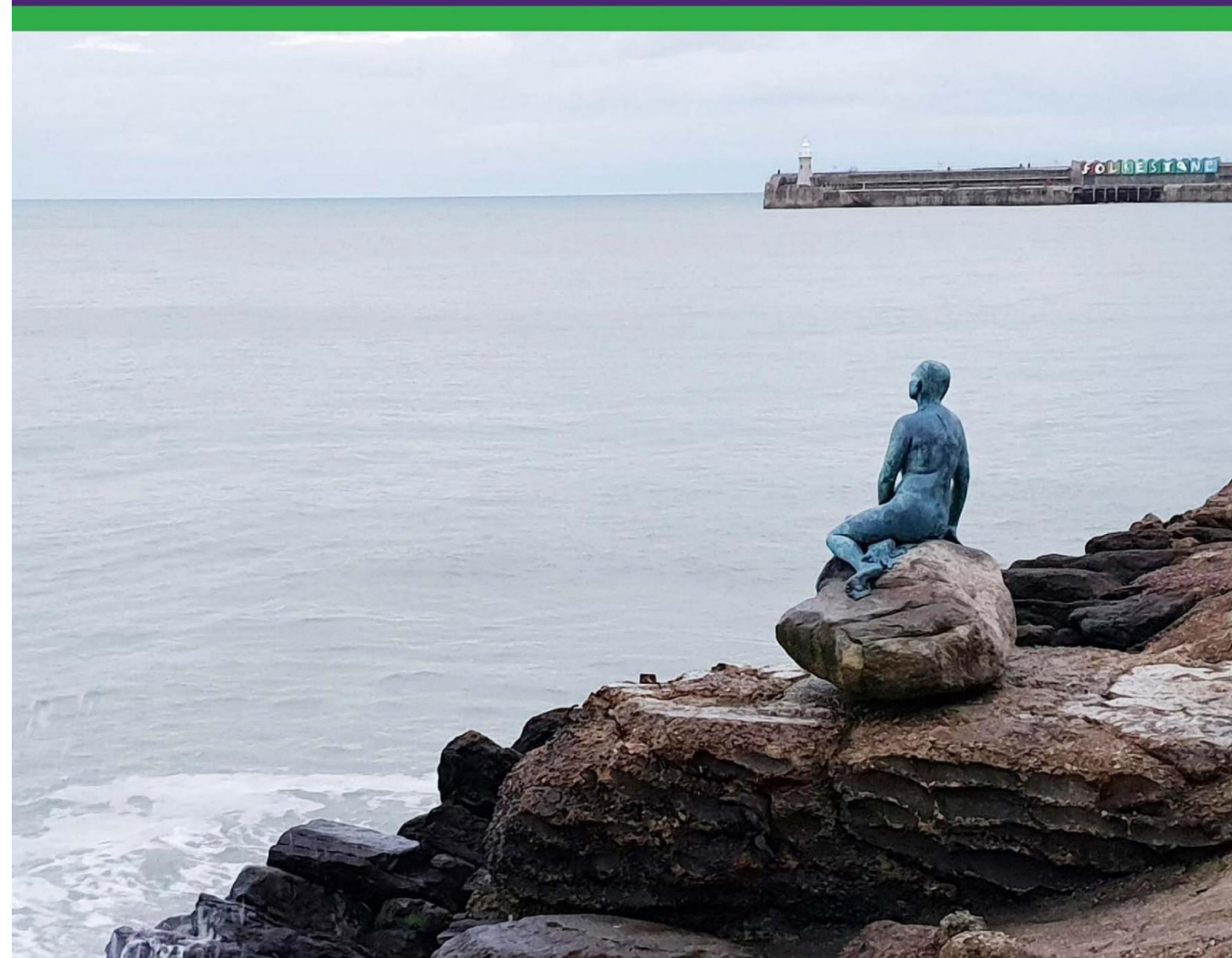


Statement of Accounts 2023-24



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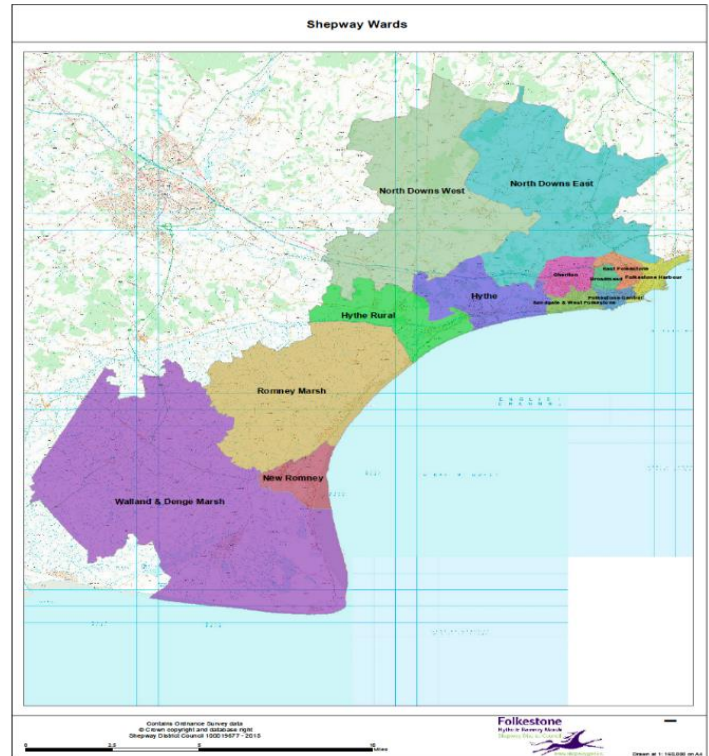
ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Our District

Folkestone & Hythe District is a coastal district in south eastern England and home to a diverse collection of towns, villages, and environments. Chiefly rural in nature, the district is large and covers approximately 363 sq. km (140 sq. miles). The district stretches from the East Sussex border (near Rye) in the south west, across the low-lying Romney Marsh and through to Folkestone and the escarpment and the hills of the Kent Downs in the north. The settlements and districts of Ashford, Dover and Canterbury adjoin Folkestone & Hythe in eastern Kent. The district has distinctive contrasting rural landscapes and urban environments.

Our People

The majority of the district's 113,320¹ residents live in urban areas (63%), with the remaining 37% to be found living in rural areas. Approximately 1 in 10 people in the district live in isolated dwellings, hamlets, or small villages (below 1,000 people).



Economic and Environmental Factors

The district as a whole suffers from considerable deprivation relative to the national average and there is also significant inequality within the District with deprivation concentrated in the urbanised coastal areas and the rural south. Rural areas have poorer access to services and facilities. The district suffers from high levels of disability / long term illness, reflecting, in part, the relatively high proportion of older people living in the District.

The district has a number of economic strengths, including its good transport links (M20 motorway, High Speed rail links to London, and proximity to the Channel Tunnel), affordable land/building costs relative to the wider South East region, a large working age population and a high-quality natural environment. Economic weaknesses include its relative remoteness, relatively low rates of entrepreneurship and few residents with higher skills².

There is a long history of flooding within the district. Over half of homes in the District are at risk of flooding from either coastal or fluvial sources. 55% of the District is at or below sea level and the majority of District's 41km coastline lies below the mean high-water mark. Virtually all of the Romney Marsh area is within flood zone 3 due to its topography.

Purpose and Vision

The Councils vision for the district is:

¹ 2020 Mid-Year Population Estimates - ONS
² Shepway Economic Development Strategy 2015-2020

Creating Tomorrow Together



Key Objectives

Our vision builds on previous plans and reinforces the importance to the Council of focusing our resources on what matters to our residents, investors, and visitors. The Corporate Plan sets out our far-reaching and long-term ambitions for Folkestone & Hythe and is a plan both for recovery in the medium term and for our resilience and prosperity through the next decade. The plan recognises the excellent services, strength in partnerships and resilience in our communities that exists, to build on that strong platform in creating a welcoming, safe, and distinctive district.

Our plan is focused on four service ambitions which are priority areas of action that relate to the key services that the council plans, delivers and commissions and six guiding principles that guide everything that we do:



- **Positive community leadership**
 - Improve physical and mental health and wellbeing
 - Safer communities
 - Supporting and empowering our communities
- **A thriving environment**
 - Ensure an excellent environment for everyone
 - Grow the circular economy and reduce waste
 - Increase our resilience to climate change
- **A vibrant economy**
 - Reinvigorate our high streets
 - Support a vibrant and diverse business community
 - Help people access jobs and opportunity
 - Grow the skills we need for the future

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- **Quality homes and infrastructure**
 - Improve outcomes and support for homeless people
 - Deliver sustainable, affordable housing
 - Deliver a safe, accountable housing service
 - Digital inclusion and connectivity
 - Deliver a sustainable new development at Otterpool Park



External Environment

The external issues we face in line with many other local authorities across the country are:

- Challenging financial environment;
- Ageing population with associated demands on local services;
- Increasing demand for housing outstripping supply;
- Rising house costs, particularly in the private rental market;
- High demand for affordable housing and increasing levels of homelessness;
- Providing the necessary social infrastructure to keep pace with the scale of growth ambition; and
- Mitigating the concerns over growth with the positive impact they can have.

GOVERNANCE

Our Political Leadership

The political leadership of the Council during the financial year 2023/24 was through the Executive which consisted of the Leader, Deputy Leader and a further seven Portfolio Holders. The Cabinet was made up of 7 Green party member and 2 Liberal Democrat member.

There are 13 wards and 30 Councillors representing the District, the political make-up of the Council for the period was:

- 5 Conservative group members;
- 11 Green group members;
- 10 Labour group members;

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- 2 Liberal Democrat members; and
- 2 Independent members.

Our Managerial Leadership

The managerial leadership is made up of the Corporate Leadership Team (“CLT”); Chief Executive [the Head of Paid Service] and three Corporate Directors. CLT is supported by 1 Assistant Director and 7 Chief Officers.

Governance Arrangements

Member/officer relations are underpinned by a protocol; which forms part of the Council's constitution. Regular briefings between senior officers and portfolio holders ensure that cabinet members are up to date with developments, discuss future reports and provide officers with political direction. Members are also involved in outside meetings of particular importance e.g., the Collaboration Board for Otterpool Park. The Council is member-led allowing officers to focus on operational aspects.

Non-executive members sit on groups that consider key Council business. Overview & Scrutiny Committee meetings are held 6 times a year with a committee work plan to include clearly scoped topics and Finance & Performance Sub-Committee (FPSC) meet quarterly to consider budget and performance monitoring reports. The FPSC consider the majority of financial papers ahead of their debate at Cabinet and has an important and defined role in the budget making process and contributes to its formulation prior to consideration by Cabinet.

The Council has a dedicated Audit and Governance Committee which considers the Annual Governance Statement, the local code of corporate governance and the constitution. The Annual Governance Statement has an action plan attached to it which sets out proposals for the forthcoming year. The Monitoring Officer reports to the committee each year if they consider that the constitution needs updating.

Further detail regarding the Governance of the Council can be found within the Annual Governance Statement on pages- 129 --- 130 -.

A MOVE TO THE COMMITTEE SYSTEM FOR FHDC

Folkestone & Hythe District Council move to a committee system for decision-making has been deferred to May 2025. The Leader of the Council outlined the motion at the Full Council meeting on Wednesday, 24th January 2024, which asked for the implementation of the new governance arrangements to be moved to May 2025. It was resolved that the council believes that the current work on this important project should continue with the view of introducing the changes in May 2025. The proposed governance changes will be presented to the Audit and Governance Committee and Full Council for approval. This will allow more time for all councillors to be familiar with, and understand, the changes involved in the move to a committee system of governance.

A new Committee System Working Group will now work to put together detailed proposals for Council to agree by March 2025, with the new system to take force from May 2025. The Constitution Working Group will consist of the leader of each constituted group (or their

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nominee) plus one independent councillor. It will present recommendations on the composition and terms of reference of committees to full council by January 2025.

OPERATIONAL MODEL AND FINANCIAL PERFORMANCE

Budget

The Budget Strategy is considered by the Cabinet annually during the Autumn and provides the Budget and Policy Framework as well as a timetable outlining key dates in setting a budget for the coming year.

The Strategy builds on the Medium-Term Financial Strategy and seeks to work with Assistant Directors, Chief Officers, and Budget Managers in determining appropriate levels of fees and charges as well as identify growth and savings proposals to be considered by Members in setting the balanced budget. This approach has enabled the Council to arrive at a sustainable budget position focused on its Corporate Plan objectives. A balanced budget was set for both 2023/24 and 2024/25.

Annual Performance Report 2023-24

The Council has continued to pursue an ambitious corporate agenda in 2023-24, which is a testament to the hard work and resilience of teams across the organisation in contributing towards the priorities set out in the Corporate Plan.

Some of the highlights from the year include:

- **Levelling Up:** A total of three public engagement events were undertaken during the year to show the potential transformation of Folkestone Town Centre as part of Folkestone – A ‘Brighter Future,’ thanks to the council’s previously successful award of £19.8 million from the Levelling Up Fund. The three events allowed the public to experience the proposed changes to the town digitally and for the first time in virtual reality, which included improvements to the complicated road system around Folkestone Central train station and to Cheriton Road and Cheriton Gardens; the relocation of the bus station to Middleburg square to allow for Bouverie Square to return to its former use as garden square; and improvements to Guildhall Street and the pedestrianised area of Sandgate Road. Over 1,000 people attended the three engagement events during the year of which 235 of those were children from local schools.
- **Green Flags:** Successful retention of the prestigious Green Flag Award for four parks and green open spaces within the district: The Lower Leas Coastal Park, Kingsnorth Gardens, Radnor Park, and the Royal Military Canal. The award is the international quality mark for parks and green spaces which display the highest environmental standards, are beautifully maintained and have excellent visitor facilities.
- **Social Housing Decarbonisation Fund Wave 1:** The council was successful in its bid for Wave 1 of the Social Housing Decarbonisation Fund (SHDF) and received £2 million of central government funding, which was match funded by a further £1 million from the council. The purpose of the fund is to improve the energy performance of social housing in England, on a pathway to net zero carbon ready by 2050 and the council’s commitment to increase all our council owned and managed homes to EPC Band C standard by 2030.

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A total of 125 homes were initially identified for work in Wave 1, all of which had EPC ratings between D and G. Between May 2023 and February 2024, these 125 homes had energy efficiency measures installed that resulted in them being upgraded to a minimum standard of C or above.

- **Recognition of the Waste Service by OFLOG:** In February 2024, the council were contacted by the Office of Local Government (Oflog) and asked to present to other local authorities about the high performance of its waste and recycling service. Oflog highlighted the council as a leading district in terms of its low contamination rates in its recycling collections and overall recycling rate compared to similar authorities. The presentation looked at the strategic and operational decisions taken in relation to the recycling service including the council's focus on contract performance, its continued investment in the service and approach to communications. The presentation was followed by a question-and-answer session and discussion with senior colleagues from other authorities and was well received. The council's overall waste collections continue to perform well within the missed bin targets (29.4 per 100,000 achieved in Quarter 4 against a target of 50 and a 34.2 average over the year.) The council will be launching a new campaign at the end of July to promote recycling and overall recycling rate - the 50:50 campaign.
- **Ross House:** The block of 16 flats in Folkestone, is the council's first 'net zero' enabled residential block. Retrofit work at Ross House included externally insulating and rendering the building, insulating the loft and under floor voids, installing photovoltaic panels (PV) on the roof and adding more energy efficient air source heat pumps. The block has also been redecorated and had replacement kitchens fitted. As a result of these improvements, 13 of the 16 flats now have an EPC rating of A, with the other 3 flats being EPC Band B.
- **Green Business Grant scheme:** A further 13 projects were awarded funding totaling £127,200 during the year. Businesses were able to apply for 40% of a project total. The diverse range of projects approved included solar panel system installations, low energy usage LED lighting systems, and a water saving initiative by a local manufacturing business. The sum of £25,000 was awarded towards energy efficient LED lighting systems and Solar panel system installation being implemented as part of the Leas Lift Project ahead of its reopening during 2025.
- **Net Zero Toolkit:** In October 2023, the council published a Net Zero Toolkit, a guide detailing the best way of achieving net zero carbon in a house build or renovation. The best practice toolkit is aimed at homeowners as well as small or medium-sized house builders, architects, contractors, self-builders, and consultants, and covers steps from pre-planning through to construction.
- **Ship Street:** During the year, a project to transform the former Ship Street Gas Works site in Folkestone into a high-quality, housing-led development received a £2.5m boost from central government. The successful application for Brownfield Land Release Fund money will go towards the remediation of the site to enable the construction of up to 150 homes

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- **Mobile Food Service:** A new service providing a mobile foodbank and pantry service across the district was launched during early October 2023 to provide easier access for people struggling to meet the increased cost of food, helping residents facing an emergency who have been referred by agencies to the foodbank for free food vouchers. A van was kitted out with shelving, a fridge and a freezer and will be the mobile arm of the existing Shepway Foodbank, operated by Folkestone's Rainbow Centre. The service was understood to be the very first in the country and the project has been progressed by the council and the Rainbow Centre. The van and service has been funded by central government through a wider £1 million grant secured by the council from the UK Shared Prosperity Fund of which £20,000 capital was allocated towards the cost of the vehicle with the Trussell Trust and the Folkestone Works Programme provided a further £40,000 capital. Additional revenue for wrap around services and other activities that have supported this innovative project (excluding the Household Essential Fund projects) amounted to an additional £62,000 revenue funding from UKSPF.
- **Welfare Team:** The team have continued to help vulnerable households in the district through the allocation of the following funds during the year:
 - **Household Support Fund:** The fund has enabled the Council to support 3,118 households with £414,492 in support. This is mainly help with food, clothing, and bedding. A total of 19 households also received carpet support for a total of £25,284 and 11 additional households received new boilers totaling £30,000. An extra £20,700 was also sourced which funded supermarket vouchers for an additional 207 households.
 - **Home Essentials Fund (UK Shared Prosperity Funding)** also supported 421 households to a value of £136,421. This included 88 white goods and 111 new beds/mattresses.
- **New solar powered facilities for Coastal Park:** A new toilet block powered by solar panels and boasting a green roof planted with wildflowers was officially opened in Folkestone's Lower Leas Coastal Park in June 2023. The new facility provides an additional four toilets – including one with full disabled access – for residents and visitors to the park, as well as a small commercial kiosk, near the foot of the Zig-Zag Path. The solar panels on top of the block will generate enough energy to power the toilets, the hot water and the vast majority of electricity needed to operate the kiosk.
- **Changing Places Toilets:** Following a previously successful bid for funding through the Changing Places Fund Round 2, which resulted in the Council being awarded a £205,000 grant to pay for the construction new Changing Places toilets. A total of two of these new facilities have been opened in the district during the year in the following locations: Lower Leas Coastal Park, Folkestone, and the Central car park Dymchurch with a third facility at Radnor Park, Folkestone due for completion by end of June 2024. Changing Places toilets are designed to meet the needs of disabled children and adults with complex needs who rely on carer support. Specialist equipment inside includes ceiling hoists and changing table.

