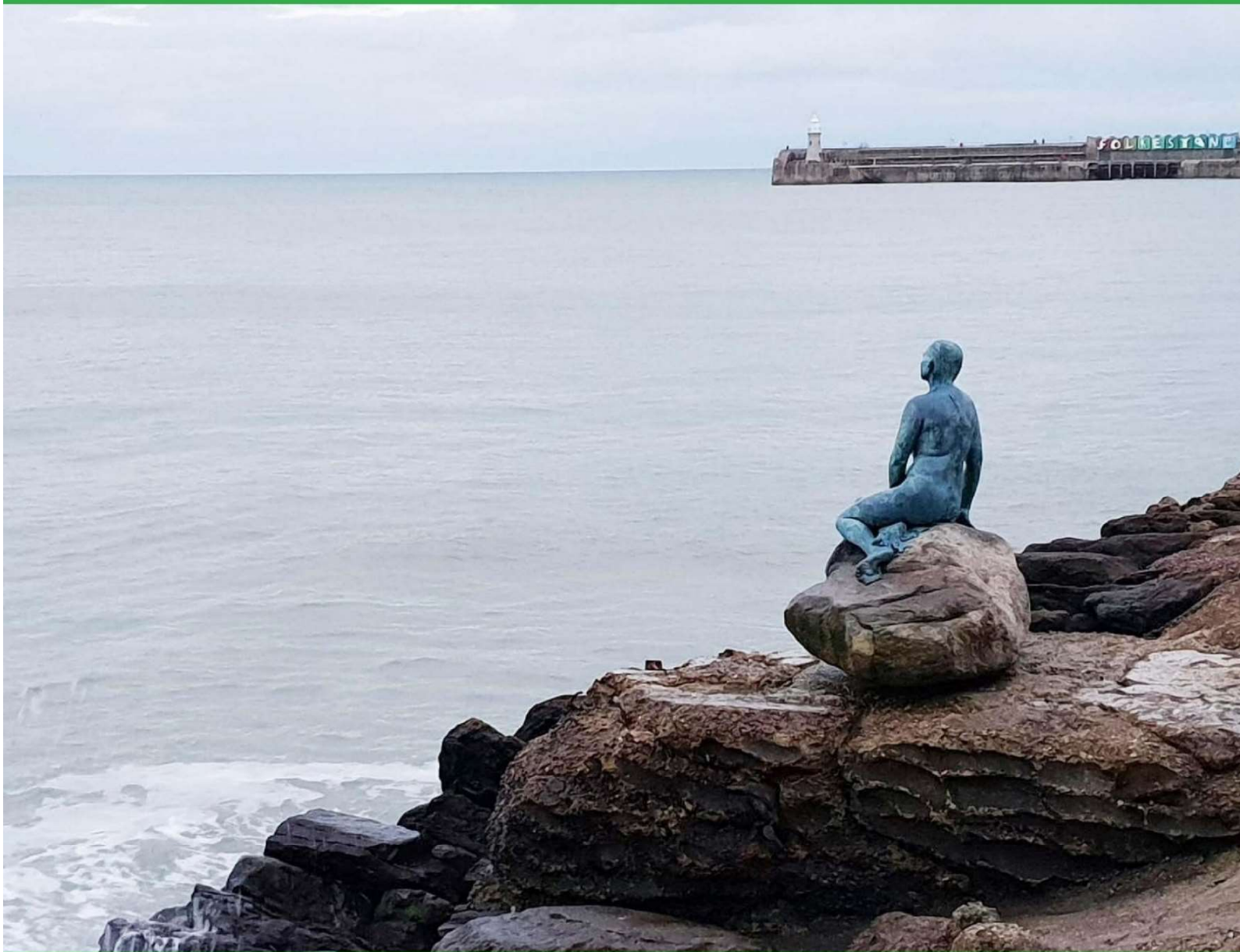


# Statement of Accounts 2023-24



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# Narrative Report

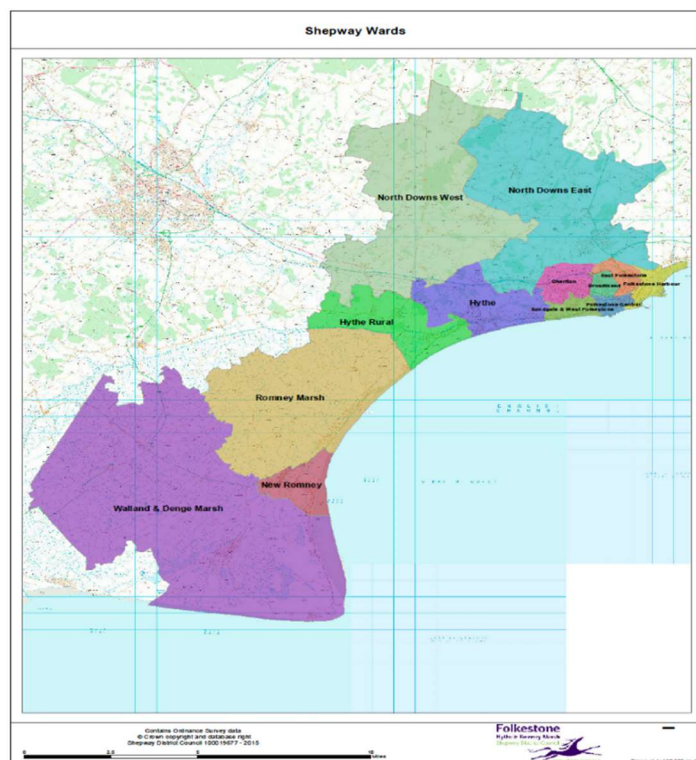
## ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

### 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 113,320<sup>1</sup> 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 skills<sup>2</sup>.

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.

<sup>1</sup> 2020 Mid-Year Population Estimates - ONS  
<sup>2</sup> Shepway Economic Development Strategy 2015-2020

## Purpose and Vision

The Councils vision for the district is:

*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

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- **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
- **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:

## NARRATIVE REPORT

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- 5 Conservative group members;
- 11 Green group members;
- 10 Labour group members;
- 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 --**Error! Bookmark not defined.**

### 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

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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 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. 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

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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
- **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.

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- **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.
- **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.

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### 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 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, 18<sup>th</sup> 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.

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- 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 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

## NARRATIVE REPORT

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 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.

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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 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.

## **NARRATIVE REPORT**

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 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.



## NARRATIVE REPORT

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.

