for Appeals (NNDR)

A provision is made against the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund:

	2021/22	2020/21
	£,000	£,000
Balance Brought Forward	19,555	18,024
RV list amendments charged against the provision for appeals	(2,775)	(2,229)
Contribution to provisions during year	2,960	3,760
Balance Carried Forward	19,740	19,555

The provision for Business Rate valuation appeals is based on the latest list of outstanding rating list proposals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for some proposals to be withdrawn. The element included in the Council's Accounts is shown in Note 21 to the main accounts.

A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

For the purposes of compiling the Statement of Accounts the following definitions have been adopted:

Accounting Period

This is the period covered by the Accounts which is the 12 month period commencing 1 April each year.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accruals

The accruals concept means that income and expenditure are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to works carried out, or services received, in March 2022 is expected to arrive in April 2022, it will be accounted for in the 2021/22 accounts (the financial year it relates to), not the 2022/23 accounts (the financial year it arrives in).

Actuarial Gains and Losses

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Amortised Cost

A classification of a financial instrument by measurement basis. See Accounting Policies for further information.

Balances

The non-earmarked capital or revenue reserves of an authority, made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the council tax levy.

Balance sheet

This statement is fundamental to the understanding of an authority's financial position at year end. It shows:

- the balances and reserves at an authority's disposal
- long-term indebtedness (over one year)
- the assets employed in its operations
- summarised information on the long-term assets (items that are held for more than one year) by category

Budget

The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

The **revenue** budget is a financial statement of planned expenditure required to deliver the Council's policies over the financial year. It is illegal for councils to budget in excess of available resources.

The budget requirement is calculated in advance of each year. It is, broadly, estimated net revenue expenditure as funded by formula grant, council tax and business rates.

Business Rate Retention Scheme

A scheme introduced in April 2013 under which billing authorities are able to retain a proportion of the business rates they collect.

Key terms associated with the scheme are as follows:

- **Tariff** - each local authority has an agreed baseline funding position set by government. If its individual business rates baseline is greater than the set level, it must pay a tariff to government.
- **Pool** – Local authorities can pool together to share risks around business rates. A pool can have the effect of reducing the total levy rate, enabling authorities to agree how to share the possible gains of this arrangement.
- **Levy** – this limits the amount business rates can grow in any one year. In a pool this is calculated by reference to the pools' total baseline funding level and its total individual business rates baseline.
- **Safety Net** – this guarantees that the Council's income from business rates will not fall below a certain level. The safety net is set at a percentage of the baseline funding level.

Capital expenditure

Expenditure for the purchase or improvement of significant assets including land, buildings, and equipment, which will be of use or benefit in providing services for more than one financial year.

Capital receipts

The proceeds from the sale of land, buildings and other capital assets. Strict rules govern their use: they cannot be used for revenue purposes.

The Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the accountancy body which represents at national level the interests of local government and public service finance. As well as awarding public sector specific accountancy qualifications the Institute also produces advice, codes of practice, and guidance to local authorities on best practice.

CIPFA Code of practice on Local Authority Accounting in the United Kingdom 2021/22

Known familiarly as "the Code", this specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents a true and fair view" of the financial position and transactions of an authority.

Collection Fund

A statutory fund used to record the billing and collection of council tax and non-domestic rates. Though it is independent of the General Fund, payments are made from it to support the General Fund services of the billing and precepting authorities.

Community Assets

Assets that the Council intends to hold in perpetuity, that have determinable useful life and that may have restrictions in their disposal e.g. parks.

Community Infrastructure Levy

A levy which is charged on new development with the appropriate planning consent. This is a planning charge used to fund a number of infrastructure projects including transport and schools to support development in the area.

Comprehensive Income and Expenditure Statement

A statement that reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Consistency

The concept of consistency states that the accounting treatment of like items within an accounting period, and from one period to the next, is the same, in order to facilitate comparisons.

Creditors

Parties to whom the Council owes money at year end for goods and services supplied in year.

Current liabilities

Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

Current Service Cost

The increase in the present value of a defined pension scheme's liabilities expected to arise from employee service in the current period i.e. the pension benefits "earned" by employees in the year.

Debtors/Receivables

Parties owing money to the Council at year end for goods and services supplied to them, by the Council.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, the passage of time or obsolescence through technological or other changes. It means that, rather than the whole cost of an asset being charged to revenue in the year in which it is acquired, the cost is spread out over the life of the asset. As such, it illustrates an application of the matching concept.

Employee Benefits

Amounts due to employees including salaries, paid annual leave and paid sick pay. These also include the cost of employer's national insurance contributions.

Events After the Reporting Period

The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

Expected Rate of Return on Pensions Assets

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards its purchase or use.

Fair Value Through Profit and Loss (FVPL)

A classification of a financial instrument by measurement basis. See Accounting Policies for further information.

Fair Value Through Other Comprehensive Income (FVOCI)

A classification of a financial instrument by measurement basis. See Accounting Policies for further information.

Financial Reporting Standard (FRS)

A statement of the practice to follow in UK Generally Accepted Accounting Principles when dealing with a discrete area of financial accounting.

Most of these have now been superseded by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) but, in some areas, the previous standards remain in effect.

Fund

A major division of the Council's accounts, for example the General Fund or the Collection Fund. It is sometimes also used in a different sense to designate an earmarked reserve.

General Fund

This is the main revenue account and covers the day-to-day spending requirements of providing services. It is paid for out of council tax, formula grant, specific grants and fees and charges. It also includes the cost of services provided by other bodies which make a levy. It is clearly segregated from the Housing Revenue Account.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets, in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross expenditure

The total cost of providing services before deducting any income.