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- **My Account Service:** The online platform has allowed residents and businesses who have signed up to the service to report, apply or pay for council services at the click of a button on their laptop, tablet or mobile phone, 24 hours day, seven days a week. Services available through My Account include, Council Tax, Benefits, Planning, licensing, building control and recycling and waste. Since the launch of the service back in August 2020, a total of 38,714 customers have successfully registered for the service equating to 74.54% take up so far. The platform has allowed the council to modernise previously outdated processes that were in place for many years, as well as introduce things that weren't possible to do online before that has helped in speed things up for residents and business owners.

RISKS AND OPPORTUNITIES

Future service provision

The current Corporate Plan outlines the clear commitment of the Council to achieve financial stability.

Transparent, stable, accountable, and accessible – To make sure we deliver the right services, we will be accountable to our citizens – and that accountability comes from clear, straightforward access to relevant information.

To deliver this objective, our priorities over the next three years are to:

- Maintain our financial stability
- Communicate effectively with our communities
- Transform service delivery and improve customer access
- Drive a high-performance, accountable culture.

The Council has a Strategic Risk Management Policy in place, an updated version has been agreed by Cabinet. Risks are identified and assigned a Director lead officer as well as a lead Cabinet member. The risks are scored, and actions noted, with the current Risk Register being considered at the Audit & Governance Committee. Additionally, key risks are outlined within Committee reports.

Financial risks are highlighted separately within the Budget Strategy, Budget Setting, Budget Monitoring and Medium-Term Financial Strategy reports.

What are we currently working on?

The following gives some examples of our strategic projects which contribute towards a sustainable financial future for the Council:

Otterpool Park – The Council has formed Otterpool Park Limited Liability Partnership (“the LLP”) to act as the master developer for the Project in accordance with this Business Plan and the agreements it has with the Council, principally the Strategic Land Agreement and the financing arrangements. Otterpool Park is a new garden town, which will be central to shaping a sustainable future for the district. It is recognised as a priority within the Council’s

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Corporate Plan 'Creating Tomorrow Together' and will make a significant contribution to achieving positive outcomes.

A full financial model was completed in 2019 to consider the long-term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project. Also, during 2020 the Council established a Limited Liability Partnership (LLP) to manage the delivery of the project. The LLP's first Strategic Business Plan was approved by the Council in January 2021 and the first review of this was approved by Cabinet in January 2022.

The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements which will be the subject of expert advice to be commissioned by the Director of Corporate Services (the S151 Officer of the Council) to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include.

The MTFs incorporate income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. As outlined within the risks, this is a volatile area with many dependencies affecting the financial position, the sums do have an impact upon the MTFs itself, so will be monitored closely.

The Council's Cabinet on Wednesday, 18th October 2023 considered a paper on Otterpool Park LLP. The report presents an update on Otterpool Park and details outcomes of the governance, finance, and management reviews to ensure the successful continuation of this important significant project.

Recommendations cover the strategic direction, funding, and future delivery of the project. The report, which also includes details on delivery and financial risks for the Council is available through the link below-

<https://folkestone-hythe.moderngov.co.uk/mgCalendarMonthView.aspx?M=11&CID=0&OT=&C=-1&MR=0&DL=0&D=1&ACT=Earlier&DD=2023>

The Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared 'risk and reward' basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

Climate Change – The Climate and Ecological Emergency Working Group met for the first time in October 2019 and made a commitment to reach net zero carbon emissions by 2030. Since then, the baseline year 2018/19 was established, the carbon footprint from the council's own operations and estate was calculated and the Carbon Action Plan was

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adopted setting out 33 actions to reduce our carbon emissions. Progress is being made on the 33 high-level actions set out in the Carbon Action Plan which should have a positive impact on reducing emissions over the next few years. In addition, changes to the carbon content of grid-supplied energy are also likely to reduce the emissions attributable to electricity use. However, it is uncertain whether these changes will be enough in themselves for the council to reach net zero emissions by 2030. Officers are therefore looking to commission a review of the Carbon Action Plan to provide more detailed information.

Town Centre Regeneration – During the design stage of Folkestone A Brighter Future (our highways and public realm scheme for Folkestone Town Centre) we have conducted three public engagement events so far, in July and Nov '23 and most recently in Mar '24. The last two events saw the introduction of a touch table, VR, and gaming software as well as classic methods of design display. Over 1,000 people attended the three engagement events during the year of which 235 of those were children from local schools. And via our You Tube account, over 6.5k views of the magic carpet ride, outlining the new scheme via the digital twin.

FOLCA 1 was earmarked to be a new medical centre. The GP's and their developer have been liaising with NHS to create a viable project. Due to the wider economic conditions i.e. interest rate and inflation increases the project was deemed to be unviable and so Folca 1 is no longer going to be a medical centre.

Folca 2 - Council Members in Feb 23 asked council officers to explore the council moving into Folca, to create a mixed used scheme. Officers have engaged an Architect and an Economic assessment consultant to help explore the scheme options, to create a viable project that reactivates the key building and compliments the LUF works.

Biggins Wood – The Council purchased a former brickworks site that has been vacant for over 20 years. Due to remediation costs, this site did not prove attractive to the private sector. Planning permission was secured to build 77 homes with employment space. With close proximity to Jct 13 (M20) this is an example of how we could bring a redundant site back into use to provide much-needed new homes and flexible modern commercial space with easy access to main transport routes. The site was in the process of being sold to a developer as at June 2024.

Princes Parade Development - The Council has long-held ambitions to replace the popular, but old and failing swimming pool in Hythe. Since 2002 the Council has been working to secure a suitable site and financial commitment to build a new pool and recreation area. Feasibility studies were undertaken on the potential sites, and in December 2022, the decision was taken to pause spending and review the project. The Princes Parade site is the subject of a long and complex history. The Leader has committed to “proper conversations” with the local community about “restoring the biodiversity and future of this much-loved community asset.”

A decision over the future of the site is due to be made after public consultation later in the year. Potential uses will be informed by the public's views together with the advice received from the council's contaminated land consultant. Further soil investigation and remediation works would be required to safeguard users if the preferred option includes open public access to parts of the site.

During the hoarding removal and fencing installation council officers and contractors will be working alongside an ecologist to ensure the badger setts and other wildlife habitats are

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safeguarded. Consent for the work is also being obtained through Historic England as work at the northern boundary of the site is close to The Royal Military Canal, classified as a Scheduled Ancient Monument.

The public consultation will invite discussions about the best use of the land. The council is committed to engage with the district's residents to obtain their views and make a decision that reflects the aspirations of the community.

No further activities on the site are currently being progressed.

High View - The Council purchased the former Highview School site in Folkestone in December 2017. Following procurement of the site, works have been carried out to prepare for development.

The proposals were to deliver a development of 30 Council homes for affordable rent and shared ownership purchase. The Council was unable to deliver the scheme as originally conceived due to significantly changed economic context with financial pressures arising from acute and sudden interest rate increases, significant inflationary pressures within the construction sector and other competing HRA budgetary demands to meet current and emerging stock reinvestment obligations.

The site is now going through the sales process to a developer to bring forward. To enable this sale to complete we are in negotiation with KCC to vary an overage agreement running with the land.

Coast Drive - Coast Drive Coast Drive carpark in Greatstone, that falls within the council's ownership. The project is an opportunity to create a coastal destination centre, facilitate inward investment, improve the local economy and to bring forward a sustainable place making intervention.

The proposals will contribute toward a thriving local economy by offering the visitor hub including café/concessions, education space, toilets including Changing Places Toilet facilities, showers, enhanced parking facilities, electric vehicle charging points, public realm improvements and 93 beach huts. The proposals will also see the installation of info boards and signage to further enhance the visitor whilst educating on the importance of the nationally designated ecological sites.

In June 2024, the proposals were presented to the planning and licencing committee and approved subject to the finalisation of a section 106 agreement.

The proposals were tendered in May 2024 for a contractor, however the process proved not to be successful due to the projects proposed delivery schedule. This delivery schedule has now been rationalised and we are due to re-tender the scheme in June 2024.

Ship Street Development - The Council purchased the former Gas Works site at Ship Street in Folkestone in 2021. The site, close to the town centre, has lay derelict since the late 1950's and demonstrates clearly market failure, with no private developers willing to bring the site forward for development. The site has been allocated in the local plan for housing. The Council has been awarded a £2.5million grant from One Public Estate under the Brownfield Land Release Fund for remediation works on the site.

Officers are currently working with Consultants to bring forward a housing led planning application for up to 150 units on the site. Plans include a green link to improve active travel

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between Folkestone Central train station, the town centre and Folkestone Harbour. The development will open up the site improving permeability into the existing neighbourhood, and integration with surrounding properties.

Council Offices Relocation – Cabinet agreed in January 2021 that detailed work be carried out on proposals to provide a customer access point and to relocate the civic offices. The access point is part of the Council's long-term proposal to move out of the Civic Centre which has been prompted by the drive to reduce its carbon footprint and has been accelerated by the successful way in which staff have delivered services whilst working from home during the pandemic. In June 2021 Cabinet agreed that a new Customer Access Point would be established initially within the Civic Offices and subsequently within FOLCA in Folkestone Town Centre. The potential relocation of the Civic Offices is being taken forward separately.

Risks associated with the agenda.

The following risks have been identified by the Council associated with a more ambitious agenda.

- 1 ~ Managing expectations and prioritising the wealth of opportunities.
- 2 ~ Promoting excellence of the council.
- 3 ~ Timescales for financial returns
- 4 ~ Not losing sight of the day job.
- 5 ~ Staff Recruitment & Retention
- 6 ~ Appetite for risk

STRATEGY AND RESOURCE ALLOCATION

Nationally, Councils have continued to face extreme financial challenges in 2023/24 with high inflation, high energy costs, increases in interest rates and increasing demand for services partly fuelled by the cost-of-living crisis. The Council was not immune to these pressures, CPI peaked at 8.7% during 2023/24 and ended the year at 3.2%. There were impacts on costs across all services, including energy bills, which were unknown when the budget was set. There was no additional government funding to meet cost pressures.

Despite the significant pressures faced during 2023/24 the Council ended the year within budget which is a clear demonstration of the exceptionally strong financial management and financial resilience which is embedded in the authority.

The funding outlook for the medium term remains very uncertain but will clearly continue to be challenging, particularly in light of the current inflationary and demand pressures. Despite 2023/24 being a challenging year, the Council has retained a prudent level of balances which will support the delivery of the medium-term Financial Strategy and support financial resilience in future years, as we will continue to feel the impacts of inflationary pressures in the economy, including cost inflation, interest rates and at the same time also face the uncertainties of potential changes to the local government funding system and increasing demand for services. It is clear that the financial climate ahead will still be one of significant financial challenge.

The Council has consistently planned its finances on a medium to long-term basis ensuring reserves are maintained at a level which supports financial sustainability while protecting services from reductions. The current Medium Term Financial Strategy (MTFS) pushes the

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planning horizon to March 2028. The MTFS was reported to Council on the 28 February 2024, having significantly shaped the annual budget setting cycle for 2024/25.

The MTFS is considered the council's key financial planning document. It defines the financial resources needed to deliver the council's corporate objectives and priorities and covers the financial implications of other key strategies. It covers key areas of the Council's finances and in particular updates the financial projections which are of importance at this stage of the process and considers emerging issues including legislative requirements and the new corporate plan. Every effort has been taken to incorporate the impact of the recovery from the pandemic both on the Council's finances and the wider economic impact as well as other key factors such as utilities cost rises and the impact of Otterpool over the medium term. However, the MTFS is a high-level planning document, and it is accepted that there will be a need to continue to monitor and review our assumptions on these projections and be agile.

There is long-term pressure upon the finances of the Council as the MTFS shows. The pressures are a combination of continued downward projections of central government support for local authorities, inflationary cost pressures, increased borrowing costs due to interest rate rises and demand for services. Despite a strong recovery, there are also still concerns about the future economic growth and its impact on residents and businesses in the District. The economy has recovered well following COVID-19 restrictions and the UK's labour market has proved more resilient than expected, although there are new national issues impacting on the picture due to various ongoing wars across the world.

The current MTFS forecast identifies the future pressure that the Council would be facing, and it is clear to see that the Council faces a marked increase in cost and price pressures in years 2024/25 onwards. It should be noted at this stage that due to the projected financial resources and economic pressures, the current MTFS forecast shows a cumulative funding gap of £2.78m over the lifetime of this MTFS.

Much of this pressure is faced year on year and therefore needs to be addressed through the base budget in the early part of each year. The Council does have reserves to help mitigate the impact of the deficits in the MTFS, but these reserves will diminish over time absorbing the deficit over the four-year period. It should also be noted that the Council has a Reserves Policy, which sets out the required level of reserves.

Financial planning for both revenue and capital expenditure is integrated with Treasury Management as part of the annual budget setting process. The Council has adopted a strategic and integrated approach to asset management with an Asset Management Board, which has included the Cabinet Member for Property Management and Environmental Health, a Corporate Director and the Council's Corporate Property Officer amongst other key players overseeing the delivery of the Asset Management Strategy.

Approach to Monitoring

The Council manages its spending within its resources. Budget Managers are responsible for submitting projections against the agreed budget in the Collaborative Planning Module (linked to the Financial System). This information is reviewed by Finance and three different reports are generated to ensure all levels of the organisations (Managers through to Members) have an understanding of the financial position in the year. The information is shared on a regular basis with CLT and onto FPSC and then Cabinet.

NARRATIVE REPORT

PERFORMANCE

The Council has a Performance Management Framework. Key Performance Indicators (KPIs) are reviewed annually to ensure we are focused on key priorities and those aspects that need to be monitored more closely, e.g., for improvement purposes.

The outturn performance for the Council's KPIs was reported to the July 2024 Cabinet meeting.

The Council's outturn performance includes:

Description	Target	2022-23 Comparison	2023-24 Summary	Target Met
Council tax collection	97.3% (Annual)	97.12% (Cumulative)	96.8% (Cumulative)	X
Business Rates collection rate	97.5% (Annual)	98.26% (Cumulative)	98.3% (Cumulative)	✓
Average number of days taken to process new claims for Housing Benefit	17 Days (Monthly)	11.7	12.2	✓
Average time for anti-social or offensive graffiti to be removed from the time of being reported	48 Hrs (Quarterly)	48 hours (Average)	30 hours (Average)	✓
Percentage of compliant air quality monitoring sites	100% (Quarterly)	100% (Average)	100% (Average)	✓
% of major planning applications to be determined within statutory period (<i>including any agreed extension of time</i>)	60% (Quarterly)	91.5% (Average)	95% (Average)	✓
Average number of rough sleepers in the period	<6	10	15	X
Average number of households in Temporary Accommodation	<35	27 (Average)	36 (Average)	X

FINANCIAL PERFORMANCE

General Fund – Revenue

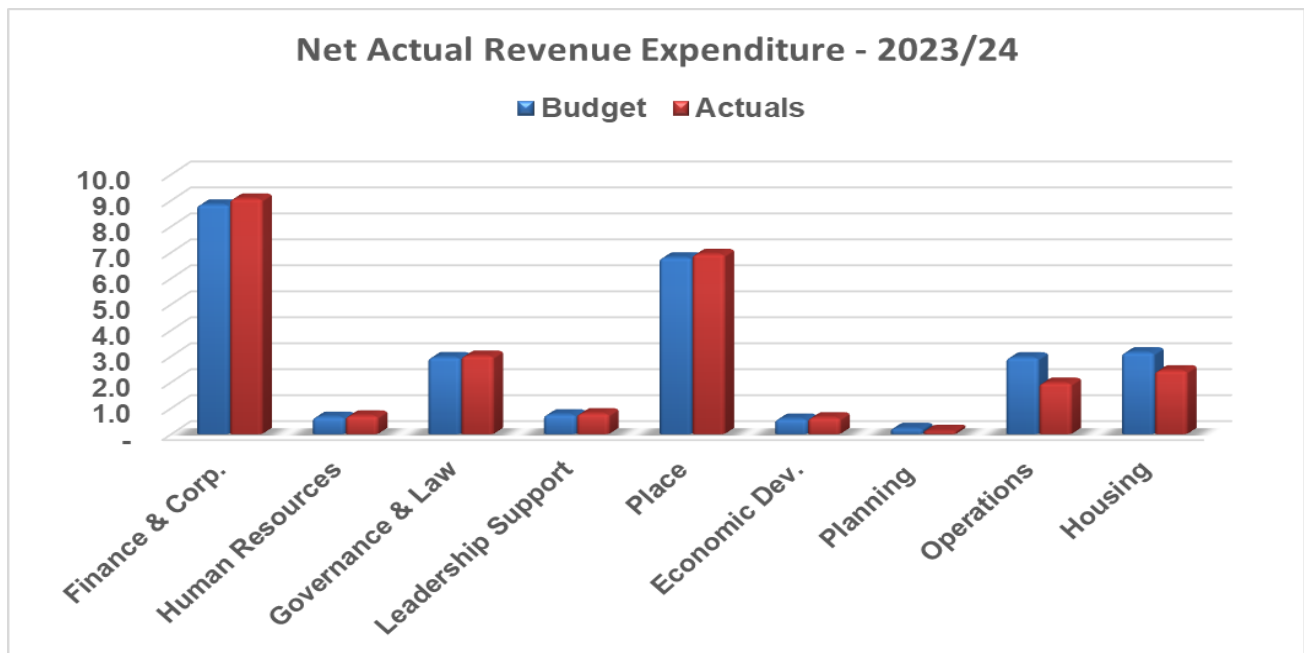
The latest approved budget for the net cost of services to deliver the core services of the council and meet its strategic objectives was £26.89m. The original 2023/24 budget approved by Council on 22 February 2023 anticipated that £1.786m would be taken from the general fund balances. The provisional revenue outturn position for the 2023/24 is shown within the table below.

NARRATIVE REPORT

Description	£000
2023/24 Approved use of General Fund Balances	1,786
2023/24 Provisional GF Revenue Underspend	(1,724)
Net reduced usage of the General Fund Balances	62

The provisional revenue outturn position for the 2023/24 financial year is a net underspend of £1.724m against a net revenue expenditure budget of £26.889m (6.4%). The improved position when compared with the Quarter 3 forecast is due to combined management action to reduce expenditure, additional government grants, an underspend within the Interest Payable budget and the provisional underspend will result in a net usage/transfer of £62k (£1.786m - £1.724m) from the general fund balances.