### 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%<br>(Annual)     | 97.12%<br>(Cumulative) | 96.8%<br>(Cumulative) | X          |
| Business Rates collection rate  | 97.5%<br>(Annual)     | 98.26%<br>(Cumulative) | 98.3%<br>(Cumulative) | ✓          |
| Average number of days taken to process new claims for Housing Benefit  | 17 Days<br>(Monthly)  | 11.7                   | 12.2                  | ✓          |
| Average time for anti-social or offensive graffiti to be removed from the time of being reported                          | 48 Hrs<br>(Quarterly) | 48 hours<br>(Average)  | 30 hours<br>(Average) | ✓          |
| Percentage of compliant air quality monitoring sites  | 100%<br>(Quarterly)   | 100%<br>(Average)      | 100%<br>(Average)     | ✓          |
| % of major planning applications to be determined within statutory period <i>(including any agreed extension of time)</i> | 60%<br>(Quarterly)    | 91.5%<br>(Average)     | 95%<br>(Average)      | ✓          |

## NARRATIVE REPORT

|   |     |                 |                 |   |
|---|-----|-----------------|-----------------|---|
| Average number of rough sleepers in the period          | <6  | 10              | 15              | X |
| Average number of households in Temporary Accommodation | <35 | 27<br>(Average) | 36<br>(Average) | X |

## FINANCIAL PERFORMANCE

### General Fund – Revenue

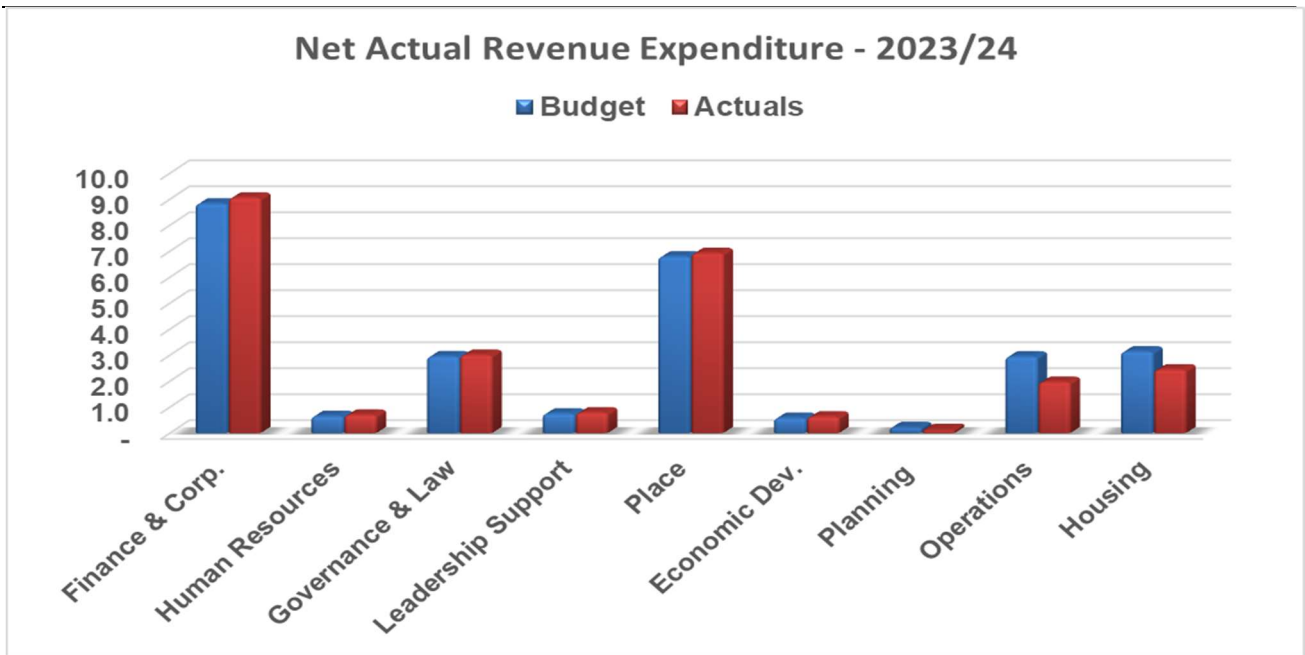
The latest approved budget for the net cost of services to deliver the core services of the council and meet its strategic objectives was £26.89m. The original 2023/24 budget approved by Council on 22 February 2023 anticipated that £1.786m would be taken from the general fund balances. The provisional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

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

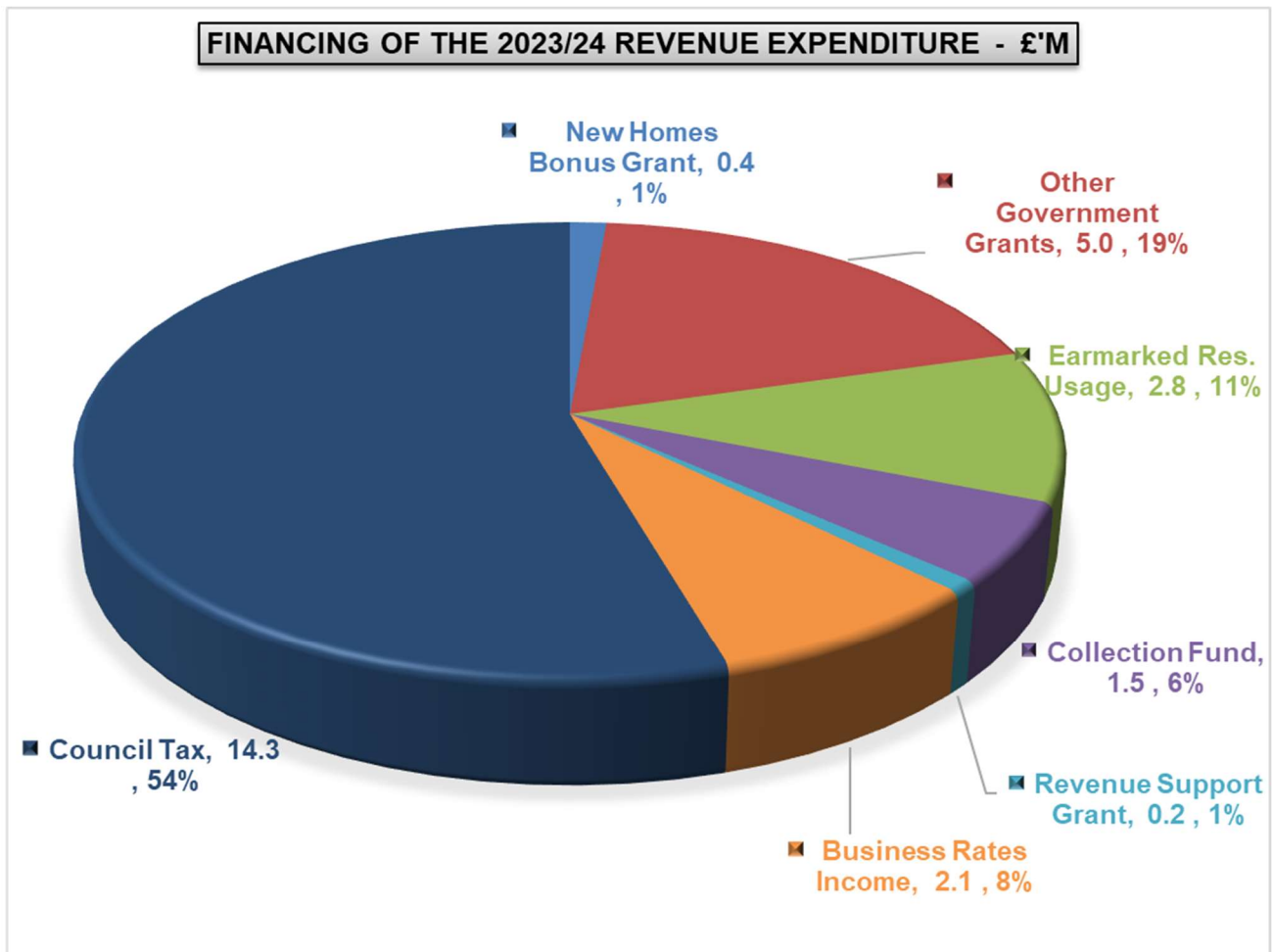
The provisional revenue outturn position for the 2023/24 financial year is a net underspend of £1.724m against a net revenue expenditure budget of £26.889m (6.4%). The improved position when compared with the Quarter 3 forecast is due to combined management action to reduce expenditure, additional government 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.