Held for Sale Assets

Where there is reasonable certainty that an item of property, plant or equipment is likely to be disposed of via a sale in the next twelve months it is reclassified to the category of 'Held for Sale'.

Heritage Assets

This is a separate class of asset (land, building, artefacts, vehicles etc.) that is held principally for its contribution to knowledge or culture and which meets the definition of a Heritage Asset.

Housing Revenue Account (HRA)

A statutory account which contains all expenditure and income to fund council housing - in effect, a landlord account. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income. The HRA must be kept entirely separate from the General Fund and the account must not be in deficit.

Local authorities are not allowed to make up any shortfall on the HRA from the General Fund, and any surpluses or deficits must be retained within the HRA. No costs may be charged to council tax or business rate (NNDR) income.

Impairment

Impairment occurs when the book value (carrying value) of an asset exceeds the amount that could be recovered through use or sale of the asset.

Intangible Assets

These are non-financial fixed assets (for example, they are not bonds or stocks) that do not have a physical substance, but are identifiable and are controlled by the Council through custody or legal rights. Examples are IT systems and software licences.

International Financial Reporting Standards (IFRS)

Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board.

Income

Monies received or due from rents, fees and charges for services, specific grants and investment interest.

Investments

In the context of the Statement of Accounts, this term refers only to long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criterion, they have been classified as current assets.

Leases

These can fall into two types:

- Finance lease – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee; such leases are recognised on the balance sheet by the lessee.
- Operating lease – a lease other than a finance lease, which is not recognised on the balance sheet by the lessee, but by the lessor.

The distinction between the two is the subject of an array of tests and is highly technical.

Liabilities

Those amounts which will become payable by the Council in the short or long term.

Matching

The matching concept says that expenditure and income transactions, including accruals, are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

Materiality

Financial statements often cannot be precisely accurate but this need not detract from their ability to be fairly stated. Within certain limits, a tolerance is permitted in measurement and disclosure of financial statement items. The concept of materiality determines the acceptability of the degree of this tolerance.

Movement In Reserves Statement (MIRS)

This statement reconciles the Comprehensive Income and Expenditure account for the year with the authority's budget requirement, which is governed by statute and differs in certain key respects from accounting conventions.

Movement on the HRA Statement

Similar to the General Fund's Movement In Reserves Statement, this reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

National Non-Domestic Rates (NNDR)

A national rate, often familiarly called "business rates" and can also be referred to as NDR. Business Rates are levied on businesses by the Government and collected by local authorities. The total proceeds are shared between central government and local authorities as per the Retained Business Rate Scheme.

Net Book Value (NBV)

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net expenditure

Gross expenditure for a service, less ("net of") directly related income.

Net Realisable Value (NRV)

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Past Service Cost

Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

Precept

A levy on the Collection Fund by another public body (a precepting authority), requiring the billing authority to collect the required income from local taxpayers on their behalf.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant and Equipment

This classification covers all assets with physical substance (tangible assets) that are expected to be used by the Authority for more than one year. The item must have physical substance (e.g. land, buildings, vehicles) and must be held by the Authority for the provision of goods and services, for rental to others (as part of a service), or for administrative purposes. If the item is held purely to earn rentals or capital appreciation, it will be treated as 'Investment Property'; if it is held to be sold (within the next twelve months), it will be accounted for as a 'Held for Sale' asset.

Provisions

A provision is required to be made and disclosed in the accounts for any liability or loss which, due to an event which has already occurred, is certain or likely to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise. As a result, it is often a matter of interpretation and careful judgement whether such an uncertainty should be disclosed (and accounted for) as a provision or simply included by way of a note as a contingent liability.

Public Works Loans Board (PWLB)

A statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, primarily for capital projects, and to collect the repayments.

Rateable Value (RV)

The value of a business, assessed by the Valuation Office Agency, on which business rates are payable.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which legislation classifies as capital but which does not result in the creation of a fixed asset belonging to the authority. An example is where the Council pays a grant to a private householder for adaptations required by a disabled person; the work done is capital in nature, but the resultant asset does not appear on the Council's balance sheet because it belongs to the private freeholder. These were previously defined as deferred charges.

Related Party Transactions

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.

Reserves

Funds set aside to meet future expenditure which fall outside the definition of provisions. Reserves can be for general contingencies and to provide working balances, or earmarked for specific future expenditure.

Note that certain reserves are statutory in nature – for example, the Council is obliged to hold a Revaluation Reserve and its use is closely prescribed under the IFRS as interpreted for use in local government. The Council has no discretion in the existence or use of such reserves.

Revenue expenditure and income

The regular day to day running costs an authority incurs in providing services, as distinct from capital expenditure (under the Local Government & Housing Act 1989, all expenditure is regarded as revenue unless specifically classified as capital). In a general sense, revenue expenditure (and income) arises from recurring items such as running services.

Section 151 Officer (CFO)

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Head of Finance is the Council's Section 151 Officer.

Statutory provision for the financing of capital investment

Formerly known as the Minimum Revenue Provision (MRP), this is the minimum amount that must be charged to a local authority's revenue account each year and set aside to provide for debt repayment or other credit liabilities.

Substance over form

The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

Useful Life

The period over which the local authority expects to derive benefits from the use of a fixed asset and over which, typically, it will be depreciated.

FURTHER INFORMATION

For Further Information

These accounting statements have been prepared for the benefit of all those interested in the Borough's activities, particularly Council Taxpayers and Business Ratepayers, and other parties who are associated directly or indirectly with the Council.

Further details on the general activities of the Council can be obtained from:

Communications Manager
Dartford Borough Council,
Civic Centre,
Home Gardens,
Dartford,
Kent DA1 1DR