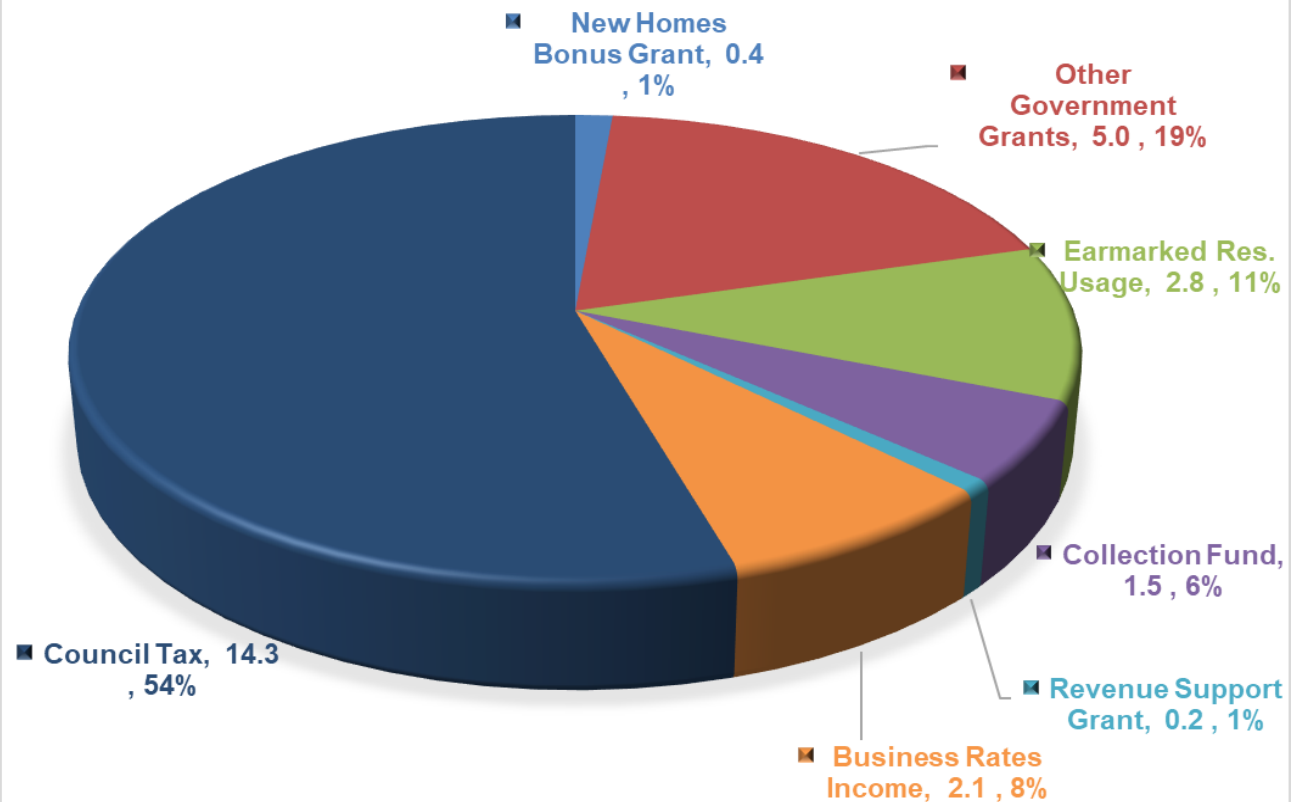
The outturn position for 2023/24 again provides a clear indication of the Council's strong financial stewardship during the year. Delivering expenditures in line with agreed budgets is an important performance indicator and the net actual expenditure by service area is shown in the chart below, which is followed by a chart showing how it is funded, the figures are net of specific income i.e. service grants and sales fees and charges.



Financing of the Net Revenue Expenditure - 2023/24

NARRATIVE REPORT

FINANCING OF THE 2023/24 REVENUE EXPENDITURE - £'M



The budget includes a planned use of the General Reserve to fund schemes approved in the Medium-Term Capital Programme.

It is important to note that the underspend position is net of any budget carry forward proposals (explained later in this report) and is after any previously agreed transfers to fund capital expenditure from revenue, together with the application of any approved reserves in-year to fund items including relevant transfers to fund project expenditure from reserves such as Vehicles, Equipment & Technology, Climate Change and Economic Development reserves. The GF provisional outturn also includes the application of any budget carry forwards brought forward from financial year 2022/23. Finally, the GF Outturn also includes all necessary accounting adjustments for accruals, prepayments, transfer payments and the set-aside of any amounts needed for provisions such as bad debts, plus the costs of borrowing, treasury management income and any grant income received from central government or other public sector bodies.

Further detail can be found in the Outturn report to Cabinet on 17 July 2024.

General Fund Capital

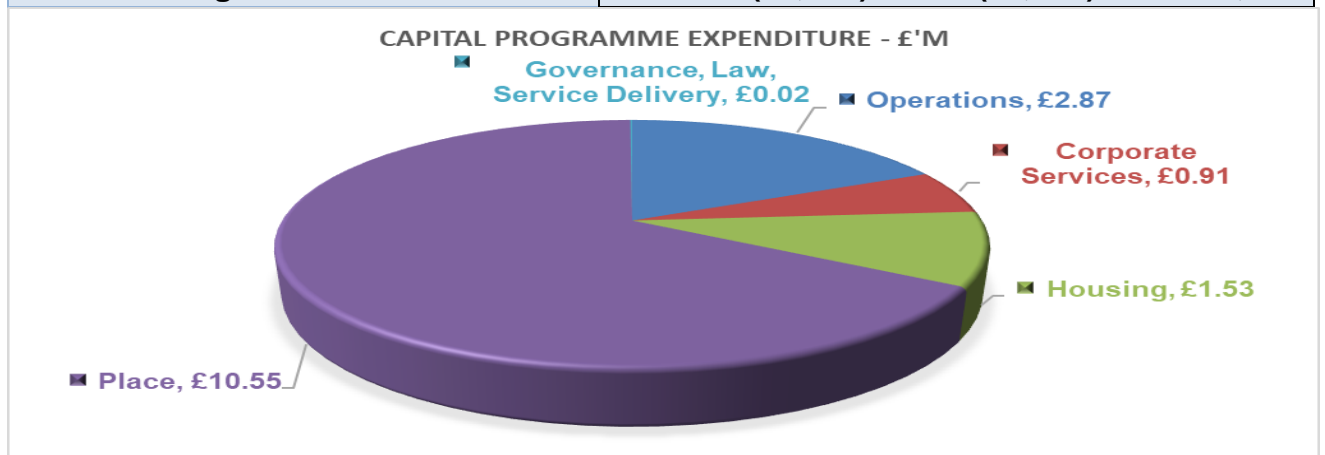
Capital expenditure is expenditure on non-current assets that have a life expectancy of more than one year and benefit not just current but future taxpayers within the district. The assets are usually funded from grants, reserves built up over a period of time or from borrowing. Capital expenditure forms a large part of our spending on the provision of services and, in

NARRATIVE REPORT

line with our revenue budget setting process, our Capital Programme for 2023-24 was compiled to maximise and make the best use of the available funding to deliver projects that contributed towards the key priorities of the Council.

The provisional Capital Outturn for the General Fund Capital Programme for 2023/24 is £15,878k an underspend of £8,408k compared to the latest budget of £24,286k, and the following table summarises the position across the Service Units and also outlines the impact on the capital resources required to fund the programme.

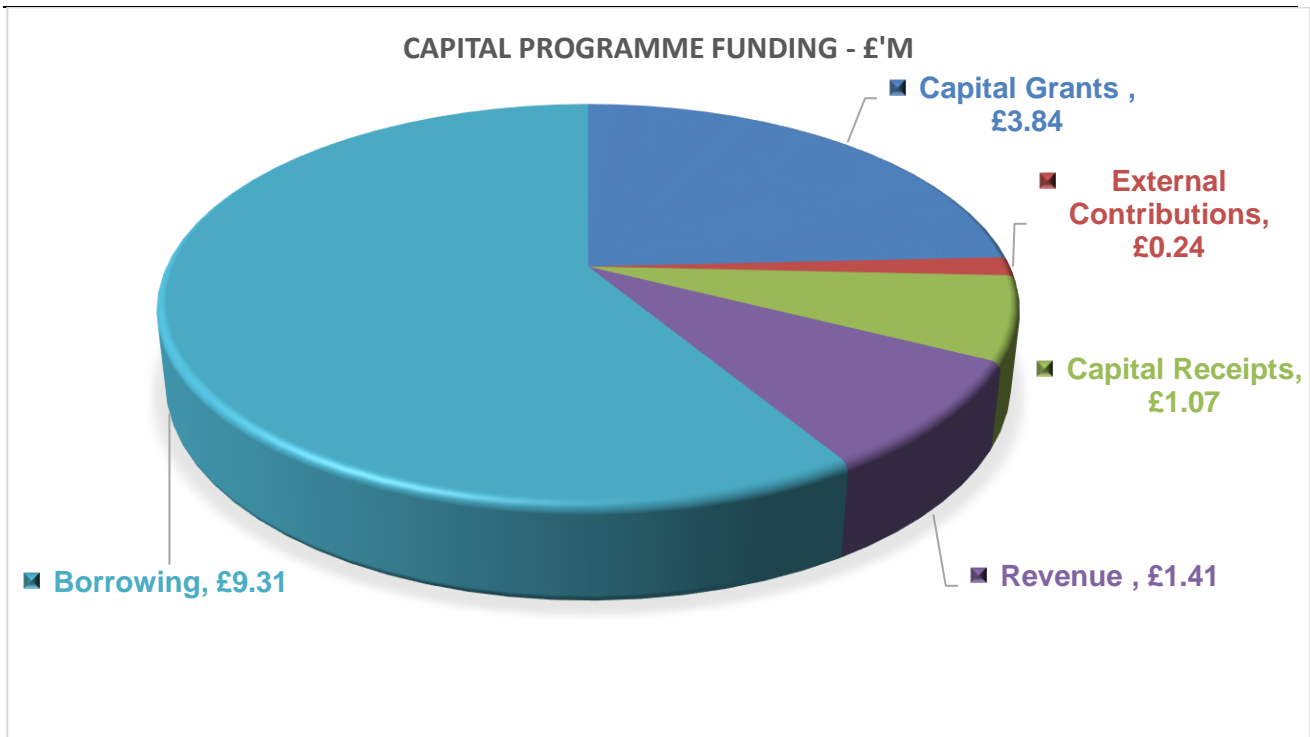
General Fund Capital Programme Outturn	Latest Budget 2023/24	Actual 2023/24	Variance Budget to Outturn
<u>Service Units</u>	£'000	£'000	£'000
Operations	8,018	2,874	(5,142)
Corporate Services	1,449	905	(544)
Housing	1,630	1,532	(98)
Place	13,162	10,552	(2,610)
Governance, Law, Service Delivery	27	16	(11)
Total Capital Expenditure	24,286	15,878	(8,408)
Capital Funding			
Capital Grants	(5,726)	(3,844)	1,882
External Contributions	(406)	(240)	166
Capital Receipts	(2,823)	(1,073)	1,750
Revenue	(2,443)	(1,408)	1,035
Borrowing	(12,888)	(9,312)	3,576
Total Funding	(24,286)	(15,878)	8,408



Capital Programme Financing of the Expenditure/Projects - 2023/24

The Capital Programme was financed from a combination of borrowing, Government Grants, capital receipts and revenue contributions. Capital Financing for 2023-24 is shown in the diagram below:

NARRATIVE REPORT



The outturn for 2023/24 of £15.878m compared with the previous projected position of £24.286m reported to Cabinet on the 28th of February 2024 which was based on information as at 30th November 2023. As the analysis in the table above shows, the main reason for the projected variance is slippage in spending upon capital schemes which will require the reprofiling of expenditure from 2023/24 to 2024/25.

The key movements relate to slippage in the capital programme particularly in relation to Otterpool Park, Coast protection, Land remedial works, etc. Some capital schemes are more difficult to project accurately in terms of the timing of expenditure and, in some cases, the final cost. This is particularly the case with some of the property related initiatives where external factors such as negotiations over price, conveyancing and planning can have an impact on the timing and final cost of a scheme. The Council remains on track to deliver the schemes within its overall approved Medium Term Capital Programme.

Further details can be found in the July 2023 Cabinet report.

Housing Revenue Account - 2023/24

A summary of the outturn financial position of the Housing Revenue Account is outlined below:

HRA Net Revenue Expenditure	Latest Approved Budget 2023/24	Provisional Outturn 2023/24	Variance
	£000's	£000's	£000's
Income	(18,420)	(18,528)	(108)
Expenditure	14,617	14,519	(98)
HRA Share of Corporate Costs	175	155	(20)

NARRATIVE REPORT

Net Cost of HRA Services	(3,628)	(3,854)	(226)
Interest Payable/(Receivable)	1,596	1,309	(287)
Pension Interest Cost	100	684	584
HRA Surplus/Deficit	(1,932)	(1,861)	71
Revenue Contribution to Capital	4,488	2,868	(1,620)
Share of pension reserve	(195)	(484)	(289)
Decrease/(Increase) to HRA Reserve	2,361	523	(1,838)

The table above shows that overall, the draft position is a projected decrease in net expenditure of £1.838m for the HRA against budget. The decrease in revenue contribution to capital mainly relates to re-profiling of capital works for the new build and acquisition programme, windows & doors, re-roofing, heating improvements/decarbonisation, telecare and remodelling slippages with anticipated schemes being re-profiled forward to financial year 2024/25.

Overall, the HRA reserve at 31 March 2024 is expected to be higher at £6.5m compared with £4.6m in the original approved budget.

HRA Capital Programme 2023/24

The table below shows that the HRA Capital programme has spent £1.94m less than the latest approved budget.

HRA Capital Programme 2023/24	Latest Approved Budget 2023/24	Final Outturn 2023/24	Variance
	£000's	£000's	£000's
HRA Capital programme	14,584	12,643	(1,941)

The HRA capital outturn projection for 2023/24 forecasts £1.941m lower expenditure than the latest approved budget. It should also be noted that this includes the use of unbudgeted £2.985m in government grant funding. Adjusting the capital expenditure to account for the unbudgeted grant income, budgeted underspend was £4.926m.

TREASURY MANAGEMENT OUTLOOK

The Council has an agreed Treasury Management Strategy that outlines our investment approach from a 'cash' investment perspective and is regularly monitored to maximise the opportunities arising from the available cash balances of the Council. This includes managing short-term cash flow as well as longer-term and higher-risk investments such as the Churches and Charities and Local Authorities (CCLA) Property Fund and the Multi-Asset Funds in order to maximise yield in a low-interest environment whilst maintaining security and liquidity.

The Council also takes a robust view of capital investments, and this is included as part of a medium-term capital programme and is refreshed annually during the budget process. For the current General Fund and Housing Revenue programme agreed in February 2024, there is capital investment planned for the next three years totalling £107million. This sits

NARRATIVE REPORT

alongside the planned revenue budget and use of reserves which are considered by the Council throughout its budget process to ensure a sustainable approach to its finances.

Future financial resilience

The Council has coped well with various challenges, and it had maintained a level of reserves which has and continues to provide it with some protection against the difficult economic times and short-term gaps in funding. The table below shows the Council's reserve position for 2023/24.

Earmarked Reserves - Purpose	Balance at 1/4/2023	Movement		Estimated Balance at 31/3/2024
		In	Out	
	£000s	£000s	£000s	£000s
Business Rates – to support the Business Rate Retention scheme	(1,657)	-	178	(1,479)
Leisure - To meet future leisure improvements.	(497)	-	-	(497)
Carry Forward - Previous years unused Budget carried forward	(2,298)	-	1,123	(1,175)
Vehicles, Equipment and Technology replacement.	(277)	-	132	(145)
Maintenance of Graves	(12)	-	-	(12)
New Homes Bonus - Residual amount	(409)	-	-	(409)
Corporate Initiatives - To support Corporate Plan objectives and goals.	(687)	-	535	(152)
IFRS Reserve - Accounting code changes support	(5)	-	-	(5)
Economic Development - Regeneration of District - capital and match funding required	(1,923)	-	689	(1,234)
Community Led Housing - Community Housing and affordable - ringfenced	(253)	-	60	(193)
Lydd Airport - Support costs ay Lydd Airport	(9)	-	-	(9)
Homelessness Prevention - Flexibly fund homelessness	(925)	-	101	(824)
High Street Regeneration - Regeneration in High Street areas - LU2	(1,233)	-	36	(1,197)
Climate Change - Achieve Carbon net zero by 2030- capital and revenue funding	(4,656)	-	1,082	(3,574)
Transformation Fund - to enable investment in initiatives that will deliver future savings	0	(1,509)	344	(1,165)
Contain Outbreak Management Fund	(30)	(129)	159	0
Total Earmarked Reserves	(14,871)	1,638	(4,438)	(12,070)
Total General Fund Reserve	(5,625)	(1,724)	1,786	(5,563)

Revenue reserves play an important part in the Council's Financial Strategy by ensuring that we have some resilience to cope with unpredictable financial pressures. The Council holds working balances to meet unforeseen spending requirements and to provide certainty for medium term financial planning. The level of working balances takes into account the strategic, operational, and financial risks facing the Council.

The level of reserves currently held by Folkestone and Hythe gives it a secure financial base, however, it is important to have an appropriate balance between supporting the financial

NARRATIVE REPORT

position of the Council and planning the delivery of services. The Council has identified specific uses for much of the reserves including setting aside sums to support the regeneration of High Streets and sums to support the Council's carbon net zero ambitions amongst other key priorities. Whilst the Council will seek to continue to add to earmarked reserves and seek to deploy them for their intended purpose, in the current financial climate it may be necessary to deploy reserves for other important needs.

The Statement of Accounts shows the General Fund balance (resources not earmarked for any specific purpose) at the end of 2023/24 of £5.563m. This is a net reduction of £62k compared to the £5.625m at the end of 2022/23, reflecting the planned use of reserve and the underspend achieved regarding the 2023/24 General Fund outturn position.

In addition to the General Fund balance, the level of earmarked General Fund reserves included in the Balance Sheet at £12.062m also underpins the financial resilience of the Council. These reserves are held to manage future risks and expenditure priorities. Information about the reserves is presented at Note 6 in the Statement of Accounts and the level of reserves and balances are a key element in the CIPFA Financial Resilience Index.



AUDIT OF THE STATEMENT OF ACCOUNTS

The Council appointed Grant Thornton UK LLP for the audit of the accounts for the year ended 31st March 2024.

FURTHER INFORMATION

Further information about the statement of accounts is available from the Director of Corporate Services, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2023/24.

COUNCIL 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 Council, that officer is the Interim Director Governance and Finance Services (s151), Lydia Morrison.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- Approve the Statement of Accounts by 31st May.

CHIEF FINANCE OFFICER RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of Folkestone & Hythe District Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy *2023/24 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Finance 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
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF ACCOUNTS

I certify that the Statement of Accounts gives a true and fair view of the financial position of Folkestone & Hythe District Council at 31st March 2024 and its income and expenditure for the year then ended.

Signed:

Lydia Morrison, ACMA
Interim Director Governance and Finance Services
Date: 30th June 2024

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on ddth MMM 2024.

Signed:

Councillor Liz McShane
Chair, Audit and Governance Committee

Date: xxth MMM 2024

Core Financial Statements



FINANCIAL STATEMENTS
MOVEMENT IN RESERVES STATEMENT (MiRS)

The Movement in Reserves Statement (MiRS), shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to amounts chargeable to council tax (or rents) for the year. The 'Net increase/decrease' line shows the statutory General Fund Balance and HRA Balance movements in the year following those adjustments.

	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
2023/24								
Balance at 31 March 2023	(20,495)	(7,003)	(7,859)	-	(6,777)	(42,134)	(251,684)	(293,818)
Movement in reserves during 2023/24	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	594	5,185	-	-	-	5,780	17,198	22,978
Adjustments between accounting basis and funding basis under regulations (Note 5)	2,213	(1,674)	(1,091)	-	(721)	(1,273)	1,273	0
(Increase) or Decrease in 2023/24	2,807	3,511	(1,091)	-	(721)	4,506	18,472	22,978
Balance at 31st March 2024 carried forward	(17,688)	(3,492)	(8,950)	-	(7,498)	(37,628)	(233,212)	(270,840)

Note: Where appropriate the General Fund and HRA Fund Balances include Earmarked Reserves as shown in note 6.