**NARRATIVE REPORT**



**Financing of the Net Revenue Expenditure - 2023/24**



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

## NARRATIVE REPORT

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.

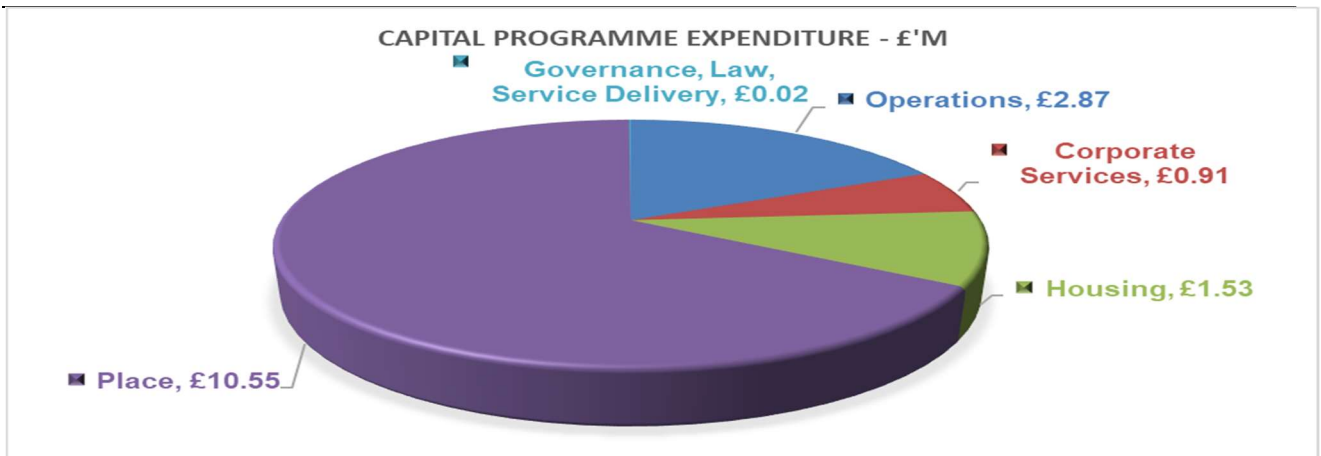
### General Fund Capital

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 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.

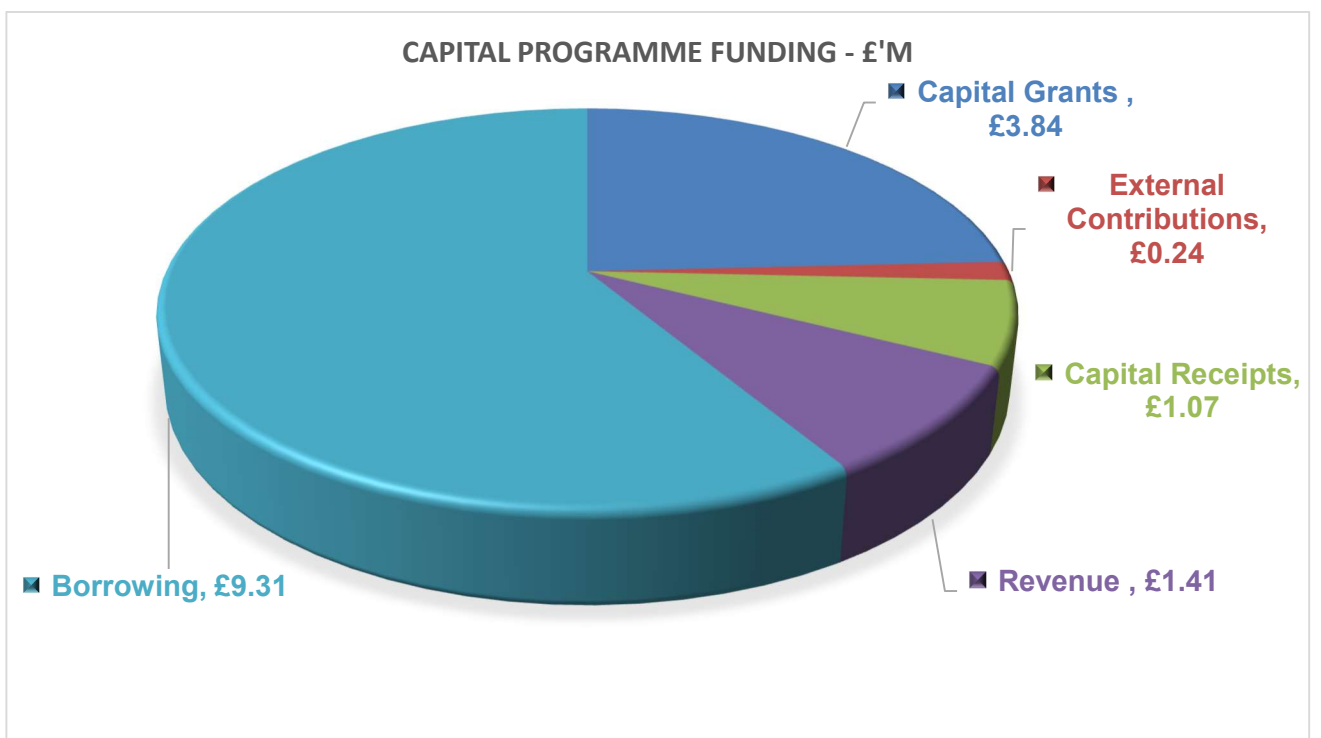
| General Fund Capital Programme Outturn | Latest Budget 2023/24 | Actual 2023/24  | Variance Budget to Outturn |
|--|-----------------------|-----------------|----------------------------|
| <u>Service Units</u>                   | £'000                 | £'000           | £'000                      |
| 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)                       |
| <b>Total Capital Expenditure</b>       | <b>24,286</b>         | <b>15,878</b>   | <b>(8,408)</b>             |
| <b>Capital Funding</b>                 |                       |                 |                            |
| 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                      |
| <b>Total Funding</b>                   | <b>(24,286)</b>       | <b>(15,878)</b> | <b>8,408</b>               |