FINANCIAL STATEMENTS
MOVEMENT IN RESERVES STATEMENT (MIRS)

	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
2022/23								
Balance at 31 March 2022	(26,977)	(10,065)	(9,069)	-	(7,923)	(54,034)	(190,551)	(244,585)
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	12,628	5,277	-	-	-	17,905	(67,138)	(49,233)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(6,147)	(2,215)	1,210	-	1,146	(6,005)	6,005	-
(Increase) or Decrease in 2022/23	6,481	3,062	1,210	-	1,146	11,900	(61,133)	(49,233)
Balance at 31st March 2023 carried forward	(20,495)	(7,003)	(7,859)	-	(6,777)	(42,134)	(251,684)	(293,818)

FINANCIAL STATEMENTS
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

The Comprehensive Income and Expenditure Statement (CIES) 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 the MiRS.

2022/23			2023/24		
Gross Expenditure £000s	Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Income £000s	Net Expenditure £000s
Continuing Operations					
1,097	(188)	908	847	(180)	667
3,526	(295)	3,231	3,829	(304)	3,524
842	(141)	701	836	(136)	699
34,152	(28,750)	5,402	34,519	(27,710)	6,810
1,252	(555)	697	1,677	(1,468)	209
1,645	(1,249)	396	1,666	(1,555)	111
16,506	(6,790)	9,716	9,925	(3,031)	6,894
5,610	(5,750)	(141)	5,383	(6,370)	(987)
9,384	(4,112)	5,272	11,779	(7,131)	4,648
	-				
19,597	(17,579)	2,018	22,907	(22,031)	876
93,609	(65,408)	28,200	93,368	(69,916)	23,451
4,439	(75)	4,365	6,309	(695)	5,613
10,483	(4,084)	6,399	4,740	(2,463)	2,277
6,204	(27,263)	(21,058)	6,939	(32,501)	(25,562)
114,735	(96,830)	17,905	111,356	(105,576)	5,780
		(5,946)			20,056
		(61,192)			(2,858)
		(67,138)			17,198
		(49,233)			22,978

FINANCIAL STATEMENTS
BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g., the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations.'

31-Mar-23		31-Mar-24
£000s	Note	£000s
227,963 Council dwellings	16	217,074
27,983 Other land and buildings	16	33,209
4,626 Vehicles, plant, furniture and equipment	16	4,299
8,481 Infrastructure assets	16	7,983
3,461 Community assets	16	3,461
75,854 Surplus assets	16	58,624
7,804 Assets under construction	16	9,257
2,998 Heritage assets	17	2,998
30,594 Investment property	18	30,278
210 Intangible assets	-	223
14,555 Long term investments	19	14,835
16,585 Long term debtors	20	22,631
421,115 Long Term Assets		404,870
- Short term investments	-	-
- Assets held for sale	-	109
11 Inventories	-	6
17,615 Short term debtors	21	11,608
10,745 Cash and cash equivalents	22	4,761
28,370 Current Assets		16,484
(44,755) Short term borrowing	23	(38,007)
(24,571) Short term creditors	24	(16,879)
(3,554) Capital grants received in advance	15	(5,645)
(1,198) Provisions	26	(1,381)
(74,078) Current Liabilities		(61,912)
(62,322) Long term borrowing	27	(70,323)
(13,098) Net pensions liability	30	(9,077)
(6,101) Long term creditors	24	(9,053)
(67) Provisions	26	(67)
(81,588) Long Term Liabilities		(88,521)
293,818 Net Assets		270,921

**FINANCIAL STATEMENTS
BALANCE SHEET**

(42,135) Usable reserves	31	(37,686)
(251,684) Unusable reserves	32	(233,235)
(293,818) Total Reserves		(270,921)

I certify that the accounts present a true and fair view of the financial position of the Council and of its income and expenditure for the year ended 31 March 2024.

Lydia Morrison, ACMA
Interim Interim Director Governance and Finance Services
Date: ddth MMM 2024

FINANCIAL STATEMENTS
CASH FLOW STATEMENT

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

2022/23		2023/24
£000s	Note	£000s
(17,905)		(5,780)
Net surplus or (deficit) on the provision of services		
31,086		21,186
Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	
(1,955)		(2,208)
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	35	
11,226		13,199
Net Cash flows from operating activities		
(23,697)		(20,941)
Net Cash flows from Investing Activities	36	
8,486		1,758
Net Cash flows from Financing Activities	37	
(3,985)		(5,985)
Net increase or (decrease) in cash and cash equivalents		
14,730		10,745
Cash and cash equivalents at the beginning of the reporting period		
10,745		4,760
Cash and cash equivalents at the end of the reporting period	22	

Notes to the Financial Statements



NOTES TO THE FINANCIAL STATEMENTS

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, e.g., the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

1. Accounting Policies

1.1 General Principles

This Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require preparation in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2023/24* supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments:

Class of Assets	Valuation Basis
Property, Plant and Equipment - Dwellings	Current value, comprising existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secured tenancies.
Property, Plant and Equipment – Land and Buildings	Current value, comprising existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost
Property, Plant and Equipment – Surplus Assets	Fair value
Investment Properties	Fair value
Financial Instruments – Available for Sale Assets	Fair value
Pensions Assets	Fair value

1.2 Accruals of Income and Expenditure

NOTES TO THE FINANCIAL STATEMENTS

Activity is accounted for at the point at which services are delivered to service recipients (not simply when cash payments are made or received) and with due regard to material levels of adjustment. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income that might not be collected.
- Accruals are recognised where the value exceeds £5,000.

1.3 Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contributions have been 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-ring-fenced revenue grants and all capital grants) in the CIES.

1.4 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 investments that mature in no more than three months or less from the date of acquisition and that 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 Council's cash management.

1.5 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

NOTES TO THE FINANCIAL STATEMENTS

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 CIES 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 MiRS.

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.

1.6 Exceptional Items

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

1.7 Overheads and Support Services

The costs of the Council's overheads and support services are fully charged, where relevant, to those that benefit from the supply or service.

1.8 Reserves

The Council 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 MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account to score against (Surplus) or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the General Fund balance 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, retirement and employee benefits, council tax and business rates income and financial instruments. They do not represent usable resources for the Council. These reserves are explained in the relevant policies.

1.9 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 (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost 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.

The Council has set a de minimis level in respect of the recognition of capital expenditure of £10,000.

Measurement

Items of PPE are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the exchange transaction has no commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH)
- surplus assets – current value measurement basis 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.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is 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 may be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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- 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(s) in the CIES.

The Revaluation Reserve contains revaluations gains recognised since 1st 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 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 by:

- 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(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 PPE 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), assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture, and equipment – straight line allocation usually over 5-7 years
- infrastructure – straight line allocation usually over 20 years

Where a PPE asset has a major component, whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposal

When an asset is disposed of or decommissioned, the net book value of the asset and the receipt from the sale are both charged to the CIES which could result in a net gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All sale proceeds in excess of £10,000 are categorised as capital receipts. A proportion of 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 or set aside to reduce the Council's underlying need to borrow. Receipts below £10,000 are considered de minimis and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

1.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset and will be capitalised when it is probable that they will result in future economic benefits or service potential to the authority and the costs can be measured reliably. All other borrowing costs will be recognised as an expense in the period in which they are incurred.

Borrowing costs are interest and other costs that an authority incurs in connection with the borrowing of funds and may include:

- interest expense calculated using the effective rate of interest method, and
- finance charges in respect of finance leases.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The commencement date for capitalisation of borrowing costs is the date when the authority first meets all of the following conditions:

- it incurs expenditure for the asset
- it incurs borrowing costs, and
- it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs shall be suspended during extended periods in which active development of a qualifying asset is suspended.

Capitalisation of borrowing costs will cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete; this may require capitalisation to be carried out in relation to specific parts of a project if the parts are capable of being used while preparation continues on other parts.

1.11 Heritage Assets

NOTES TO THE FINANCIAL STATEMENTS

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

Heritage assets are initially recognised at cost or value in accordance with the Council's accounting policy on recognising Property, Plant and Equipment. Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, that asset is not recognised on the Balance Sheet and an appropriate disclosure is made instead.

Heritage assets are then carried at valuation rather than current or fair value, reflecting the fact that sales and exchanges of heritage assets are uncommon. Valuations may be made by any method that is appropriate and relevant, including replacement cost, purchase cost and insurance valuation. There is no requirement for valuations to be carried out or verified by an external valuer, nor is there any prescribed minimum period between valuations, but the carrying amounts of heritage assets carried at valuation must be reviewed with sufficient regularity to ensure they remain current. In some cases, it may not be practicable to establish a valuation for a heritage asset, in which case the asset is carried at historical cost if this information is available.

Depreciation or amortisation is not required on heritage assets which have indefinite lives.

1.12 Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment property is initially measured 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. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received are credited to the Financing and Investment Income and Expenditure line in the CIES.

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 MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 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 CIES in the year. Where the Council has determined to meet the cost of such expenditure from existing capital resources or borrowing, a transfer in the

MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on council tax.

1.14 Employee Benefits

Benefits Payable during Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the CIES.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accrual's basis to the relevant service line in the CIES.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Kent County Council (KCC). The Scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the KCC 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.
- the assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- the change in the net pension's liability is analysed into the following components:
 - i) Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the CIES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus) or Deficit on the Provision of Services in the CIES as part of Non-distributed Costs
 - net interest on the net defined liability - the expected increase in the present value of liabilities during the year as they move one year closer to being paid offset by the interest on assets held at the start of the year and cash flows occurring during the period. The net interest expense is charged to the Financing and Investment Income and Expenditure line in the CIES.
 - ii) Re-measurements comprising:
 - the return on plan assets excluding amounts included in net interest and actuarial gains and losses (changes in the net pensions liability that arise

NOTES TO THE FINANCIAL STATEMENTS

because the actuaries have updated their assumptions). These are charged to the CIES as Other Comprehensive Income and Expenditure.

- iii) Contributions paid to the KCC pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated in accordance with the relevant standards. This means that in the MiRS there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The debit 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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.15 Events after the Reporting Period

Events after the reporting period 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 authorisation for issue are not reflected in the Statement of Accounts.

1.16 Financial Assets

Dividends are credited to the CIES when they become receivable by the Council.

Financial assets are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement. Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value

NOTES TO THE FINANCIAL STATEMENTS

(both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

1.17 Financial Liabilities

Financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus any accrued interest, and interest charged to the CIES is the amount payable for the year in the loan agreement. Annual charges to the Financing and Investment Income and Expenditure line in the CIES 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 the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

1.18 Provisions

Provisions are made where an event has taken place that gives the Council 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 about the amount of the obligation.

Provisions are charged to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

1.19 Value Added Tax

Value added tax is included in income and expenditure accounts only to the extent that it is irrecoverable.

1.20 Interests in Companies and Other Entities

Where the Council has a material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures, group accounts will be prepared. In the Council's own single entity accounts, the value of shares in subsidiary companies are recorded as long-term investments, long-term loans provided to the subsidiaries are held as long-term loans and any debtor and creditor balances between the Council and the subsidiaries are also included within the relevant balance. In the group account, the single entity Council accounts are combined with the accounts of the subsidiary companies and any intra-group transactions and balances are excluded as part of the consolidation process to give the overall group position. The investment properties held by subsidiaries are held

at fair value. The Council's investment in the subsidiaries are recorded as financial assets at Fair Value through Profit and Loss.

2. Accounting Standards that have been issued but have not yet been adopted

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. Standards that have been issued but not yet adopted are:

- a) IFRS 16 Leases
- b) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- c) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- e) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is anticipated that these amendments will not have a material impact on the information provided in the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Folkestone Parks and Pleasure Grounds Charity

The Council is the sole trustee of the Folkestone Parks and Pleasure Grounds Charity, a charitable trust that owns and operates certain parks and pleasure grounds previously managed by the Council. It has been determined that the Council does not control, jointly control, have significant influence over, or have the right to variable returns from the Charity, the inclusion of the Charity in the group accounts is not required. Councillors who sit on the Board of Trustees act on behalf of the Trust in their decision making, rather than in the interests of the Council. Further information is disclosed in Note 40 on page- 102 -.

Princes Parade Development

The Council owns a development site at Princes Parade, Hythe which the Council was planning to develop for Housing and Amenity use including the development of a new Leisure Centre. Due to difficult economic conditions for development projects, the Council in 2022/23 decided to pause the development of the site to consider potential options. The Council has incurred capital expenditure on this site totalling of £5m. Depending on future

NOTES TO THE FINANCIAL STATEMENTS

decisions to be taken by the Council, in relation to these options it may be necessary to charge some of this capitalised expenditure to the revenue budget, if the expenditure ultimately becomes abortive.

Oportunitas Limited

The Council has set up a wholly owned subsidiary entity to generate additional income streams for the Council and to provide residential housing in the district. It is deemed that the relationship between the Council and Oportunitas is material enough to warrant the preparation of group accounts.

Otterpool Park LLP and Otterpool Park Development Company

In 2019/20 the Council set up a delivery vehicle to deliver its objectives for the Otterpool Park Garden Town. FHDC and Otterpool Park Development Company Ltd were appointed members in February 2020, with FHDC owning 99.9% of the company. In 2023/24 the transactions for this project are material and its results have been consolidated into the group accounts.

The Council is required by the Minimum Revenue Provision Regulations 2019 to set aside statutory provision for debt repayment for capital expenditure financed by borrowing. Further similar and increasing provisions will need to be made from the Council's revenue budget annually in future years to fund the Otterpool scheme as it is currently envisaged.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £306k for every year that useful lives had to be reduced.</p>
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £10m.</p> <p>Further sensitivity analysis of factors affecting the Pensions Fund is set out in Note 30.</p>

NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measurements	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible judgement is required. These judgements typically include considerations such as uncertainty and risk.</p> <p>Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in Notes 19 and 28.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties and financial instruments.</p> <p>For instance, Oportunitas is currently valued at £734k for fair value, an increase of 1.7% in the discount rate (from 11.3% to 13%). More information regarding sensitivity of fair value measurements is set out in Note 28.</p>

Notes Supporting The Movement in Reserves Statement



5. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2023/24	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments to Revenue Resources						
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs (transferred to or from the Pensions Reserve)	962	201				(1,163)
Financial instruments (transferred to or from the Financial Instruments Adjustment Account or Financial Instrument Revaluation Reserve)	32					(32)
Council Tax and National Domestic Rates (transferred to or from the Collection Fund Adjustment Account)	1,519					(1,519)
Holiday pay (transferred to the Accumulated Absences Reserve)	(43)	(7)				50
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(8,728)	(12,245)				20,973
Total Adjustments to Revenue Resources	(6,257)	(12,051)	-	-	-	18,309
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	805	815		(2,546)		926
Transfer of capital grants and contributions to capital grants unapplied	4,300	3,491			(4,044)	(3,747)
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-		-		-
Posting of HRA resources from revenue to the Major Repairs Reserve			(3,199)			3,199
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,964					(1,964)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,409	6,075				(7,484)
Total Adjustments to between Capital and Revenue Resources	8,477	10,382	(3,199)	(2,546)	(4,044)	(9,070)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				1,455		(1,455)
Use of the Major Repairs Reserve to finance capital expenditure			3,199			(3,199)
Application of capital grants to finance capital expenditure					3,322	(3,322)
Cash payments in relation to deferred capital receipts	(6)	(5)				11
Total Adjustments to Capital Resources	(6)	(5)	3,199	1,455	3,322	(7,965)
Total Adjustments	2,213	(1,674)	(0)	(1,091)	(721)	1,273

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2022/23	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments to Revenue Resources						
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs (transferred to or from the Pensions Reserve)	(1,459)	(283)				1,742
Financial instruments (transferred to or from the Financial Instruments Adjustment Account or Financial Instrument Revaluation Reserve)	(1,935)					1,935
Council Tax and NDR (transferred to or from the Collection Fund Adjustment Account)	3,858					(3,858)
Holiday pay (transferred to the Accumulated Absences Reserve)	36	6				(42)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(13,490)	(8,382)				21,872
Total Adjustments to Revenue Resources	(12,989)	(8,659)	-	-	-	21,648
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	204	1,113		(1,743)		426
Transfer of capital grants and contributions to capital grants unapplied	2,533	374			(2,219)	(688)
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-		-		-
Posting of HRA resources from revenue to the Major Repairs Reserve			(3,087)			3,087
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,207					(3,207)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	905	4,961				(5,865)
Total Adjustments to between Capital and Revenue Resources	6,848	6,448	(3,087)	(1,743)	(2,219)	(6,248)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				2,953		(2,953)
Use of the Major Repairs Reserve to finance capital expenditure			3,087			(3,087)
Application of capital grants to finance capital expenditure	-	-			3,365	(3,365)
Cash payments in relation to deferred capital receipts	(6)	(4)				10
Total Adjustments to Capital Resources	(6)	(4)	3,087	2,953	3,365	(9,395)
Total Adjustments	(6,147)	(2,215)	-	1,210	1,146	6,005

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24. Earmarked Reserves are shown in the MIRS as included in General Fund and HRA Fund balances as appropriate.

<u>Earmarked Reserves</u>	Balance at 01-Apr-22 £000s	Transfers		Balance at 31-Mar-23 £000s	Transfers		Balance at 31-Mar-24 £000s
		In £000s	Out £000s		In £000s	Out £000s	
<u>General Fund</u>							
Business Rates	(2,662)	-	1,005	(1,657)	-	178	(1,479)
Leisure Reserve	(447)	(50)	-	(497)	-	-	(497)
Carry Forwards	(1,356)	(1,253)	311	(2,298)	-	1,122	(1,176)
Corporate Property	-	-	-	-	-	-	-
Vehicles, Equipment and Technology	(287)	(150)	160	(277)	-	132	(145)
Invest to Save	-	-	-	-	-	-	-
Maintenance of Graves	(12)	-	-	(12)	-	-	(12)
New Homes Bonus	(1,997)	(745)	2,333	(409)	-	-	(409)
Corporate Initiatives	(959)	-	273	(686)	-	535	(151)
IFRS Reserve	(5)	-	-	(5)	-	-	(5)
Otterpool Park Garden Town	-	-	-	-	-	-	-
Economic Development	(1,985)	-	62	(1,923)	-	689	(1,234)
Community Led Housing	(310)	-	57	(253)	-	60	(193)
Lydd Airport	(9)	-	-	(9)	-	-	(9)
Homelessness Prevention	(958)	-	33	(925)	-	101	(824)
High Street Regeneration	(1,575)	-	342	(1,233)	-	36	(1,197)
Climate Change	(4,880)	-	224	(4,656)	-	1,082	(3,574)
COVID	(3,526)	-	3,496	(30)	-	30	(0)
Transformation Reserve	-	-	-	-	-	(1,165)	(1,165)
	(20,968)	(2,198)	8,296	(14,870)	-	2,800	(12,070)

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Business Rates Reserve	To support business development and to manage the statutory accounting requirements of the Rates Retention Scheme.
Leisure Reserve	To meet future leisure improvements.
Carry Forwards Reserve	For items of expenditure not incurred or income not applied in the previous financial year but required in the new financial year to meet spending commitments.
Vehicles, Equipment and Technology Reserve	To meet vehicle, equipment and technology replacement needs or improvements.
Invest to Save Reserve	To finance initiatives and projects that will in the medium-term result in budget savings for the General Fund.
Maintenance of Graves Reserve	Amounts held in perpetuity to meet the cost of maintaining certain grave sites.
New Homes Bonus Reserve	To fund the anticipated additional cost of services over the next five years.
Corporate Initiatives Reserve	To support Corporate Plan objectives and goals.
IFRS Reserve	To manage the impact of the introduction of International Financial Reporting Standards particularly affecting immediate recognition of grants and contributions.
Otterpool Park Garden Town Reserve	To fund the planned share of the Promoter and Local Planning Authority costs
Economic Development	To support the regeneration of the district and to support the generation of new income.
Community Led Housing	To support community-led housing developments and to deliver more affordable housing units of mixed tenure.
Lydd Airport	To fund the anticipated ongoing costs of monitoring the conditions at Lydd Airport.
Homelessness Prevention	To flexibly fund ways to reduce the homelessness expenditure by taking preventative action.
High Street Regeneration	To support the delivery of regeneration projects within the district's high street areas.
Climate Change Reserve	To fund initiatives to help the Council achieve net-zero carbon emissions by 2030.
Covid Reserve	To support the additional costs and loss of income incurred in response to the Covid-19 pandemic.
Transformation Reserve	Set aside to enable investment in initiatives that will deliver future savings

Notes Supporting the Comprehensive Income And Expenditure Statement



7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2023/24 (i.e., government grants, rents, Council Tax and Business Rates) has been used to provide the services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes across the Council's management structure. Income and expenditure accounted for under GAAP is presented

NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

more	fully		in		the	CIES.
		2023/24				
	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General fund and HRA	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	£000s	£000s	£000s	£000s	£000s	£000s
Leadership Support	793 -	34	759 -	92	667	
Governance & Law	3,012	262	3,274	250	3,524	
Human Resources	707	61	768 -	69	699	
Finance Customer & Support	9,062 -	1,726	7,336 -	526	6,810	
Economic Development	637 -	383	253 -	44	209	
Planning	128	133	261 -	150	111	
Operations	1,971	5,361	7,332 -	438	6,894	
Housing	2,447 -	3,006 -	559 -	428 -	987	
Place	6,930 -	4,803	2,128	2,520	4,648	
Local Authority Housing (HRA)	- 3,854	3,479 -	375	1,251	876	
Net Cost of Services	21,833 -	655	21,177	2,274	23,451	
Other Income and Expenditure	4,377 -	19,235 -	14,859 -	2,813 -	17,672	
(Surplus) or Deficit on Provision of Services	26,209 -	19,891	6,319 -	539	5,780	
Opening General Fund and HRA Balance		-	27,499			
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in			6,319			
Closing General Fund and HRA Balance at 31 March*			21,180			

*For a split of this balance between the General Fund and the HRA see the Movement in Reserves Statement

NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2022/23				
	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General fund and HRA	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Leadership Support	957		957	(49)	908
Governance & Law	2,751	(1)	2,750	481	3,231
Human Resources	669		669	32	701
Finance Customer & Support	7,454		7,455	(2,053)	5,402
Strategic Development					
Economic Development	977		977	(280)	697
Planning	289		289	107	396
Operations	2,014		2,014	3,258	9,716
Housing	2,738		2,738	(2,879)	(141)
Place	5,544		5,544	4,172	5,272
Transition & Transformation					
Local Authority Housing (HRA)	(3,608)		(3,608)	5,626	2,018
Net Cost of Services	19,784	(1)	19,785	8,415	28,200
Other Income and Expenditure	(17,408)	6,020	(11,388)	1,093	(10,295)
(Surplus) or Deficit on Provision of Services	2,376	6,019	8,397	9,508	17,905
Opening General Fund and HRA Balance			(37,042)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in			9,543		
Closing General Fund and HRA Balance at 31 March*			(27,499)		

*For a split of this balance between the General Fund and the HRA see the Movement in Reserves Statement

Expenditure and Income Analysed by Nature

	2022/23	2023-24
	£000s	£000s
Expenditure		
Employee Benefits Expense	21,998	20,429
Other Services Expense	60,073	57,287
Depreciation, Amortisation & Impairment	19,471	18,780
Interest Payments	4,343	4,479
Precepts & Levies	3,165	3,343
(Gain) / Loss on Disposal of Assets	(519)	(831)
Tariff Payable on Income from NDR	6,204	6,939
Total Expenditure	114,735	110,426
Income		
Fees, Charges & Other Service Income	(36,645)	(39,035)
Interest & Investment Income	(1,362)	(2,348)
Income from Council Tax & NDR	(22,808)	(24,785)
Government Grants & Contributions	(36,014)	(38,478)
Total Income	(96,830)	(104,647)
(Surplus) or Deficit on Provision of Services	17,905	5,780

8. Material Items of Income and Expense

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by government grant. The following amounts were incurred within the CIES on benefit payments (including administration).

2022/23			2023/24			
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000s	£000s	£000s		£000s	£000s	£000s
			Other Housing Services			
18,286	(18,214)	72	Housing Benefit	17,127	(16,663)	464
7,721	(7,480)	241	Housing Rebates	7,794	(7,683)	111

9. Other Operating Expenditure

Other Operating Expenditure	2022/23 £000s	2023/24 £000s
Parish precepts	2,659	2,801
Internal Drainage Board levies	506	541
Payments to the Government Housing Capital Receipts Pool	-	-
Gains or losses on the disposal of non-current assets	(519)	(1,085)
Movement in fair value of surplus assets	1,719	3,357
	4,365	5,613

10. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2022/23 £000s	2023/24 £000s
Interest payable and similar charges	2,911	4,279
Net interest on net defined liability	1,432	200
Investment property rental income	(1,294)	(1,109)
Interest receivable and similar income	(1,394)	(2,386)
Financial Instruments fair valuation adjustments	4,577	16
Investment asset write off	-	-
Income and expenditure in relation to investment properties and changes in their fair value (see Note 18)	167	1,277
	6,398	2,277

11. Taxation and Non-Specific Grant Income

Taxation and Non-specific Grant Income	2022/23 £000s	2023/24 £000s
Council tax income	(14,152)	(14,233)
Non domestic rates	(2,451)	(3,612)
Non-ring fenced government grants	(3,681)	(5,974)
Capital grants and contributions	(775)	(1,742)
	(21,058)	(25,562)

12. Members' Allowances

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

NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Members Allowances	2022/23	2023/24
	£000s	£000s
Allowances	339	323
Expenses	11	14
Total	350	337

13. Officers' Remuneration

The remuneration paid to the authority's senior employees is as follows:

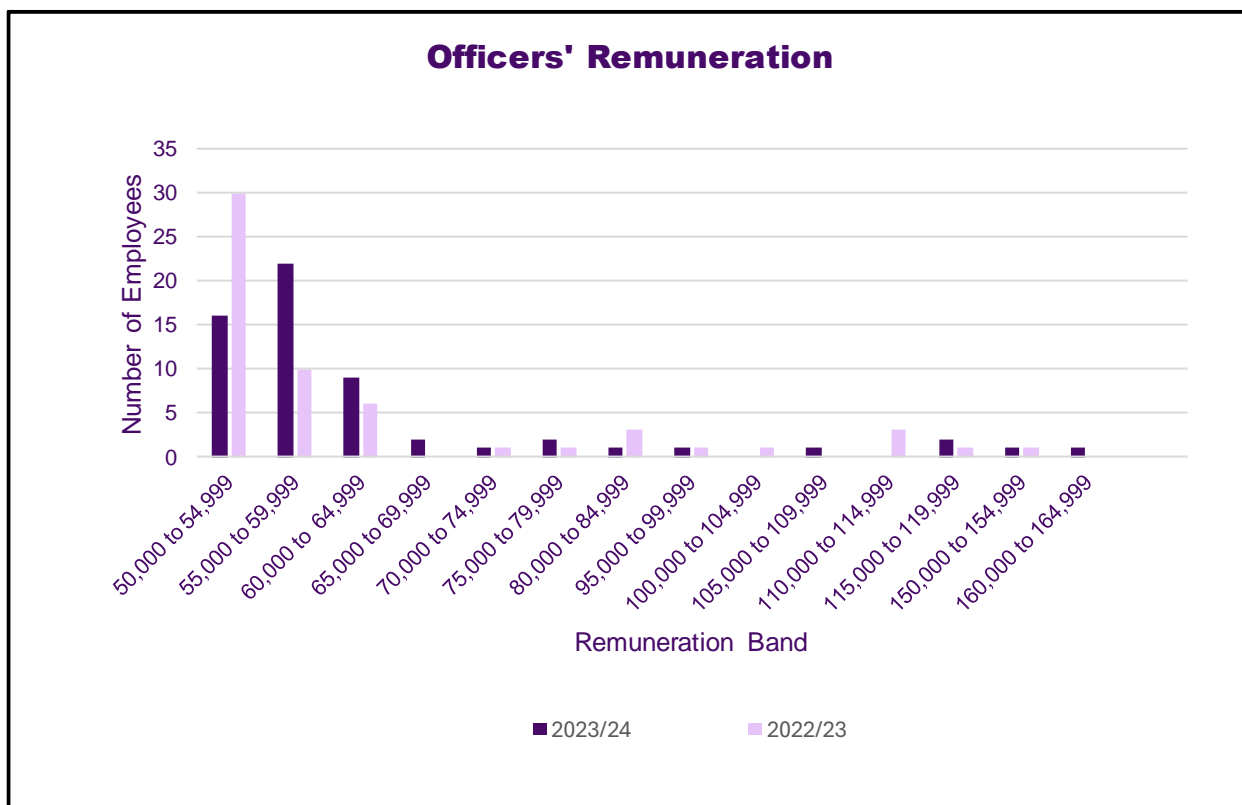
		Salary, including Fees and Allowances	Employer Pension Contributions	Total Remuneration, including Pension Contributions
		£	£	£
Chief Executive - Dr Susan Priest	2023/24	164,935	29,030	193,965
	2022/23	150,761	25,725	176,486
Director - Strategy & Resource	2023/24	117,584	22,376	139,960
	2022/23	113,398	19,160	132,558
Interim Director - Governance & Finance, also S151 Officer	2023/24	150,809	-	150,809
	2022/23	113,407	18,542	131,949
Director - Housing & Operations	2023/24	117,359	22,376	139,735
	2022/23	113,398	19,160	132,558
Director of Transition and Transformation +++	2023/24	-	-	-
	2022/23	9,761	1,652	11,413
Assistant Director Governance, Law & Regulatory Services ++	2023/24	106,481	20,545	127,026
	2022/23	102,979	17,675	120,654

+ S151 Officer Interim Director joined April 23 / Previous Director left FHDC in March 2023

++ Monitoring Officer

+++ Director left FHDC April 2022

The authority's employees receiving remuneration in excess of £50,000 for the year (excluding employer's pension contributions) were paid the following amounts:



The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a+b)		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £000s	2023/24 £000s
£								
0-20,000	1	-	4	1	5	1	43	14
20,001-40,000	-	-	-	1	-	1	-	34
40,001-60,000	-	-	-	1	-	1	-	42
60,001-100,000	-	-	1	1	1	1	-	66
100,001-165,000	-	-	-	1	-	1	107	161
Total	1	-	5	5	6	5	150	317

The cost of exit packages is calculated in accordance with accounting standards and does not necessarily equal the actual payment to or on behalf of an individual.

14. External Audit Costs

The Council has agreed the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council’s external auditors.

NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

External Audit Fees	2022/23	2023/24
	£000s	£000s
Fees payable with regard to external audit services carried out by the appointed auditor for the year	74	168
Fees relating to prior years audits	27	140
Rebate of PSAA fees	-	-
Fees payable for the certification of grant claims and returns for the year	17	57
	119	366

15. Grant Income

The Council credited the following grants, contributions, and donations to the CIES:

Grant Income	2022/23	2023/24
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	212
Business rates reliefs	6,211	4,769
Covid related grants	- 3,611	-
Non-service related grants	336	440
New Homes Bonus Grant	745	366
Capital Grants and Contributions	775	3,491
	4,455	9,066
Credited to Services		
REFCUS related Grants	1,303	1,435
KCC sundry grants	2,282	2,122
Council Tax Reduction Scheme grants	162	-
DWP – benefits subsidy	16,892	16,213
- rent rebate Subsidy	7,426	7,650
- benefits administration	330	312
Covid related grants	319	10
Other grants and contributions	2,845	3,121
	31,559	30,862

Capital Grants Received in Advance

Capital grants received which are subject to conditions relating to specific projects are held as Capital Grants received in advance. These amounts are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant has been satisfied.

	2022/23	2023/24
	£000	£000
DLUHC - Brownfield Release Fund	(2,465)	(4,965)
Environment Agency - Coast Protection	(1,030)	(621)
Other Grants and Contributions	(59)	(59)
Balance at 31 March	<u>(3,554)</u>	<u>(5,645)</u>

Notes Supporting the Balance Sheet



16. Property, Plant and Equipment

Measurement

The Council's non-housing assets (excluding vehicles, plant, equipment, infrastructure, and community assets) were re-valued as at 31 March 2024 by an external independent valuer, Wilks Head & Eve Chartered Surveyors, and increased in value by £5.2m compared to their value at 31 March 2023.

The external valuer also reviewed the value of the Council's surplus assets as at 31 March 2024, resulting in a decrease of £17.2m due to the land held for the Princes Parade Project being revalued as amenity land instead of residential development land.

The Council's housing assets were also re-valued as at 31 March 2024 by Wilks Head & Eve Chartered Surveyors. Council dwellings were valued at £217m at 33% of the open market value based on their existing use value for social housing, an decrease of almost 5% (£10m) compared to 31 March 2023. The valuation adjustment to the existing use value for social housing is in accordance with Ministry of Housing, Communities and Local Government guidance issued in 2016 for council dwellings stock valuations in South-East England, reflecting the economic cost of providing council housing at less than open market rents.

The external valuer also advised that, based on rental income values, the value of the various housing non-dwelling assets categories (garages, parking spaces and stores) have been valued at £4.7m, no change compared to their value at 31 March 2023.

Contractual Commitments

The Council has entered into the following long-term contracts on HRA properties:

- Heating replacement programme 2023 - 2026 - approximately £1.34m per annum
- Electrical Installation 2024 - 2027 - approximately £0.20m per annum
- Asbestos Surveying, Sampling and Removal services 2024 - 2027 - approximately £0.20m per annum
- UPVC windows and doors replacement programme 2023-2025 - approximately £0.73m per annum
- Cyclical External Redecoration programme 2020-2025 - approximately £0.42m per annum
- Replacement roof programme 2023-2025 - approximately £0.80m per annum
- Fire Protection Works programme 2024-2026 - approximately £0.50m per annum
- Replacement roof programme 2023-2025 - approximately £0.80m per annum
- External Planned Works programme 2024-2026 – approximately £0.40m per annum
- Cleaning Services for Social Housing 2024-2027 – approximately £0.31m per annum

NOTES SUPPORTING THE BALANCE SHEET

Property, Plant and Equipment	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
2023/24	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2023	227,963	34,512	14,915	3,461	7,378	75,854	364,083
Additions	11,694	488	560	-	2,105	1,183	16,029
Additions - AUC	507	22	37	-	-	-	566
Completions - AUC	-	-	-	-	(566)	-	(566)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,151)	5,311	-	-	-	(17,217)	(20,056)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,357)	78	-	-	-	(13)	(3,292)
De-recognition - Disposals	(378)	-	-	-	-	-	(378)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-
Depreciation written out to services on revaluation	(3,039)	-	-	-	-	-	(3,039)
At 31 March 2024	225,239	40,411	15,512	3,461	8,916	59,807	353,347
Depreciation and Impairment							
At 1 April 2023	-	(6,529)	(10,288)	-	-	-	(16,817)
Depreciation charge for the year	(3,039)	(339)	(924)	-	-	-	(4,302)
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,039	-	-	-	-	-	3,039
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(8,166)	(334)	-	-	-	(1,183)	(9,683)
At 31 March 2024	(8,166)	(7,202)	(11,212)	-	-	(1,183)	(27,763)
Balance Sheet amount at 31 March 2024	217,074	33,209	4,300	3,461	8,916	58,625	325,584
Balance Sheet amount at 1 April 2023	227,963	27,983	4,627	3,461	7,804	75,854	347,693

NOTES SUPPORTING THE BALANCE SHEET

Property, Plant and Equipment	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
2022/23	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2022	220,220	29,120	14,135	3,461	8,036	81,202	356,174
Additions	8,761	1,112	780	-	3,403	1,437	15,493
Additions - AUC	576	3,058	-	-	-	-	3,634
Completions - AUC	-	-	-	-	(3,634)	-	(3,634)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,810	904	-	-	-	(4,768)	5,947
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,956)	318	-	-	-	(580)	(2,218)
De-recognition - Disposals	(661)	-	-	-	-	-	(661)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Deprecation written out to service on revaluation	(2,934)	-	-	-	-	-	(2,934)
At 31 March 2023	233,817	34,512	14,915	3,461	7,804	77,291	371,801
Depreciation and Impairment							
At 1 April 2022	-	(2,036)	(9,424)	-	-	-	(11,460)
Depreciation charge for the year	(2,934)	(322)	(864)	-	-	-	(4,121)
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,934	-	-	-	-	-	2,934
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,854)	(4,170)	-	-	-	(1,437)	(11,460)
At 31 March 2023	(5,854)	(6,529)	(10,288)	-	-	(1,437)	(24,107)
Balance Sheet amount at 31 March 2023	227,963	27,983	4,627	3,461	7,804	75,854	347,693
Balance Sheet amount at 1 April 2022	220,220	27,084	4,710	3,461	8,036	81,201	344,712

NOTES SUPPORTING THE BALANCE SHEET

Infrastructure Assets	22/23	23/24
Opening NBV as at 1 April	9,390	8,481
Additions	440	427
Depreciation/Impairment	(1,349)	(1,353)
Closing NBV as at 31 March	8,481	7,555

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. This does not impact the balance sheet as this reports net book value.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets, when there is replacement expenditure, is nil.

	22/23	23/24
Infrastructure Assets	8,481	7,555
Other PPE Assets	347,692	325,584
Total PPE Assets	356,173	333,139

17. Heritage Assets

The Council's heritage assets are held at cost as there is no requirement for regular revaluation of heritage assets. The Council's heritage assets were valued by an external independent valuer – BPS Chartered Surveyors, as part of the purchase of the asset in 2019/20. The Council deem this value to remain current and reflective of the lack of material changes to the asset since purchase.