## NARRATIVE REPORT



### 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:



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

## NARRATIVE REPORT

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<br>Approved<br>Budget<br>2023/24 | Provisional<br>Outturn<br>2023/24 | Variance       |
|---|---|-----------------------------------|----------------|
|   | £000's                                  | £000's                            | £000's         |
| <b>Income</b>                             | (18,420)                                | (18,528)                          | (108)          |
| <b>Expenditure</b>                        | 14,617                                  | 14,519                            | (98)           |
| <b>HRA Share of Corporate Costs</b>       | 175                                     | 155                               | (20)           |
| <b>Net Cost of HRA Services</b>           | <b>(3,628)</b>                          | <b>(3,854)</b>                    | <b>(226)</b>   |
| <b>Interest Payable/(Receivable)</b>      | 1,596                                   | 1,309                             | (287)          |
| <b>Pension Interest Cost</b>              | 100                                     | 684                               | 584            |
| <b>HRA Surplus/Deficit</b>                | <b>(1,932)</b>                          | <b>(1,861)</b>                    | 71             |
| <b>Revenue Contribution to Capital</b>    | 4,488                                   | 2,868                             | (1,620)        |
| <b>Share of pension reserve</b>           | (195)                                   | (484)                             | (289)          |
| <b>Decrease/(Increase) to HRA Reserve</b> | <b>2,361</b>                            | <b>523</b>                        | <b>(1,838)</b> |

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.

## NARRATIVE REPORT

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

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 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<br>1/4/2023 | Movement |       | Estimated<br>Balance at<br>31/3/2024 |
|--|------------------------|----------|-------|--------------------------------------|
|  |                        | In       | Out   |                                      |
|  | £000s                  | £000s    | £000s | £000s                                |
| <b>Business Rates – to support the Business Rate Retention scheme</b>          | (1,657)                | -        | 178   | (1,479)                              |
| <b>Leisure - To meet future leisure improvements.</b>                          | (497)                  | -        | -     | (497)                                |
| <b>Carry Forward - Previous years unused Budget carried forward</b>            | (2,298)                | -        | 1,123 | (1,175)                              |
| <b>Vehicles, Equipment and Technology replacement.</b>                         | (277)                  |          | 132   | (145)                                |
| <b>Maintenance of Graves</b>   | (12)                   | -        | -     | (12)                                 |
| <b>New Homes Bonus - Residual amount</b>                                       | (409)                  | -        | -     | (409)                                |
| <b>Corporate Initiatives - To support Corporate Plan objectives and goals.</b> | (687)                  | -        | 535   | (152)                                |

## NARRATIVE REPORT

| Earmarked Reserves - Purpose  | Balance at<br>1/4/2023 | Movement       |                | Estimated<br>Balance at<br>31/3/2024 |
|---|------------------------|----------------|----------------|--------------------------------------|
|   |                        | In             | Out            |                                      |
| <b>IFRS Reserve - Accounting code changes support</b>   | (5)                    | -              | -              | (5)                                  |
| <b>Economic Development - Regeneration of District - capital and match funding required</b>       | (1,923)                | -              | 689            | (1,234)                              |
| <b>Community Led Housing - Community Housing and affordable - ringfenced</b>                      | (253)                  | -              | 60             | (193)                                |
| <b>Lydd Airport - Support costs ay Lydd Airport</b>   | (9)                    | -              | -              | (9)                                  |
| <b>Homelessness Prevention - Flexibly fund homelessness</b>                                       | (925)                  | -              | 101            | (824)                                |
| <b>High Street Regeneration - Regeneration in High Street areas - LU2</b>                         | (1,233)                | -              | 36             | (1,197)                              |
| <b>Climate Change - Achieve Carbon net zero by 2030- capital and revenue funding</b>              | (4,656)                | -              | 1,082          | (3,574)                              |
| <b>Transformation Fund - to enable investment in initiatives that will deliver future savings</b> | 0                      | (1,509)        | 344            | (1,165)                              |
| <b>Contain Outbreak Management Fund</b>   | (30)                   | (129)          | 159            | 0                                    |
| <b>Total Earmarked Reserves</b>   | <b>(14,871)</b>        | <b>1,638</b>   | <b>(4,438)</b> | <b>(12,070)</b>                      |
| <b>Total General Fund Reserve</b>   | <b>(5,625)</b>         | <b>(1,724)</b> | <b>1,786</b>   | <b>(5,563)</b>                       |

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 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.



## NARRATIVE REPORT



### **AUDIT OF THE STATEMENT OF ACCOUNTS**

The Council appointed Grant Thornton UK LLP for the audit of the accounts for the year ended 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March 2024 and its income and expenditure for the year then ended.

Signed:

*Lydia Morrison, ACMA*  
Interim Director Governance and Finance Services  
Date: xx<sup>th</sup> MMM 202X

**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 dd<sup>th</sup> MMM 202X.

Signed:

Councillor Liz McShane  
Chair, Audit and Governance Committee

Date: xx<sup>th</sup> MMM 202X

# 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<br>Balance<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Major<br>Repairs<br>Reserve<br>£000s | Capital<br>Grants<br>Unapplied<br>Account<br>£000s | Total Usable<br>Reserves<br>£000s | Unusable<br>Reserves<br>£000s | Total Authority<br>Reserves<br>£000s |
|--|----------------------------------|--|---|--------------------------------------|--|-----------------------------------|-------------------------------|--------------------------------------|
| <b>2023/24</b>   |                                  |  |   |                                      |  |                                   |                               |                                      |
| Balance at 31 March 2023   | (20,495)                         | (7,003)                                | (7,859)                                 | -                                    | (6,777)  | (42,134)                          | (251,684)                     | (293,818)                            |
| <b>Movement in reserves during 2023/24</b>   |                                  |  |   |                                      |  |                                   |                               |                                      |
| Total Comprehensive Income and Expenditure   | 317                              | 5,186                                  | -                                       | -                                    | -  | 5,502                             | 17,198                        | 22,701                               |
| Adjustments between accounting basis and<br>funding basis under regulations (Note 5) | 2,235                            | (1,546)                                | (1,218)                                 | -                                    | (721)  | (1,251)                           | 1,251                         | (0)                                  |
| <b>(Increase) or Decrease in 2023/24</b>   | <b>2,552</b>                     | <b>3,639</b>                           | <b>(1,218)</b>                          | <b>-</b>                             | <b>(721)</b>                                       | <b>4,251</b>                      | <b>18,450</b>                 | <b>22,701</b>                        |
| <b>Balance at 31st March 2024 carried forward</b>                                    | <b>(17,945)</b>                  | <b>(3,364)</b>                         | <b>(9,076)</b>                          | <b>-</b>                             | <b>(7,498)</b>                                     | <b>(37,884)</b>                   | <b>(233,234)</b>              | <b>(271,117)</b>                     |