	Buildings	Other Items	Total Assets
Cost or Valuation	£000s	£000s	£000s
At 1 April 2023	2,900	98	2,998
At 31 March 2024	2,900	98	2,998

18. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Investment Property	2022/23	2023/24
	£000s	£000s
Rental income from investment property	(1,428)	(1,214)
Direct operating expenses arising from investment property	134	105
Net (gain)/loss	<u>(1,294)</u>	<u>(1,109)</u>

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

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

Fair Value Movement	2022/23	2023/24
	£000s	£000s
Cost or Valuation		
At 1 April	29,356	30,595
Additions – acquisitions	377	-
Additions – construction	1,029	1,251
Disposals		(291)
Net gain/(loss) from fair value adjustments	862	(26)
Impairment reversals and write off recognised in the CIES	(1,029)	(1,251)
At 31 March	<u>30,595</u>	<u>30,278</u>

Fair Value Hierarchy for Investment Properties

NOTES SUPPORTING THE BALANCE SHEET

Details of the authority's Investment Properties and information about the fair value hierarchy as at 31st March 2024 are as follows:

2023/24 Recurring fair value measurements using:	Other significant observable inputs (Level 2) 31-Mar-23		Other significant observable inputs (Level 2) 31-Mar-24	
	£000s	Fair value at 31-Mar-23 £000s	£000s	Fair value at 31-Mar-24 £000s
Otterpool Park - Residential Properties	8,489	8,489	8,494	8,494
Otterpool Park - Land	1,153	1,153	1,153	1,153
Agricultural Land	32	32	32	32
Offices	18,496	18,496	18,252	18,252
Commercial Units	2,114	2,114	1,847	1,847
Commercial Land	310	310	500	500
Total at Fair Value	30,595	30,595	30,278	30,278
Assets Under Construction	-	-	-	-
Total Investment Properties	30,595	30,595	30,278	30,278

Otterpool Park – Residential Properties refers to existing properties on the land owned by the Council in the Otterpool Park area. These properties do not form part of the Otterpool Park LLP development.

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

Significant observable inputs – Level 2

The fair value for the residential properties, agricultural land and commercial units and land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs - Level 3

There were no assets categorised as Level 3 in 2023/24.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. All valuations are carried out by an externally appointed valuer and the work is undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

19. Long Term Investments

Long Term Investments	2022/23 £000s	2023/24 £000s
Bond, equity & property funds	14,114	14,082
Shares in unlisted companies	6,359	6,719
Changes in FV of equity investments in companies	(5,918)	(5,966)
	<u>14,555</u>	<u>14,835</u>

20. Long Term Debtors

Long Term Debtors	2022/23 £000s	2023/24 £000s
Loan to Oportunitas Limited	5,640	6,336
Loan to Otterpool Park LLP	8,045	14,911
Expected Credit Loss (Loans to Companies)	(369)	216
Other Adjustments	(430)	(2,061)
Soft Loans (see Note 28)	1,739	1,589
Other Loans	1,090	779
Capital Prepayment (Otterpool Land Options)	773	773
Lease Receivables	98	88
	<u>16,585</u>	<u>22,631</u>

21. Short Term Debtors

Short Term Debtors	2022/23 £000s	2023/24 £000s
Trade Receivables	2,928	3,252
Receivables from Related Parties	8,155	3,448
Prepayments	705	729
Other Receivables	2,017	2,048
Council Taxpayers	2,889	2,488
Business Ratepayers	1,398	(1,269)
Sundry Debtors	1,644	2,484
	<u>19,737</u>	<u>13,180</u>
Impairment of debt		
Trade Receivables	(1,059)	(506)
Other Receivables	(1,063)	(1,066)
Total	<u>(2,122)</u>	<u>(1,571)</u>
Balance as at 31 March	<u>17,615</u>	<u>11,608</u>

NOTES SUPPORTING THE BALANCE SHEET

An analysis of the age profile of trade debtors is given in the table below which form part of the debtors' figures:

Age of Debt

An analysis of the age profile of sundry trade debtors is given in the table below which form part of the debtors figures shown above;

	2022/23	2023/24
Age of Debt	£000s	£000s
0 to 30 days	676	1,193
31 to 60 days	25	12
61 to 90 days	11	5
over 90 days	932	1,273
Total	1,644	2,484

22. Cash and Cash Equivalents

Cash and Cash Equivalents

	2022/23	2023/24
	£000s	£000s
Bank Accounts	500	(1,334)
Money Market Funds	10,245	6,095
Total	10,745	4,761

23. Short Term Borrowing

Short Term Borrowing

	2022/23	2023/24
	£000s	£000s
PWLB Loans	14,833	10,998
Loans from other authorities	29,500	26,480
Accrued loan interest	422	529
	44,755	38,007

24. Long Term Creditors

Long Term Creditors	2022/23	2023/24
	£000s	£000s
Receipts in Advance	6,101	9,053
	6,101	9,053

25. Short Term Creditors

Short Term Creditors	2022/23	2023/24
	£000s	£000s
Trade Payables	105	104
Payables to Related Parties	9,016	8,694
Receipts in Advance	1,270	(5,279)
Accrued Creditors	7,086	8,589
Other Payables	2,673	2,346
Council Taxpayers	2,005	1,743
Business Ratepayers	2,099	684
	24,255	16,879

26. Provisions

Provisions	Balance 31-Mar-23	Provisions made	Amounts used	Balance 31-Mar-24	Short term liability	Long term Liability
	£000s	£000s	£000s	£000s	£000s	£000s
Business rate appeals	(1,198)	(570)	387	(1,381)	(1,381)	-
Other	(67)	-	-	(67)	-	(67)
	(1,265)	(570)	387	(1,448)	(1,381)	(67)

Business rates appeals – with the introduction of the Retained Business Rates system from 1 April 2013, local authorities are required to allow for the cost of outstanding valuation appeals that remain unsettled as at the end of the financial year. The estimate is based on previous years' appeals success experience.

27. Long Term Borrowing

Long Term Borrowing	2022/23	2023/24
	£000s	£000s
PWLB Loans	52,322	60,323
Loans from other authorities	10,000	10,000
	62,322	70,323

28. Financial Instruments

Financial Instruments - Classifications

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

- long-term loans from the Public Works Loan Board and lenders
- short-term loans from other local authorities
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

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

- cash in hand
- bank current and deposit accounts with NatWest Bank
- fixed term deposits with banks and building societies
- certificates of deposit and covered bonds issued by banks and building societies
- loans to other local authorities
- loans to Kent County Council and Oportunitas Limited, the Council's wholly owned regeneration and housing company, made for service purposes
- trade receivables for goods and services delivered

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

- money market funds managed by external fund managers
- pooled bond, equity and property funds managed by external fund managers
- an unquoted equity investment in Oportunitas Limited and Otterpool Park LLP

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

NOTES SUPPORTING THE BALANCE SHEET

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24
	£000s	£000s	£000s	£000s
Loans amortised cost:				
- Principal sum borrowed	(62,321)	(70,323)	(44,333)	(37,478)
- Accrued interest	-	-	(422)	(528)
Total Borrowing	(62,321)	(70,323)	(44,755)	(38,007)
Liabilities at amortised cost:				
- Trade payables	-	-	(7,972)	(9,382)
Included in Creditors	-	-	(7,972)	(9,382)
Total Financial Liabilities	(62,321)	(70,323)	(52,727)	(47,389)

The total short-term borrowing includes £528k (£422k 2022/23) representing accrued interest on long-term borrowing. The creditors lines on the Balance Sheet includes £7.498m (£16.599m 2022/23) short-term creditors that do not meet the definition of a financial liability.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

NOTES SUPPORTING THE BALANCE SHEET

Financial Assets	Long Term		Short Term	
	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24
	£000s	£000s	£000s	£000s
At fair value through profit & loss:				
- Fair value	14,555	14,835	-	-
Total investments	14,555	14,835	-	-
At amortised cost:				
- Principal	-	-	500	(1,334)
At fair value through profit & loss:				
- Fair value	-	-	10,245	6,095
Total Cash & Cash Equivalents	-	-	10,745	4,761
At amortised cost:				
- Trade receivables	-	-	3,467	4,997
- Lease receivables	98	14,206	11	10
- Loans made for service purposes	15,715	22,051	193	370
- Loss allowance Expected Credit Loss	(369)	216	(66)	553
Included in Debtors	15,444	36,474	3,606	5,930
Total Financial Assets	29,999	51,308	14,350	10,690

The debtors line on the Balance Sheet includes £13.100m (£14.009m 2022/23) short-term debtors that do not meet the definition of a financial asset.

Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. Between 2004 and 2013 the Council provided interest free property improvement loans to owner occupiers and landlords of residential properties in the district to meet the national Decent Homes standard. Loans to landlords are required to be repaid within 10 years and loans to owner occupiers are repaid when the property is sold.

The movements on material soft loan balances are:

	2022/23	2023/24
	£000s	£000s
Opening carrying amount of soft loans on 1st April	1,797	1,738
Amounts repaid to the Council	(84)	(150)
Increase/(decrease) in discounted amount due to passage of time	25	-
Closing Carrying Amount of Soft Loans on 31st March	1,738	1,588

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market rate has been arrived at by taking the Council's marginal cost of borrowing and adding a credit risk premium to cover the risk that the borrower is unable to repay the Council.

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. Shares in Oportunitas Limited have been valued from the company's balance sheet net assets and by discounting expected future profits at a suitable market rate for similar equity investments.

Financial assets classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness

NOTES SUPPORTING THE BALANCE SHEET

	Fair Value Level	Balance Sheet		Balance Sheet	
		31-Mar-23	Fair Value	31-Mar-24	Fair Value
		£000s	£000s	£000s	£000s
Financial Liabilities					
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	52,321	48,883	60,323	56,697
Other long-term loans	2	10,000	10,402	10,000	10,174
Short-term loans from PWLB	2	14,833	14,837	10,998	10,912
Short-term loans	2	29,500	29,326	26,480	27,497
Total		106,655	103,448	107,801	105,280
Liabilities for which fair value is not disclosed *		8,394		9,910	
Total Financial Liabilities		115,049		117,712	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		7,972		9,382	
Short-term borrowing		44,755		38,007	
Long-term borrowing		62,321		70,323	
Total Financial Liabilities		115,049		117,712	

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

Short term Liabilities

Trade Creditors	7,972	9,382
Borrowing (inc accrd interest)	422	528
	<u>8,394</u>	<u>9,910</u>

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

NOTES SUPPORTING THE BALANCE SHEET

	Fair Value Level	Balance Sheet		Balance Sheet	
		Fair Value 31-Mar-23 £'000	Fair Value 31-Mar-24 £'000	Fair Value 31-Mar-23 £'000	Fair Value 31-Mar-24 £'000
Financial Assets					
Financial assets held at fair value					
Money market funds	1	10,245	10,245	6,095	6,095
Structured loans and deposits	1	-	-	-	-
Bond, equity and property funds	1	14,050	14,050	14,082	14,082
Shares in unlisted companies	3	441	441	753	753
Financial assets held at amortised cost					
Long-term loans to companies	3	13,975	13,975	20,181	20,181
Soft Loans	3	1,739	1,739	1,589	1,589
Lease receivables	3	98	98	88	88
Total		40,548	40,548	42,788	42,788
Assets for which fair value is not disclosed*		4,943		4,815	
Total Financial Assets		45,491		47,603	
Recorded on balance sheet as:					
Long-term investments		14,555		14,835	
Long-term debtors		16,585		22,631	
Short-term debtors		3,607		5,377	
Cash and cash equivalents		10,745		4,761	
Total Financial Assets		45,491		47,603	

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

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Quantitative information about Fair Value Measurement of Financial Assets using Significant Unobservable Inputs – Level 3

Financial Asset - Equity Investment in Oportunitas Limited

Valuation method – Undertaken by Arlingclose Limited and estimated from projected future cash flows of the company using information from the published accounts, the business plan and other information held by the council.

Key quantitative assumptions used for valuation:

- In perpetuity annual profit before interest, tax, and depreciation
- Discount Rate – 13%: the return on capital of similar companies traded on the London Stock Exchange, plus a 1% risk premium
- Inflation – 2% in perpetuity
- Property price inflation – 6.4% in perpetuity (based on historical average increase in Folkestone local area)

Sensitivity Analysis

NOTES SUPPORTING THE BALANCE SHEET

Assumption	Impact on Fair Value
In perpetuity annual profit before interest, tax and depreciation falls/ rises by 10%:	Fair value decreases to £458,000 / increases to £1,010,000
Discount rates falls / rises by 1%:	Fair value increase to £1,477,000 / decreases to £140,000
Inflation falls/ rises by 1%:	Fair value decrease to £441,000/ increases to £1,069,000
Property price inflation falls. Rise by 1%:	Fair value decreases to £441,000/ increases to £1,069,000
Discount rate for loan fair value falls/ rises by 1%:	Fair value decrease to £127,000/ increases to £1,230,000

Financial Asset – Long term loan to Oportunitas Limited

The fair value has been estimated by discounting future cash flows for the loan at the rate for an equivalent loan made on 31 March 2024.

In a change to methodology this year information on the average spread above gilts for Ba3 (or equivalent BB-) bonds in the market as of 31st March 2024 has been used as they have an equivalent credit quality to Oportunitas.

Financial Asset - Equity Investment in Otterpool Park LLP

Valuation method – Fair Value deemed to be current value as at 31st March 2024 due to uncertainties around projected future cash flows due to the early stages of the project at the time of preparing the accounts.

Reconciliation of Movement for Level 3 Financial Assets Held at Fair Value

	£'000
Balance 1 April	441
Otterpool Equity Purchased 23/24	360
Unrealised valuation loss	(48)
Balance 31 March	<u>753</u>

Financial Instruments - Gains and Losses

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

NOTES SUPPORTING THE BALANCE SHEET

	Financial Liabilities measured at amortised cost	Financial Assets at Amortised Cost	Financial Assets at Fair Value Profit & Loss	23/24 Total	22/23 Total
	£000s	£000s	£000s	£000s	£000s
Financial Instruments Income, Expense, Gains and Losses 2023/24					
Interest expense	2,885	-	-	2,885	1,939
(Gains)/Losses from changes in fair value	2,077	-	-	2,077	4,577
(Gains)/Losses on derecognition impairment losses	(216)	-	-	(216)	369
Total Expense in Surplus or Deficit on the Provision of Services	4,746	-	-	4,746	6,884
Interest and dividend income	-	(1,009)	(1,346)	(2,354)	(1,369)
Gains from changes in fair value	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	-	(1,009)	(1,346)	(2,354)	(1,369)
Net (gain)/loss for the year	4,746	(1,009)	(1,346)	2,391	5,515

29. Borrowing Costs

The Council has capitalised borrowing costs incurred in relation to the Otterpool Park development. Capital expenditure has been incurred to acquire land and property to bring together the site for the proposed new garden town. The scheme is met entirely from borrowing and the site is not yet ready for development to be able to generate a revenue to meet the capital financing costs.

In 2023/24 £1,105k of borrowing costs were capitalised using a capitalisation rate of 3.71%.

30. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council (KCC). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The KCC Superannuation Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. Policy is determined in accordance with the Public Service Pensions Act 2013. Day to day fund administration is undertaken by a team within KCC and where appropriate some functions are delegated to the Fund's professional advisers.

KCC, in consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Fund Strategy Statement and the Statement of Investment Principles.

NOTES SUPPORTING THE BALANCE SHEET

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. In addition, there is an “orphan liability risk” where employers leave the Fund but with insufficient assets to cover their pension obligations. These are mitigated to an extent by the statutory requirements to charge to the General Fund and HRA the amounts required as described in the accounting policies note.

Pension Transition Arrangements Age Discrimination – In 2015, the Government introduced reforms to public sector pensions, with most public sector workers moving into new pension schemes. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judicial and fire fighter’s schemes as part of the reforms breached age discrimination rules and in June 2019 the Supreme Court denied the Government’s request for an appeal. In July 2019, the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS (Local Government Pension Scheme). An allowance for this was included in the accounting results for 31st March 2020. These results, including the allowance, have been rolled forward and re-measured to provide accounting results as at 31st March 2024.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the (Surplus) or Deficit on the Provision of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the amount payable in the year, so the real cost of retirement benefits is reversed out in the MiRS. The following transactions have been made in the CIES and MiRS during the year.

Balance Sheet

Net Pension assets as at	31-Mar-23	31-Mar-24
	£000s	£000s
Present Value of the defined obligation	138,576	138,997
Fair Value of the Fund Assets	(125,478)	(129,920)
Net defined benefit liability / (asset)	13,098	9,077

Comprehensive Income and Expenditure for the year

The amounts recognised in the profit and loss statement are:	Year to	Year to
	31-Mar-23	31-Mar-24
	£000s	£000s
Service Cost	4,875	2,576
Net interest on the defined liability (asset)	1,098	201
Administration expenses	75	113
Total Loss / (profit)	6,048	2,890

NOTES SUPPORTING THE BALANCE SHEET

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	Year to 31-Mar-23 £000s	Year to 31-Mar-24 £000s
Opening defined benefit obligation	195,626	138,576
Current service cost	4,818	2,330
Interest cost	5,276	6,580
Change in financial assumptions	(76,186)	(2,905)
Change in demographic assumptions	(5,304)	(1,988)
Experience loss / (gain) on defined benefit obligation	18,866	368
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(5,533)	(5,148)
Past service costs, including curtailment	57	246
Contribution by scheme participants and other employers	956	938
	138,576	138,997

Reconciliation of the opening and closing balances of the fair values of Fund Assets

	Year to 31-Mar-23 £000s	Year to 31-Mar-24 £000s
Opening fair value of scheme assets	123,078	125,478
Interest on assets	4,178	6,379
Return on assets, less interest	(2,580)	(1,667)
Actuarial gains / (losses)	1,148	-
Administration Expenses	(75)	(113)
Contributions from employer including unfunded	4,306	4,053
Contributions by scheme participants	956	938
Estimated benefits paid plus unfunded net of transfers	(5,533)	(5,148)
Settlement prices received / (paid)	-	-
	125,478	129,920

Remeasurement of net assets /(defined liability)

	Year to 31-Mar-23 £000s	Year to 31-Mar-24 £000s
Return on fund assets in excess of interest	(2,580)	(1,667)
Other actuarial gains / (losses) on assets	1,148	-
Change in financial assumptions	76,186	2,905
Change in demographic assumptions	5,304	1,988
Experience loss (gain) on defined benefit obligation	(18,866)	(368)
	61,192	2,858

NOTES SUPPORTING THE BALANCE SHEET

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The County Council pension scheme has 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 31st March 2024.

The significant assumptions used by the actuary have been:

Statistical assumptions	2022/23	2023/24
Mortality assumption		
Longevity at 65 for current pensioners		
-men	21.1 yrs	20.8 yrs
-women	23.5 yrs	23.3 yrs
Longevity at 65 for future pensioners		
-men	22.3 yrs	22.0 yrs
-women	25.0 yrs	24.7 yrs
Rate of inflation - CPI	2.95%	2.90%
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions	2.95%	2.90%
Rate for discounting scheme liabilities	4.80%	4.90%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be inter-related. The assumptions in the sensitivity analysis have followed the accounting policies for the scheme i.e., on an actuarial basis using the projected unit credit method.

Sensitivity Analysis	£000s	£000s	£000s	£000s	£000s
Adjustment to Discounted rate	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	129,083	136,916	138,997	141,131	150,227
Projected Service Cost	2,069	2,374	2,456	2,541	2,911
Adjustment to Long term Salary increments	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	139,906	139,176	138,997	138,820	138,126
Projected Service Cost	2,464	2,458	2,456	2,454	2,448
Adjustment to Pension increases and deferred valuations	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	149,491	140,992	138,997	137,051	129,726
Projected Service Cost	2,923	2,542	2,456	2,373	2,057
Adjustment to Life expectancy assumptions		+1yr	None	-1yr	
Present value of total obligation		145,071	138,997	133,214	
Projected Service Cost		2,553	2,456	2,361	

Asset and Liability Matching Strategy

Kent Pension fund has agreed to a Fund Strategy Statement that matches the type of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the obligations by investing in equities, corporate bonds, and fixed interest Government securities/gilts. This is balanced with a need to maintain the liquidity of the Fund to ensure that it is able to make current payments. As it is required by the pensions and where relevant investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (64% of scheme assets) and bonds (14%). The scheme also invests in properties as part of the diversification of the scheme's investments and comprises 12% of the total portfolio. The Pension Fund Strategy's main objectives are to maintain a funding level of 100%, as assessed by the Actuary and to stabilise the Employer rate as far as is practicable.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 13 years. Funding levels are monitored on an annual basis. The next triennial valuation is due on 31st March 2025, with the most recent valuation completing on 31st March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Impact on Council's Cash Flows

	Year to 31-Mar-24	Year to 31-Mar-25
Projection for the year to 31 March 2024	£000s	£000s
Service cost	2,560	2,456
Net Interest and defined liability / (asset)	540	353
Administration Expenses	75	113
Total loss / (profit)	<u>3,175</u>	<u>2,922</u>
 Employer Contributions	 <u>3,721</u>	 <u>3,792</u>

The weighted average duration of the defined benefit obligation for scheme members is 19 years 2023/24 (19 years 2022/23).

31. Usable Reserves

	2022/23	2023/24
	£000s	£000s
General Fund Reserve	(5,625)	(5,619)
Earmarked Reserves	(14,870)	(12,070)
Housing Revenue Reserve	(7,003)	(3,491)
Major Repair Reserve	-	(0)
Capital Receipt Reserve	(7,859)	(8,950)
Capital Grants Unapplied	(6,777)	(7,498)
Total	(42,135)	(37,628)

32. Unusable Reserves

Unusable Reserves	2022/23	2023/24
	£000s	£000s
Revaluation Reserve	(130,681)	(108,967)
Pooled Investment Funds Adjustment Account	950	918
Capital Adjustment Account	(134,956)	(132,709)
Deferred Capital Receipts reserve	(109)	(98)
Collection Fund Adjustment Account	(451)	(1,970)
Pensions Reserve	13,098	9,077
Accumulated Absences Account	465	515
	(251,684)	(233,234)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realised

NOTES SUPPORTING THE BALANCE SHEET

Revaluation Reserve	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		(126,365)		(130,681)
Revaluation of assets and impairment (gains) / losses not charged to the Surplus / Deficit on the Provision of Services		(5,946)		20,056
Difference between fair value depreciation and historic cost depreciation	1,384		1,516	
Revaluation balances on assets sold or scrapped	246		141	
Amount written off to the Capital Adjustment Account		1,630		1,657
Balance as at 31 March		(130,681)		(108,967)

The Revaluation Reserve contains only revaluation gains accumulated since 1st 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.

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

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

Pooled Investment Funds Adjustment Account	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		(1,010)		950
Upward revaluation of investments	-		-	(32)
Downward revaluation of investments	-	1,960	-	-
Balance as at 31 March		950		918

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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES SUPPORTING THE BALANCE SHEET

Capital Adjustment Account	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		(139,544)		(134,956)
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	17,298		15,125	
Revaluation (gains)/losses on Property, Plant and Equipment	5,265		5,401	
Amortisation of intangible assets	44		54	
Revenue expenditure funded from capital under statute	1,523		1,765	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	661		840	
Capital debtors written down	426		613	
Equity Valuation (gains)/losses		25,217		23,799
Adjusting amounts written out of the Revaluation Reserve		(1,631)		(1,657)
Net written out amount of the cost of non-current assets consumed in the year		23,586		22,142
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,953)		(1,455)	
Use of the Major Repairs Reserve to finance new capital expenditure	(3,087)		(3,200)	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(688)		(3,747)	
Application of grants to capital financing from the capital Grants Unapplied Account	(3,365)		(3,322)	
Statutory provision for the financing of capital investment charged against the General fund and HRA balances	(3,207)		(1,964)	
Capital expenditure charged against the General Fund and HRA balances	(5,865)		(7,484)	
		(19,166)		(21,172)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		167		1,277
Balance as at 31 March		(134,956)		(132,710)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

NOTES SUPPORTING THE BALANCE SHEET

Financial Instruments Adjustment Account	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		25		-
Amortised interest on renovation advances	(25)		-	
Net write down deferred discounts to revenue	-	(25)	-	-
Balance as at 31 March		-		-

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		(119)		(109)
Transfer of deferred sale proceeds in respect of finance leases where the Council is lessor	10		11	
Gain on sale of assets	-	10	-	11
Balance as at 31 March		(109)		(98)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		3,407		(451)
Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		(3,858)		(1,519)
Balance as at 31 March		(451)		(1,970)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the

NOTES SUPPORTING THE BALANCE SHEET

liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2022/23	2023/24
	£000s	£000s
Balance at 1 April	72,548	13,098
Remeasurement of Net defined Liability	(61,192)	(2,858)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,048	2,890
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,306)	(4,053)
Balance as at 31 March	13,098	9,077

Accumulated Absences Account

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

Accumulated Absences Account	2022/23		2023/24	
	£000s	£000s	£000s	£000s
Balance at 1 April		507		465
Settlement or cancellation of accrual made at the end of the preceding year	(507)		(465)	
Amounts accrued at the end of the current year	465		515	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(42)		50
Balance as at 31 March		465		515

33. 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 Council, the expenditure results in an increase to the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Financing	2022/23	2023/24
	£000s	£000s
Opening Capital Financing Requirement	133,177	141,393
Capital Investment		
Property, Plant and Equipment	15,932	17,081
Heritage assets		
Investment Properties	1,406	1,251
Intangible assets	48	67
Loans to and equity in subsidiary	1,500	727
Loans to and equity in LLP	6,750	7,329
Other loans	275	300
Capital Debtors - prepayments	-	-
Revenue expenditure funded from capital under statute	1,523	1,765
Sources of Finance		
Capital Receipts	(2,953)	(1,455)
Government grants and other contributions	(4,053)	(7,070)
Sums set aside from revenue:		
Direct Revenue Contributions	(8,949)	(10,684)
Previous Year Financing Adjustment	(56)	(57)
Revenue provision for debt repayment	(3,207)	(1,964)
Closing Capital Financing Requirement	<u>141,393</u>	<u>148,684</u>
Increase in underlying need to borrow (unsupported by Government financial assistance)	11,479	9,313
Revenue provision for debt repayment	(3,207)	(1,964)
Other adjustments	(56)	(57)
Increase / (decrease) in Capital Financing Requirement	<u>8,216</u>	<u>7,292</u>

34. Nature and Extent of Risks arising from Financial Instruments

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

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

NOTES SUPPORTING THE BALANCE SHEET

The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. The 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 make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Overview

The Council is exposed to credit risk on the following categories of financial assets and commitments:

Exposure Category	31/03/2023 £'000	31/03/2024 £'000
Treasury Investments	24,359	20,177
Trade Receivables	4,572	6,385
Lease Receivables	109	98
Service Loans	14,170	20,552
Service Loan Commitments	970	0
Total Credit Risk Exposure	44,180	47,212

Credit Risk: Treasury Investments

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

A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3m applies. The Council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

The Chief Finance Officer can also apply additional selection criteria to further restrict the investment counterparties available to the Council and/or the maximum duration of investments.

NOTES SUPPORTING THE BALANCE SHEET

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

Credit Rating	31-Mar-23		31-Mar-24	
	Long-term	Short-term	Long-term	Short-term
	£000s	£000s	£000s	£000s
AAA		10,245		6,095
Unrated pooled funds	16,459		14,082	
Total Investments	16,459	10,245	14,082	6,095

The Council uses a number of un-rated pooled funds managed by external fund managers that offer enhanced returns over the longer term but are potentially more volatile over the shorter term. This allows the Council to diversify into different asset class other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objectives will be monitored regularly.

The Council generally does not allow credit for customers.

Credit Risk: Loans and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to:

- i. Oportunitas Limited
- ii. Folkestone Parks & Pleasure Grounds Charity
- iii. Kent County Council
- iv. Local residential property owners
- v. Otterpool Park LLP

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans and loan commitments to Oportunitas Limited & Otterpool Park LLP have been calculated by reference to published historical default rates for the construction and building sector, the recovery rate for secured and unsecured loans, current market conditions and examination of the latest financial statements and business plan for Oportunitas Limited & Otterpool Park LLP. Only 12-month credit losses were deemed necessary to provide for these loans and the total expected credit loss allowance was calculated to be £199k. This sum has been taken to the Surplus or Deficit on the Provision of Services. A reconciliation of the opening to closing 12 month expected credit loss allowances is as follows:

NOTES SUPPORTING THE BALANCE SHEET

	12 month expected credit losses £'000
Opening Allowance 01/04/2023	415
Change in risk	(216)
Closing Allowance 31/03/2024	<u>199</u>

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows, shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payments) figures:

Time to maturity	Discounted		Undiscounted	
	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24
	£000s	£000s	£000s	£000s
Less than 1 year	44,334	37,478	47,743	42,219
1 to 2 years	4,834	15,998	7,234	18,795
2 to 5 years	24,501	17,996	29,814	23,674
5 to 10 years	16,179	18,003	21,183	23,659
10 to 20 years	3,667	7,184	9,834	13,342
20 to 40 years	13,141	11,141	17,169	14,575
Total	<u>106,655</u>	<u>107,801</u>	<u>132,977</u>	<u>136,264</u>

All trade and other payables are due to be paid in less than one year.

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 Council depending on how variable and fixed rates move across differing financial instrument periods. For example, a rise in interest rates would have the following effects:

NOTES SUPPORTING THE BALANCE SHEET

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

Investments classed at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value have no impact on the Comprehensive Income and Expenditure Statement (CIES). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed at fair value will be reflected in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. An upper limit of £191,000 on the 12-month revenue impact of a 1% rise and £191,000 of a 1% fall in interest rates was set for 2023/24.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect as at 31st March 2024 would be:

	<u>£000s</u>
Increase in interest payable on variable rate borrowings	133
Increase in interest receivable on variable rate investments	(11)
Impact on Comprehensive Income and Expenditure	122
Decrease in fair value of loans and receivables and bonds	-
Decrease in fair value of fixed rate borrowings	(4,002)

The most significant effect of a 1% increase in interest rates on the financial instruments carried at amortised cost would be on the fair value of PWLB debt. However, this will have no impact on either the Balance Sheet or the CIES.

Price Risk

The Council's investment in pooled funds is subject to the price risk associated with the instruments contained within them and is managed alongside interest rate risk.

The Council's investment in the pooled property fund is subject to the risk of falling commercial property prices. The Council's investment in the diversified income funds it holds are subject to the risk of falling interest rates, equity prices and commercial property prices.

The estimated impact of these price risks are summarised below:

Impact on Fair Value of Fund

NOTES SUPPORTING THE BALANCE SHEET

Pooled Fund Category	1% interest rate rise £'000	5% equity price fall £'000	5% property price fall £'000
Property Fund	-	-	(218)
Diversified Income Funds	(229)	(136)	(19)
Total	(229)	(136)	(237)

The reduction in fair value would be a charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve with no impact to the local taxpayer.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

35. Section 106 Receipts and Planning Condition Contributions

Section 106 receipts and planning condition contributions are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are provided as a result of that permission.

In summary, the movement during the year is shown below:

Opening Balance 01-Apr-23 £000s	New Contributions £000s	Amounts Applied £000s	Closing Balance 31-Mar-24 £000s
(3,794)	(3,454)	1,069	(6,180)

The balances at 31 March 2024 are held within the following areas of the balance sheet:

	2022/23 £000s	2023/24 £000s
Liabilities:		
Long term creditors – receipts in advance	(3,314)	(5,213)
Capital grants received in advance – current	(65)	(207)
Reserves:		
Capital grants unapplied reserve	(415)	(760)
	(3,794)	(6,180)

Notes Supporting the Cash Flow Statement



36. Reconciliation of Net Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2022/23	2023/24
£000s	£000s
(473) Interest received	(1,009)
1,938 Interest paid	2,885
(895) Investment income	(1,346)

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

2022/23	2023/24
£000s	£000s
5,469 Depreciation and impairment	5,655
14,707 Impairment and downward revaluations	13,776
44 Amortisation	54
(369) Change in impairment for bad debts	216
5,662 Increase/(decrease) in creditors	(4,824)
(1,280) (Increase)/decrease in debtors	5,582
(2) (Increase)/decrease in inventories	5
1,742 Movement in pension liability	(1,163)
(862) Movement in investment property values	26
661 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	670
5,313 Other non-cash items charged to the net surplus or deficit on the provision of services	1,190
31,086	21,186

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

2022/23	2023/24
£000s	£000s
(775) Capital grants credited to the surplus or deficit on the provision of services	(409)
(1,180) Proceeds from the sale of property, plant and equipment	(1,799)
- Any other items for which the cash effects are investing or financing cash flows	-
(1,955)	(2,208)

NOTES SUPPORTING THE CASH FLOW STATEMENT

37. Cash Flow Statement – Investing Activities

2022/23		2023/24
£000s		£000s
(18,028)	Purchase of property, plant & equipment, investment property and intangible assets	(17,508)
(200)	Purchase of short-term and long-term investments	(360)
(8,325)	Other payments for investing activities	(7,996)
1,180	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	1,799
	- Proceeds from investments	-
1,676	Other receipts from investing activities	3,124
(23,697)	Net cash flows from investing activities	(20,941)

38. Cash Flow Statement – Financing Activities

2022/23		2023/24
£000s		£000s
54,000	Cash receipts of short- and long-term borrowing	45,000
(44,681)	Repayments of short- and long-term borrowing	(43,747)
(833)	Other payments for financing activities	505
8,486	Net cash flows from financing activities	1,758

Other Notes



39. Related Party Transactions

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

The UK Government exerts significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g., housing benefits).

Details of transactions with government departments are set out in note 15 on page - 62 -.

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2023/24 is set out in note 12 (page - 59 -). Members are required to observe the Code of Conduct for councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000 and register the receipt of any gifts/hospitality over £25.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2023/24, other than those disclosed in note 13 (page- 60 -).

The Council is Corporate Trustee of the Folkestone Parks and Pleasure Grounds Charity. It is responsible for providing the majority of the Charity's funding by financing its net cost. The Corporate Trustee duties of the Council are carried out by its executive councillors. The Charity's management support and grounds maintenance is carried out by the Council officers. Further details of the Trust and the Council's contribution are set out in note 40 (page- 102 -). Payment of £612k was made to the Charity in respect of Special Expenses. The Council received £57k from the Charity in respect of loan repayments. Balances due to/from the Charity at 31st March 2024 are £(146)k and £396k, respectively.

The Council has three subsidiaries; wholly owned Oportunitas Limited, a company that commenced trading in 2014/15; wholly owned Otterpool Park Development Company Ltd (OPDCL); and Otterpool Park LLP (OPLLP) of which the Council owns 99.9%. OPLLP, set up by the Council to deliver its objectives for the Otterpool Park Garden Town, was incorporated on 15th August 2019 and FHDC and OPDCL were appointed members on 4th February 2020. Group financial statements, consolidating the results of the companies with those of the Council, have been prepared and are set out on pages- 115 -- 123 -

Payment of £1.5m was made in 2023/24 to Oportunitas Limited in respect of a company loan. The Council received £237k from Oportunitas in respect of loan repayments and interest.

The Council also has charges over all properties owned by Oportunitas Limited.

Payment of £6.5m was made in 2023/24 to Otterpool Park LLP in respect of a company loan and £200k in equity.

NOTES TO THE FINANCIAL STATEMENTS

No payments were made in 2023/24 to OPDCL in respect of a contribution towards operating costs.

Amounts due to or from those other parties able to control or influence the Council or to be controlled/ influenced by the Council are as follows:

Related Parties	2022/23	2023/24
	£000s	£000s
Amounts due to Central Government	9,015	8,520
Amount due to Oportunitas Limited	-	-
Amount due to Folkestone Parks Charity	290	(146)
Amounts due from Central Government	6,082	653
Amounts due from Kent County Council	2,073	2,796
Amount due from Oportunitas Limited	5,675	6,370
Amount due from Folkestone Parks Charity	452	396

40. Trust Funds

The Council's Executive acts as sole trustee for the Folkestone Parks and Pleasure Grounds Charity. The net expenditure of the Charity is treated as special expenses to be charged upon the Folkestone area. The funds do not represent assets of the Council and have not been included in the balance sheet; however, the Council does hold £233k of investments, net of cash, on behalf of the charity.

The Council has used Section 35 of the Local Government Finance Act 1992 to apply a Special Expenses Rate, to recover the cost of its contribution to the charity, thus only residents of the former Borough of Folkestone are asked to contribute via their council tax bill.

The special expenses of £612k have been included under Cultural and Related Services, Environmental and Regulatory Services and Planning Services in the CIES (£582k 2022/23).

Income to the Charity therefore includes a contribution of £612k from the Council (£582k in 2022/23). The remainder of the charity's income is derived from charges for services, grants, and investment income.

The Charity is required to produce an Annual Report and Account that sets out in detail its activities for that year. Copies of these can be obtained by contacting the Head of Paid Service, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

41. Interests in Companies and Other Entities

Oportunitas Limited

NOTES TO THE FINANCIAL STATEMENTS

The Council wholly owns Oportunitas Limited, a company set up for housing and regeneration purposes. The results of the company have been consolidated with those of the Council and are shown within the Group Financial Statements.

The Council holds 2,515 shares in the company at a cost of £4.9m and has loans outstanding of £6.4m from it.

Company turnover was £574k in 2023/24 (£474k 2022/23). Oportunitas made a profit on ordinary activities of £171k in 2023/24 (profit of £101k in 2022/23). Its holdings in investment property was £13.7m at 31st March 2024 (£11.9m 31/03/2024).

Otterpool Park LLP

The Council owns 99.9% of Otterpool Park LLP, a company set up to deliver its objectives for the Otterpool Park Garden Town. The results of the company have been consolidated with those of the Council and are shown within the Group Financial Statements.

The Council's member capital in the company is £1.8m and has loans outstanding of £14.8m.

Company turnover was £110k in 2023/24 (£131k 2022/23). Otterpool Park LLP made an operating loss of £753k in 2023/24 (£622k in 2022/23). It held tangible assets of £41k at 31st March 2024 (£68k 31/03/2023).

Otterpool Park Development Company LLP

The Council wholly owns OPDCL, a company set up to deliver its objectives for the Otterpool Park Garden Town and a member of Otterpool Park Development Company LLP.

Company turnover was £6k in 2023/24 (£5k 2022/23) and made an operating loss of £6k in 2023/24 ((£5k)2022/23).

42. The Council Acting as Agent

In 2023/24 the Council acted as an intermediary in its role as agent to administer grants to businesses and households as part of the Government's financial support package provided in response to macroeconomic changes in the energy market. Where the Council acts as agent year-end balances only are reflected in the accounts as either a debtor or creditor.

The Council acted as agent for the following grant schemes:

43. Contingent Assets and Liabilities

Contingent Asset

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.

NOTES TO THE FINANCIAL STATEMENTS

Contingent assets are not recognised on 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.

There are no material contingent assets identified at the Balance Sheet Date.