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

**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<br>Expenditure<br>£000s | Income<br>£000s | Net<br>Expenditure<br>£000s |   | Gross<br>Expenditure<br>£000s | Income<br>£000s  | Net<br>Expenditure<br>£000s |
|                               |                 |                             | <b>Continuing Operations</b>  |                               |                  |                             |
| 1,097                         | (188)           | 908                         | Leadership Support  | 847                           | (180)            | 667                         |
| 3,526                         | (295)           | 3,231                       | Governance & Law  | 3,699                         | (300)            | 3,399                       |
| 842                           | (141)           | 701                         | Human Resources   | 836                           | (136)            | 699                         |
| 34,152                        | (28,750)        | 5,402                       | Finance Customer & Support  | 34,649                        | (27,715)         | 6,935                       |
|                               |                 |                             | Strategic Development   |                               |                  |                             |
| 1,252                         | (555)           | 697                         | Economic Development  | 1,677                         | (1,468)          | 209                         |
| 1,645                         | (1,249)         | 396                         | Planning  | 1,666                         | (1,555)          | 111                         |
| 16,506                        | (6,790)         | 9,716                       | Operations  | 11,793                        | (7,131)          | 4,662                       |
| 5,610                         | (5,750)         | (141)                       | Housing   | 5,383                         | (6,370)          | (987)                       |
| 9,384                         | (4,112)         | 5,272                       | Place   | 9,910                         | (3,031)          | 6,879                       |
|                               | -               |                             | Transition & Transformation   |                               |                  |                             |
| 19,597                        | (17,579)        | 2,018                       | Local Authority Housing (HRA)   | 22,885                        | (22,008)         | 876                         |
| <b>93,609</b>                 | <b>(65,408)</b> | <b>28,200</b>               | <b>Cost of Service</b>  | <b>93,345</b>                 | <b>(69,894)</b>  | <b>23,451</b>               |
| 4,439                         | (75)            | 4,365                       | Other Operating Expenditure (Note 9)  | 5,591                         |                  | 5,591                       |
| 10,483                        | (4,084)         | 6,399                       | Financing and Investment Income and Expenditure (Note 10)                             | 4,740                         | (2,719)          | 2,021                       |
| 6,204                         | (27,263)        | (21,058)                    | Taxation and Non-specific Grant Income (Note 11)                                      | 6,939                         | (32,501)         | (25,562)                    |
| <b>114,735</b>                | <b>(96,830)</b> | <b>17,905</b>               | <b>(Surplus) or Deficit on Provision of Services</b>                                  | <b>110,616</b>                | <b>(105,114)</b> | <b>5,502</b>                |
|                               |                 | (5,946)                     | (Surplus) or deficit on revaluation of property, plant and equipment assets (Note 32) |                               |                  | 20,056                      |
|                               |                 | (61,192)                    | Re-measurement of net defined liability (Note 30)                                     |                               |                  | (2,858)                     |
|                               |                 | <b>(67,138)</b>             | <b>Other Comprehensive Income and Expenditure</b>                                     |                               |                  | <b>17,198</b>               |
|                               |                 | <b>(49,233)</b>             | <b>TOTAL Comprehensive Income and Expenditure</b>                                     |                               |                  | <b>22,701</b>               |

**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.'



**FINANCIAL STATEMENTS  
BALANCE SHEET**

| <b>31-Mar-23</b>                               |      | <b>31-Mar-24</b> |
|--|------|------------------|
| <b>£000s</b>                                   | Note | <b>£000s</b>     |
| 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   | 7,555            |
| 3,461 Community assets                         | 16   | 3,461            |
| 75,854 Surplus assets                          | 16   | 58,624           |
| 7,804 Assets under construction                | 16   | 9,683            |
| 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   | 22,886           |
| <b>421,115 Long Term Assets</b>                |      | <b>405,124</b>   |
| - Assets held for sale                         | -    | 109              |
| 11 Inventories                                 | -    | 6                |
| 17,615 Short term debtors                      | 21   | 11,402           |
| 10,745 Cash and cash equivalents               | 22   | 5,323            |
| <b>28,370 Current Assets</b>                   |      | <b>16,840</b>    |
| (44,755) Short term borrowing                  | 23   | (38,007)         |
| (24,571) Short term creditors                  | 25   | (17,291)         |
| (3,554) Capital grants received in advance     | 15   | (5,645)          |
| (1,198) Provisions                             | 26   | (1,381)          |
| <b>(74,078) Current Liabilities</b>            |      | <b>(62,324)</b>  |
| (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)             |
| <b>(81,588) Long Term Liabilities</b>          |      | <b>(88,521)</b>  |
| <b>293,818 Net Assets</b>                      |      | <b>271,117</b>   |
| (42,135) Usable reserves                       | 31   | (37,884)         |
| (251,684) Unusable reserves                    | 32   | (233,234)        |
| <b>(293,818) Total Reserves</b>                |      | <b>(271,117)</b> |

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: dd<sup>th</sup> MMM 202X

**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.

| <b>2022/23</b>  |             | <b>2023/24</b>  |
|---|-------------|-----------------|
| <b>£000s</b>  | <b>Note</b> | <b>£000s</b>    |
| <b>(17,905)</b>   |             | <b>(5,502)</b>  |
| Net surplus or (deficit) on the provision of services   |             |                 |
| <b>31,081</b>   |             | <b>20,544</b>   |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 36          |                 |
| <b>(1,955)</b>  |             | <b>(2,356)</b>  |
| Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 36          |                 |
| <b>11,221</b>   |             | <b>12,685</b>   |
| Net Cash flows from operating activities  |             |                 |
| <b>(23,697)</b>   |             | <b>(21,133)</b> |
| Net Cash flows from Investing Activities  | 37          |                 |
| <b>8,486</b>  |             | <b>3,029</b>    |
| Net Cash flows from Financing Activities  | 38          |                 |
| <b>(3,985)</b>  |             | <b>(5,421)</b>  |
| <b>Net increase or (decrease) in cash and cash equivalents</b>  |             |                 |
| 14,730  |             | 10,745          |
| Cash and cash equivalents at the beginning of the reporting period  |             |                 |
| <b>10,745</b>   |             | <b>5,323</b>    |
| 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:

| <b>Class of Assets</b>                             | <b>Valuation Basis</b>   |
|--|--|
| Property, Plant and Equipment - Dwellings          | Current value, comprising existing use value for social housing<br>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<br><br>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

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, however accruals may be considered on a case by case basis below this value.

### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

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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:

- 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 1<sup>st</sup> 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



## NOTES TO THE FINANCIAL STATEMENTS

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- 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, except for Council Dwellings where the key components are integral to the letting of the property so cannot be considered separately. Capital expenditure on integral components of Council Dwellings are written out as impairments in year as they do not add value to the asset.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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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.

## NOTES TO THE FINANCIAL STATEMENTS

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- 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 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

## NOTES TO THE FINANCIAL STATEMENTS

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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 (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- 99 -.

#### **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 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**

| <b>Item</b>                   | <b>Uncertainties</b>   | <b>Effect if actual results differ from assumptions</b>   |
|-------------------------------|--|---|
| 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>   |
| 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



## 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<br>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                         |
| <b>Adjustments to Revenue Resources</b>   |                      |                         |                       |                          |                          |                               |
| <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)                          | (8,680)              | (12,245)                |                       |                          |                          | 20,925                        |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the fair value of investment in subsidiaries (these items are charged to the Capital Adjustment Account) | (48)                 |                         |                       |                          |                          | 48                            |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(6,257)</b>       | <b>(12,051)</b>         | <b>-</b>              | <b>-</b>                 | <b>-</b>                 | <b>18,309</b>                 |
| <b>Adjustments between Revenue and Capital Resources</b>  |                      |                         |                       |                          |                          |                               |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve  | 827                  | 941                     |                       | (2,673)                  |                          | 904                           |
| 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                | 6,076                   |                       |                          |                          | (7,485)                       |
| <b>Total Adjustments to between Capital and Revenue Resources</b>   | <b>8,499</b>         | <b>10,509</b>           | <b>(3,199)</b>        | <b>(2,673)</b>           | <b>(4,044)</b>           | <b>(9,093)</b>                |
| <b>Adjustments to Capital Resources</b>   |                      |                         |                       |                          |                          |                               |
| Use of the Capital Receipts Reserve to finance capital expenditure  |                      |                         |                       | 1,455                    |                          | (1,455)                       |
| Use of the Major Repairs Reserve to finance capital expenditure   |                      |                         | 3,198                 |                          |                          | (3,198)                       |
| Application of capital grants to finance capital expenditure  |                      |                         |                       |                          | 3,322                    | (3,322)                       |
| Cash payments in relation to deferred capital receipts  | (6)                  | (5)                     |                       |                          |                          | 11                            |
| <b>Total Adjustments to Capital Resources</b>   | <b>(6)</b>           | <b>(5)</b>              | <b>3,198</b>          | <b>1,455</b>             | <b>3,322</b>             | <b>(7,964)</b>                |
| <b>Total Adjustments</b>  | <b>2,235</b>         | <b>(1,546)</b>          | <b>(1)</b>            | <b>(1,218)</b>           | <b>(721)</b>             | <b>1,251</b>                  |

## NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

| Adjustments Between Accounting Basis and Funding Basis Under Regulations<br>2022/23   | General Fund<br>Balance | Housing Revenue<br>Account | Major Repairs<br>Reserve | Capital Receipts<br>Reserve | Capital Grants<br>Unapplied | Movement in<br>Unusable Reserves |
|---|-------------------------|----------------------------|--------------------------|-----------------------------|-----------------------------|----------------------------------|
|   | £000s                   | £000s                      | £000s                    | £000s                       | £000s                       | £000s                            |
| <b>Adjustments to Revenue Resources</b>   |                         |                            |                          |                             |                             |                                  |
| <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 Pooled Funds Adjustment Account)  | (1,935)                 |                            |                          |                             |                             | 1,935                            |
| Council Tax and National Domestic Rates (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)                          | (10,874)                | (8,382)                    |                          |                             |                             | 19,255                           |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the fair value of investment in subsidiaries (these items are charged to the Capital Adjustment Account) | (2,617)                 |                            |                          |                             |                             | 2,617                            |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(12,989)</b>         | <b>(8,659)</b>             | -                        | -                           | -                           | <b>21,648</b>                    |
| <b>Adjustments between Revenue and Capital Resources</b>  |                         |                            |                          |                             |                             |                                  |
| 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)                          |
| <b>Total Adjustments to between Capital and Revenue Resources</b>   | <b>6,848</b>            | <b>6,448</b>               | <b>(3,087)</b>           | <b>(1,743)</b>              | <b>(2,219)</b>              | <b>(6,248)</b>                   |
| <b>Adjustments to Capital Resources</b>   |                         |                            |                          |                             |                             |                                  |
| 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                               |
| <b>Total Adjustments to Capital Resources</b>   | <b>(6)</b>              | <b>(4)</b>                 | <b>3,087</b>             | <b>2,953</b>                | <b>3,365</b>                | <b>(9,395)</b>                   |
| <b>Total Adjustments</b>  | <b>(6,147)</b>          | <b>(2,215)</b>             | -                        | <b>1,210</b>                | <b>1,146</b>                | <b>6,005</b>                     |

**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>          | <b>Balance at<br/>01-Apr-22<br/>£000s</b> | <b>Transfers<br/>In<br/>£000s</b> | <b>Out<br/>£000s</b> | <b>Balance at<br/>31-Mar-23<br/>£000s</b> | <b>Transfers<br/>In<br/>£000s</b> | <b>Out<br/>£000s</b> | <b>Balance at<br/>31-Mar-24<br/>£000s</b> |
|------------------------------------|---|-----------------------------------|----------------------|---|-----------------------------------|----------------------|---|
| <b>General Fund</b>                |   |                                   |                      |   |                                   |                      |   |
| Business Rates                     | (2,662)                                   | -                                 | 1,005                | (1,657)                                   | -                                 | 1,319                | <b>(338)</b>                              |
| Leisure Reserve                    | (447)                                     | (50)                              | -                    | (497)                                     | -                                 | -                    | <b>(497)</b>                              |
| Carry Forwards                     | (1,356)                                   | (1,253)                           | 311                  | (2,298)                                   | -                                 | (18)                 | <b>(2,316)</b>                            |
| Corporate Property                 | -   | -                                 | -                    | -   | -                                 | -                    | -   |
| Vehicles, Equipment and Technology | (287)                                     | (150)                             | 160                  | (277)                                     | -                                 | 132                  | <b>(145)</b>                              |
| Invest to Save                     | -   | -                                 | -                    | -   | -                                 | -                    | -   |
| Maintenance of Graves              | (12)                                      | -                                 | -                    | (12)                                      | -                                 | -                    | <b>(12)</b>                               |
| New Homes Bonus                    | (1,997)                                   | (745)                             | 2,333                | (409)                                     | -                                 | -                    | <b>(409)</b>                              |
| Corporate Initiatives              | (959)                                     | -                                 | 273                  | (686)                                     | -                                 | 535                  | <b>(151)</b>                              |
| IFRS Reserve                       | (5)                                       | -                                 | -                    | (5)                                       | -                                 | -                    | <b>(5)</b>                                |
| Otterpool Park Garden Town         | -   | -                                 | -                    | -   | -                                 | -                    | -   |
| Economic Development               | (1,985)                                   | -                                 | 62                   | (1,923)                                   | -                                 | 689                  | <b>(1,234)</b>                            |
| Community Led Housing              | (310)                                     | -                                 | 57                   | (253)                                     | -                                 | 60                   | <b>(193)</b>                              |
| Lydd Airport                       | (9)                                       | -                                 | -                    | (9)                                       | -                                 | -                    | <b>(9)</b>                                |
| Homelessness Prevention            | (958)                                     | -                                 | 33                   | (925)                                     | -                                 | 101                  | <b>(824)</b>                              |
| High Street Regeneration           | (1,575)                                   | -                                 | 342                  | (1,233)                                   | -                                 | 36                   | <b>(1,197)</b>                            |
| Climate Change                     | (4,880)                                   | -                                 | 224                  | (4,656)                                   | -                                 | 1,082                | <b>(3,574)</b>                            |
| COVID                              | (3,526)                                   | -                                 | 3,496                | (30)                                      | -                                 | 30                   | <b>(0)</b>                                |
| Transformation Reserve             | -   | -                                 | -                    | -   | -                                 | (1,165)              | <b>(1,165)</b>                            |
|                                    | <b>(20,968)</b>                           | <b>(2,198)</b>                    | <b>8,296</b>         | <b>(14,870)</b>                           | <b>-</b>                          | <b>2,800</b>         | <b>(12,070)</b>                           |