Contingent Liability

A contingent liability is a liability that may occur depending on the outcome of an uncertain future event. Contingent liabilities are recorded if the contingency is likely, and the amount of the liability can be reasonably estimated.

There are no material contingent liabilities identified at the Balance Sheet Date.

44. Events after the Balance Sheet Date

The accounts were authorised for issue on the 30th of June 2024, which is the date that the Interim Finance Director signed the Balance Sheet. Events after the balance sheet date (31st March 2024) been considered up to the 30th of June 2024 when the accounts were authorised for issue. If any significant events take place before the 30th of June 2024 which provide information about conditions existing at 31st March 2024, identify that any material adjustments are needed to reflect the impact of this information, the financial statements and notes are amended.

There have been no post balance sheet events identified which require amendments.

Housing Revenue Account



HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account (HRA) Income and Expenditure Statement

2022/23		2023/24
£000s		£000s
	Income	
(15,844)	Dwelling Rents (Gross)	(17,071)
(285)	Non dwelling rents (Gross)	(384)
(1,023)	Charges for services and facilities	(1,033)
(52)	Contributions towards expenditure	(52)
(374)	Capital Grants and Contributions	(3,491)
(17,579)		(22,031)
	Expenditure	
3,974	Repairs and maintenance	4,516
6,202	Supervision and management	6,515
11	Rents, rates, taxes and other charges	11
9,121	Depreciation and impairment of non-current assets (HRA Note 6)	11,579
1,719	Valuation change	3,357
26	Debt management costs	36
75	Increase / (Decrease) in bad debt provision	96
21,128		26,109
3,549	Net (surplus)/deficit of HRA Services as included in the whole authority CIES	4,078
189	HRA services share of Corporate and Democratic Core	155
3,737	Net (surplus)/deficit of HRA services	4,234
(452)	(Gain)/loss on sale of HRA non-current assets	(392)
1,526	Interest payable and similar charges	1,803
(17)	Interest and investment income	(494)
484	Net interest on the net defined liability (HRA Note 9)	35
5,277	(Surplus)/Deficit for the year on HRA Services	5,185

HOUSING REVENUE ACCOUNT

Movement on the Housing Revenue Account Statement

2022/23		2023/24
£000s		£000s
5,277	Deficit on the HRA Income and Expenditure Statement	5,185
	Difference between interest payable and similar charges including	
	- amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-
(7,345)	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (HRA Note 8)	(8,216)
452	Gain or (loss) on sale of HRA non-current assets	392
4,961	Capital expenditure funded by the HRA	6,075
(283)	HRA share of contributions to or from the Pensions Reserve (HRA Note 9)	201
3,062	Net (increase) or decrease before transfers to or from Reserves	3,638
	- Transfer from the Major Repairs Reserve	-
3,062	(Increase) or Decrease in year on the HRA	3,638
(10,063)	Balance on the HRA at the end of the previous reporting period	(7,003)
3,062	(Increase) or Decrease in year on the HRA (as shown above)	3,638
(7,001)	Balance on the HRA at the end of the current reporting period	(3,365)

1. Housing Assets

At 31st March 2024, the Council was responsible for managing 3,395 units of accommodation (excluding shared ownership properties).

The stock was made up as follows:

Houses and bungalows:	1,874
Flats and Bedsits:	1,521

The change in the stock can be summarised as follows:

Stock	2022/23	2023/24
Stock at 1 April	3,381	3,390
Acquisitions	19	15
Sales	(10)	(6)
Disposals	-	(4)
Stock at 31 March	3,390	3,395

The Balance Sheet value was as follows:

HOUSING REVENUE ACCOUNT

	2022/23 £000s	2023/24 £000s
<i>Dwellings</i>	227,963	217,074
Other Land and Buildings	6,636	6,603
Infrastructure	925	839
Vehicles, Plant, Furniture and Equipment	94	64
Total Operational Assets	235,618	224,580
<i>Assets under construction</i>	1,729	1,717
Total Non Operational Assets	1,729	1,717
Total Assets	237,346	226,297

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at the 31st March 2024 was £657,581,900. The Balance Sheet figure has been reduced to 33% to show existing use value as social housing, reflecting the economic cost of providing council housing at less than open market rents.

3. Major Repairs Reserve

	2022/23 £000s	2023/24 £000s
Balance on Major Repairs Reserve as at 1 April	-	-
Depreciation and impairment of non-current assets	(3,087)	(3,199)
Capital expenditure on land, houses and other property within the HRA	3,087	3,199
Balance on the Major Repairs Reserve as at 31 March	-	-

4. Capital Expenditure on Land, Houses and Other Property within the HRA

	2022/23 £000s	2023/24 £000s
Houses	9,655	12,359
Other Property	4,022	342
Intangible Assets	48	-
	13,726	12,700

5. Capital Financing

The capital expenditure detailed in Note 4 above was financed as follows:

HOUSING REVENUE ACCOUNT

	2022/23	2023/24
	£000s	£000s
Capital receipts	1,062	382
Revenue	4,961	2,868
Decarbonisation Grant	640	1,350
Carry forwards	-	3,208
Afghan/Ukraine Grant	-	1,635
Major Repairs Reserve	3,087	3,200
	9,750	12,643

A summary of HRA capital receipts during the year is given below:

	2022/23	2023/24
	£000s	£000s
Houses and Flats	1,098	561
	1,098	561

6. Depreciation, Impairment and Valuation on Non-Current Assets

2022/23				2023/24		
Revaluation £000s	Depreciation £000s	Impairment £000s		Revaluation £000s	Depreciation £000s	Impairment £000s
-	-	-	Land			
(1,956)	2,934	5,854	Dwellings	(3,357)	3,039	8,170
236	38	148	Other Land and Buildings	-	44	168
-	84	-	Infrastructure	-	86	-
-	30	-	Vehicles, Plant, Furniture and Equipment	-	30	-
(1,719)	3,087	6,002		(3,357)	3,199	8,338

The revaluation gain is a reversal of previous revaluation losses recognised through the net cost of HRA services.

Additionally in 2023/24 £11.5m was posted to the Revaluation Reserve (£9.81m 2022/23) in respect of valuation gains and is disclosed in Other Comprehensive Income and Expenditure.

7. Rent Arrears

HOUSING REVENUE ACCOUNT

	31-Mar-23	31-Mar-24
	£000s	£000s
Gross rent arrears	641	648
Current tenant arrears (excluding former tenants)	343	359
Provision for doubtful debts	241	254

Gross rent arrears include income related to properties leased by the Council to assist with providing services to prevent homelessness. Income relating to this service is credited to the General Fund.

8. Difference between any other items of Income and Expenditure

	2022/23	2023/24
	£000s	£000s
HRA impairment-capital expenditure not adding value	(6,002)	(8,338)
Net valuation changes	(1,719)	(3,357)
Other movements	374	3,491
Other changes	2	(12)
	(7,345)	(8,216)

9. Housing Revenue Account Pension Costs

The following transactions have been made in the HRA Income and Expenditure Statement and Movement on the HRA Statement during the year in respect of pensions.

	2022/23	2023/24
	£000s	£000s
668 Current Service Cost		429
150 Net interest on net defined liability		35
818 Net charge to the HRA Income and Expenditure Statement		464
(283) HRA share of contributions to or from the pensions reserve in the Movement on the HRA Statement		201
	535	665
535 Employer Contributions		665
535 Actual amounts charged against the HRA balance for pensions during the year		665

10. Item 8 Credit and Item 8 Debit (General) Determination

The capital asset charges accounting adjustments calculated in accordance with the Regulations were as follows.

The Item 8 debit was calculated by multiplying the average HRA capital financing requirement by the consolidated rate of interest on the Council's borrowing for the year and amounted to £1.8m (£1.53m 2022/23).

HOUSING REVENUE ACCOUNT

The Item 8 credit was calculated by multiplying the average HRA balances for the year by the consolidated rate of interest on the Council's investments and amounted to £488k (11k 2022/23).

Collection Fund



COLLECTION FUND

The Collection Fund Statement reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. It shows the transactions in relation to collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates. It shows the impact of the Council retaining a proportion of the collected non-domestic rates.

2022/23			2023/24		
Council Tax £000s	Business Rates £000s	Total £000s	Council Tax £000s	Business Rates £000s	Total £000s
Amounts required by statute to be credited to the Collection Fund					
(84,354)		(84,354)	(89,867)		(89,867)
5		5	-		-
(86)		(86)	(456)		(456)
	(21,778)	(21,778)		(29,355)	(29,355)
	(1,376)	(1,376)		(2,179)	(2,179)
(84,435)	(23,154)	(107,589)	(90,323)	(31,534)	(121,857)
Amounts required by statute to be debited to the Collection Fund					
Council tax precepts and demands:					
57,240		57,240	61,334		61,334
8,937		8,937	9,720		9,720
3,226		3,226	3,490		3,490
13,591		13,591	14,290		14,290
3,408		3,408	(342)		(342)
832		832	489		489
386		386	327		327
Payment of Business Rates					
	145	145		145	145
	11,275	11,275		13,576	13,576
	2,030	2,030		2,444	2,444
	226	226		272	272
	9,020	9,020		10,860	10,860
	(8,860)	(8,860)		289	289
	180	180		31	31
	262	262		78	78
	(2,032)	(2,032)		457	457
87,620	12,246	99,866	89,308	28,152	117,460
3,185	(10,908)	(7,723)	(1,015)	(3,382)	(4,397)
(1,638)	9,183	7,545	1,547	(1,725)	(178)
1,547	(1,725)	(178)	532	(5,107)	(4,575)

1. Council Tax

The average council tax at Band D set by the preceptors was as follows:

2022/23		2023/24	
£		£	
1,461.24	Kent County Council	1,534.23	
228.15	Kent Police and Crime Commissioner	243.15	
82.35	Kent Fire and Rescue Service	87.30	
279.09	Folkestone & Hythe District Council (including Special Expenses charged on Folkestone)	287.37	
67.88	Town and Parish Councils	70.07	
2,118.71		2,222.12	

The amount of income generated in 2023/24 by each council tax band was as follows:

COLLECTION FUND

2023/24			
Band	Chargeable Dwellings	Band D Equivalent	Income £'000
A	7,158	2,910	(6,466)
B	12,816	7,226	(16,057)
C	14,332	10,534	(23,408)
D	8,428	7,648	(16,995)
E	5,207	5,906	(13,123)
F	2,773	3,754	(8,341)
G	1,931	3,015	(6,701)
H	96	144	(319)
	<u>52,741</u>	<u>41,136</u>	(91,410)
			Contributions from the Ministry of Defence in lieu (613)
			In year adjustments <u>2,156</u>
			Income collectable from council tax payers <u>(89,867)</u>

The 2023/24 tax base approved by Council was 39,977. This figure was arrived at after allowing for contributions in lieu of council tax and provision for bad debts.

2. Income Collectable from Business Rate Payers

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. Since April 2015 Folkestone & Hythe District Council have been a member of the Kent Business Rates Pool with Kent County Council, Kent Fire and Rescue and nine other Kent local authorities in order to minimise the levy payment due to central government and thereby maximise retention of locally generated business rates. In 2023/24 the total amount, less certain reliefs, and other deductions, was shared between Central Government (50%), Folkestone & Hythe District Council (40%), Kent County Council (9%) and Kent Fire and Rescue Service (1%).

2022/23	2023/24
£000s	£000s
(73,026)	(83,096)
49.9p	49.9p
(36,440)	(41,465)
	Allowances, reduced assessments and other adjustments, including small business rate relief supplement & Covid reliefs
14,662	12,110
(21,778)	(29,355)
	Income collectable from business rate payers

The non-domestic rate multiplier for 2023/24 was 49.9p for qualifying properties of less than £51,000 rateable value and 51.2p for all others (2022/23 49.9p and 51.2p respectively).

Group Accounts



GROUP ACCOUNTS
GROUP MOVEMENT IN RESERVES STATEMENT

GROUP MIRS

GROUP ACCOUNTS
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

GROUP CIES.....to follow

GROUP ACCOUNTS
GROUP BALANCE SHEET

GROUP BALANCE SHEET.....to follow

GROUP ACCOUNTS
GROUP CASH FLOW STATEMENT

GROUP CASH FLOW.....to follow.

Explanation of Group Financial Statements

Group MiRS

This statement shows the movement in the year on the different reserves held by the Council and its subsidiaries Oportunitas Limited and Otterpool Park LLP, analysed into usable reserves i.e., those that can be applied to fund expenditure or reduce local taxation and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Group CIES. This is different from the statutory amounts required to be charged to the General Fund balance for council tax setting. The 'Net Increase/Decrease' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves.

Group CIES

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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Group MiRS. The statement shows the consolidated position of the Council and incorporates its subsidiaries, Oportunitas Limited and Otterpool Park LLP.

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 amounts would only become available to provide services if the assets were sold); and reserves that hold timing differences shown in the Group MiRS line 'Adjustments between accounting basis and funding basis under Regulations.' The Group Balance Sheet shows the consolidated position incorporating the Council's subsidiaries Oportunitas Limited and Otterpool Park LLP.

Group Cash Flow Statement

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

Notes to the Group Financial Statements

The Group Accounts should be read in conjunction with the Council's single entity accounts. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

Note 1 – Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary; has consolidated the financial statements of the company with those of the Council on a line-by-line basis; and has eliminated full balances, transactions, income and expenses between the Council and its subsidiaries.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, Notes to the Council's accounts provide then required disclosures.

Note 2 – Investment Properties

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

GROUP 2.....to follow

Fair Value Hierarchy for Investment Properties

Details of the authority's Investment Properties and information about the fair value hierarchy as at 31st March 2024 are as follows:

GROUP 2.....to follow

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

Significant observable inputs – Level 2

The fair value for the residential units, agricultural land and commercial units has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Note 3 – Long Term Investments

GROUP 3

Note 4 – Long Term Debtors

GROUP 4

Note 5 – Stock and WIP

GROUP 5

Note 6 – Short Term Debtors

GROUP 6

Note 6 – Cash and Cash Equivalents

GROUP 6

Note 7 – Cash Flow Statement – Investing Activities

GROUP 7

Note 8 – Financial Instruments

GROUP 8

Independent Auditor's Report to the Members of Folkestone and Hythe District Council

Report on the Audit of the Financial Statements.....(2023/24 Audit Opinion to follow)

Opinion on financial statements

We have audited the financial statements of Folkestone & Hythe District (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

INDEPENDENT AUDITOR'S REPORT

evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Corporate Services conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2023/24 that the Authority and Group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Group and Authority and the Group and Authority's disclosures over the going concern period.

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

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

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

Other information

The Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. 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

INDEPENDENT AUDITOR'S REPORT

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 Director of Corporate Services and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, 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 Director of Corporate Services. The Director of Corporate Services 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Services 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 Director of Corporate Services is responsible for assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on Local Authority Accounting in the United Kingdom 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 and Governance Committee, concerning the Group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected, or alleged fraud.
- We assessed the susceptibility of the Authority and Group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and assessment of the risk of fraud in expenditure recognition. We determined that the principal risks were in relation to journals:
 - Using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included

INDEPENDENT AUDITOR'S REPORT

journals posted after the year end; journals with a material impact on the deficit for the year and journals posted by users with system admins or senior finance officers.

- Our audit procedures involved:
 - evaluating the design effectiveness of managements controls over journals;
 - analysing the journals listing to determine the criteria for selecting high risk unusual journals;
 - testing unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
 - gaining an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
 - evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.
- 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 land and buildings, council dwelling, investment property, and defined benefit pensions liability valuations and fair value estimates.
- Assessment of the appropriateness of the collective competence and capabilities of the Group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority and Group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and Group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

INDEPENDENT AUDITOR'S REPORT

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

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 2024.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance 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 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 there are significant weaknesses in arrangements.

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

INDEPENDENT AUDITOR'S REPORT

We cannot formally conclude the audit and issue an audit certificate for the Folkestone & Hythe District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014.

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sophia Brown

Sophia Brown, Key Audit Partner

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

London

dd MMM 2024

Annual Governance Statement 2023/24

Annual Governance Statement to be agreed at meeting of Audit and Governance in July 2024.....to follow following the approval by the Audit and Governance Committee

Glossary of Terms

Abbreviations – The following abbreviations are used throughout this report:

CIES – Comprehensive Income and Expenditure Statement

MiRS – Movement in Reserves Statement

FVOCI – Fair Value through Other Comprehensive Income

FVPL – Fair Value through Profit and Loss

Accounts - A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g., revenue accounts, capital accounts or by the purpose they serve e.g., management accounts, final accounts, balance sheets.

Actual - The final amount of expenditure or income which is recorded in the council's accounts.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

Assets – resources controlled by the authority as a result of past events and from which future economic benefits or service potential is expected to flow to the authority.

Balance Sheet - A statement of the recorded assets, liabilities, and other balances at a specific date at the end of an accounting period.

Budget - A statement of the council's plans for net revenue and capital expenditure over a specified period of time.

Capital Expenditure – Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts - Proceeds from the sale of fixed assets, repayments of grants or the realisation of certain investments. Capital receipts are available to finance other items of capital expenditure or to repay debt on assets originally financed from loan.

Collection Fund - The fund into which are paid amounts of council tax and non-domestic rates, and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community Assets - Assets that the council intends to hold in perpetuity that have no determinable finite useful life, and in addition may have restrictions on their disposal, e.g., parks and cemetery land.

Council Tax - A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current Service Cost (Pensions) – The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

GLOSSARY OF TERMS

Deferred Credits - Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example, the principal outstanding from the sale of council houses (deferred capital receipts).

Depreciation - The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Events after the Balance Sheet date – those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

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

Fair Value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

General Fund (GF) - The main revenue fund of the council from which are made payments to provide services and into which receipts are paid, including the district council's share of council tax.

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

Housing Revenue Account (HRA) - The statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings financed by rents, grants, and other income.

Impairment – A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets - Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use, e.g., coast protection works.

Investment Assets – those assets that are held solely to earn rentals or for capital appreciation or both.

Lease – An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities – present obligations of an authority arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Minimum Revenue Provision – A prudent annual provision has to be made for the repayment of debt in accordance with Capital Finance Regulations.

Net Book Value – The amount at which property, plant and equipment are included in the balance sheet i.e., their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net defined liability – also known as the net pension liability.

Net Service Expenditure - Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-Current Asset – Any asset which is not easily convertible to cash, or not expected to become cash within the next year.

Non-Domestic Rates - Businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of the business premises.

Non-specific Grant Income – grant that cannot be attributed to a specific revenue Service (e.g., New Homes Bonus).

Past Service Cost – The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept - The demand on the collection fund by one authority (e.g., Kent County Council) which is collected from the council taxpayer by another (e.g., Folkestone & Hythe District Council). Precepts on Folkestone & Hythe are also made by town and parish councils in the district, which are charged to the General Fund.

Prior Period Adjustments – Those adjustments applicable to prior years arising from the correction of material errors.

Provisions - Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Public Works Loans Board - A government agency which provides longer term loans to the public sector at interest rates only slightly higher than those at which the government itself can borrow.

Remuneration – all sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves - The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g., General Fund and HRA General Reserves). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g., the capital adjustment account.

Revenue Expenditure - The day-to-day running costs of services including salaries, running expenses and capital charges