**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



**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 more fully in the CIES.

|  | <b>2023/24</b>                                     |  |  |   |  |
|--|--|--|--|---|--|
|  | <b>As reported<br/>for resource<br/>management</b> | <b>Adjustment to<br/>arrive at the net<br/>amount chargeable<br/>to the General fund<br/>and HRA</b> | <b>Net Expenditure<br/>Chargeable to the<br/>General Fund and<br/>HRA Balances</b> | <b>Adjustments<br/>between the<br/>Funding and<br/>Accounting Basis</b> | <b>Net Expenditure in<br/>the Comprehensive<br/>Income and<br/>Expenditure<br/>Statement</b> |
|  | <b>£000s</b>                                       | <b>£000s</b>   | <b>£000s</b>   | <b>£000s</b>  | <b>£000s</b>   |
| Leadership Support   | 793 -  | 115  | 678 -  | 11  | 667  |
| Governance & Law   | 3,012 -  | 66   | 2,946  | 453   | 3,399  |
| Human Resources  | 707 -  | 1  | 706 -  | 8   | 698  |
| Finance Customer & Support   | 9,062 -  | 1,476  | 7,586 -  | 651   | 6,935  |
| Economic Development   | 637 -  | 250  | 386 -  | 177   | 209  |
| Planning   | 128  | 0  | 128 -  | 17  | 111  |
| Operations   | 1,971  | 921  | 2,892  | 1,770   | 4,662  |
| Housing  | 2,447 -  | 3,191 -  | 744 -  | 243 -   | 987  |
| Place  | 6,930 -  | 55   | 6,875  | 4   | 6,879  |
| Local Authority Housing (HRA)  | - 3,854  | 4,296  | 441  | 435   | 876  |
| <b>Net Cost of Services</b>  | <b>21,833</b>                                      | <b>62</b>  | <b>21,895</b>  | <b>1,555</b>  | <b>23,451</b>  |
| Other Income and Expenditure   | - 22,598   | 6,894 -  | 15,704 -   | 2,244 -   | 17,948   |
| <b>(Surplus) or Deficit on Provision<br/>of Services</b>               | <b>- 765</b>                                       | <b>6,956</b>   | <b>6,191 -</b>   | <b>689</b>  | <b>5,502</b>   |
| Opening General Fund and HRA Balance                                   |  | -  | <b>27,499</b>  |   |  |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year |  |  | <b>6,191</b>   |   |  |
| Closing General Fund and HRA Balance at 31 March*                      |  |  | <b>- 21,308</b>  |   |  |

**NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

|  | 2022/23                                   |   |  |   |   |
|--|---|---|--|---|---|
|  | As reported<br>for resource<br>management | Adjustment to<br>arrive at the net<br>amount chargeable<br>to the General fund<br>and HRA | Net Expenditure<br>Chargeable to the<br>General Fund and<br>HRA Balances | Adjustments<br>between the<br>Funding and<br>Accounting Basis | Net Expenditure in<br>the Comprehensive<br>Income and<br>Expenditure<br>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  | 7,702   | 9,716   |
| Housing  | 2,738                                     |   | 2,738  | (2,879)   | (141)   |
| Place  | 5,544                                     |   | 5,544  | (272)   | 5,272   |
| Transition & Transformation  |   |   |  |   |   |
| Local Authority Housing (HRA)  | (3,608)                                   |   | (3,608)  | 5,626   | 2,018   |
| <b>Net Cost of Services</b>  | <b>19,784</b>                             | <b>(1)</b>  | <b>19,785</b>  | <b>8,415</b>  | <b>28,200</b>   |
| Other Income and Expenditure   | (17,408)                                  | 6,020   | (11,388)   | 1,093   | (10,295)  |
| <b>(Surplus) or Deficit on Provision<br/>of Services</b>               | <b>2,376</b>                              | <b>6,019</b>  | <b>8,397</b>   | <b>9,508</b>  | <b>17,905</b>   |
| Opening General Fund and HRA Balance                                   |   |   | <b>(37,042)</b>  |   |   |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year |   |   | <b>9,543</b>   |   |   |
| Closing General Fund and HRA Balance at 31 March*                      |   |   | <b>(27,499)</b>  |   |   |

\*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<br>£000s | 2023-24<br>£000s |
|--|------------------|------------------|
| <b>Expenditure</b>                                   |                  |                  |
| Employee Benefits Expense                            | 21,998           | 20,429           |
| Other Services Expense                               | 60,073           | 57,753           |
| 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)            | (1,107)          |
| Tariff Payable on Income from NDR                    | 6,204            | 6,939            |
| <b>Total Expenditure</b>                             | <b>114,735</b>   | <b>110,616</b>   |
| <b>Income</b>  |                  |                  |
| Fees, Charges & Other Service Income                 | (36,645)         | (35,264)         |
| Interest & Investment Income                         | (1,362)          | (3,098)          |
| Income from Council Tax & NDR                        | (22,808)         | (24,785)         |
| Government Grants & Contributions                    | (36,014)         | (41,967)         |
| <b>Total Income</b>                                  | <b>(96,830)</b>  | <b>(105,114)</b> |
| <b>(Surplus) or Deficit on Provision of Services</b> | <b>17,905</b>    | <b>5,502</b>     |

**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).

| Gross Expenditure<br>£000s | 2022/23         |                          |                        | 2023/24                    |                 |                          |
|----------------------------|-----------------|--------------------------|------------------------|----------------------------|-----------------|--------------------------|
|                            | Income<br>£000s | Net Expenditure<br>£000s |                        | Gross Expenditure<br>£000s | Income<br>£000s | Net Expenditure<br>£000s |
|                            |                 |                          | Other Housing Services |                            |                 |                          |
| 18,286                     | (18,214)        | 72                       | Housing Benefit        | 17,817                     | (16,663)        | 1,153                    |
| 7,721                      | (7,480)         | 241                      | Housing Rebates        | 7,882                      | (7,688)         | 194                      |

## 9. Other Operating Expenditure

| Other Operating Expenditure                              | 2022/23<br>£000s | 2023/24<br>£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)            | (1,107)          |
| Movement in fair value of surplus assets                 | 1,719            | 3,357            |
|  | <b>4,365</b>     | <b>5,591</b>     |

## 10. Financing and Investment Income and Expenditure

| Financing and Investment Income and Expenditure   | 2022/23<br>£000s | 2023/24<br>£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)          | (2,642)          |
| 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            |
|   | <b>6,399</b>     | <b>2,021</b>     |

## 11. Taxation and Non-Specific Grant Income

| Taxation and Non-specific Grant Income | 2022/23<br>£000s | 2023/24<br>£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)          |
|  | <b>(21,058)</b>  | <b>(25,562)</b>  |

## 12. Members' Allowances

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

| Members Allowances | 2022/23<br>£000s | 2023/24<br>£000s |
|--------------------|------------------|------------------|
| Allowances         | 339              | 323              |
| Expenses           | 11               | 14               |
| Total              | <b>350</b>       | <b>337</b>       |

### 13. Officers' Remuneration

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

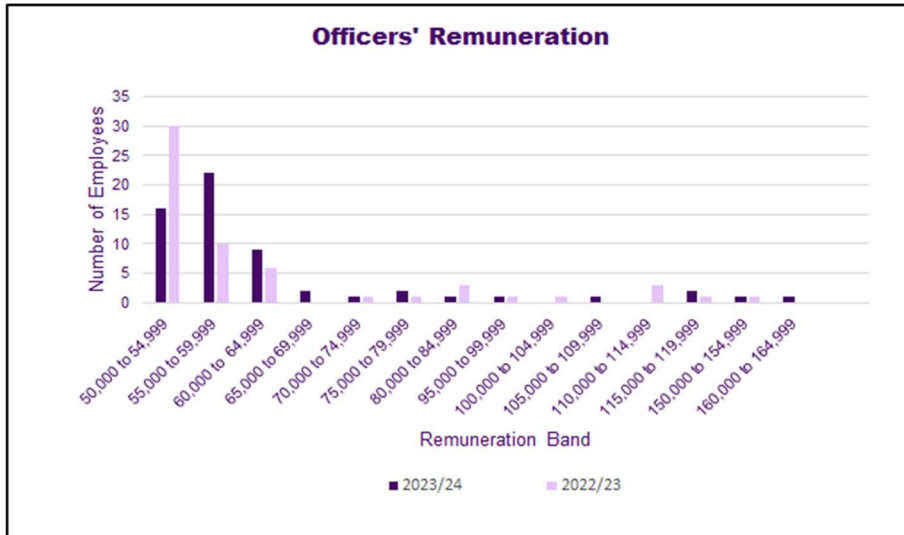
|   |         | Salary, including Fees and Allowances | Employer Pension Contributions | Total Remuneration, including Pension Contributions |
|---|---------|---------------------------------------|--------------------------------|---|
|   |         | £                                     | £       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

+ 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:



## NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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<br>(including special payments) | Number of compulsory<br>redundancies |         | Number of other<br>departures agreed |         | Total number of exit<br>packages by cost band |         | Total cost of exit<br>packages in each band |         |
|--|--------------------------------------|---------|--------------------------------------|---------|---|---------|---|---------|
|  | (a)                                  |         | (b)                                  |         | (a+b)   |         |   |         |
|  | 2022/23                              | 2023/24 | 2022/23                              | 2023/24 | 2022/23                                       | 2023/24 | 2022/23                                     | 2023/24 |
| £  |                                      |         |                                      |         |   |         | £000s                                       | £000s   |
| 0-20,000   | 1                                    | 1       | 4                                    | 6       | 5   | 7       | 43  | 58      |
| 20,001-40,000  | -                                    | -       | -                                    | 2       | -   | 2       | -   | 68      |
| 40,001-60,000  | -                                    | -       | -                                    | 3       | -   | 3       | -   | 139     |
| 60,001-100,000   | -                                    | -       | 1                                    | 3       | 1   | 3       | 107   | 214     |
| 100,001-165,000  | -                                    | -       | -                                    | 1       | -   | 1       | -   | 161     |
| Total  | 1                                    | 1       | 5                                    | 15      | 6   | 16      | 150   | 640     |

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.

| 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 | 72         | 168        |
| Fees relating to prior years audits   | -          | 140        |
| Rebate of PSAA fees   | -          | -          |
| Fees payable for the certification of grant claims and returns for the year                           | 42         | 57         |
|   | <b>116</b> | <b>366</b> |

## 15. Grant Income

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

| <b>Grant Income</b>                                | <b>2022/23</b> | <b>2023/24</b> |
|--|----------------|----------------|
|  | <b>£000s</b>   | <b>£000s</b>   |
| 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            | 1,742          |
|  | <b>4,455</b>   | <b>7,529</b>   |
| 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          | 6,612          |
|  | <b>31,559</b>  | <b>34,354</b>  |

### 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.

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

# 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 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
- Social Housing Decarbonisation Programme (Wave 2) – approximately £1.2m

**NOTES SUPPORTING THE BALANCE SHEET**

| Property, Plant and Equipment  | Council<br>Dwellings | Land and<br>Buildings | Vehicles,<br>Plant and<br>Equipment | Community<br>Assets | Assets Under<br>Construction | Surplus<br>Assets | Total           |
|--|----------------------|-----------------------|-------------------------------------|---------------------|------------------------------|-------------------|-----------------|
| 2023/24  | £000s                | £000s                 | £000s                               | £000s               | £000s                        | £000s             | £000s           |
| <b>Cost or Valuation</b>   |                      |                       |                                     |                     |                              |                   |                 |
| At 1 April 2023  | 227,963              | 34,512                | 14,915                              | 3,461               | 7,804                        | 75,854            | 364,509         |
| Additions  | 11,694               | 488                   | 560                                 | -                   | 2,445                        | 1,183             | 16,370          |
| 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)         |
| <b>At 31 March 2024</b>  | <b>225,239</b>       | <b>40,411</b>         | <b>15,512</b>                       | <b>3,461</b>        | <b>9,683</b>                 | <b>59,807</b>     | <b>354,114</b>  |
| <b>Depreciation and Impairment</b>   |                      |                       |                                     |                     |                              |                   |                 |
| At 1 April 2023  | -                    | (6,529)               | (10,289)                            | -                   | -                            | -                 | (16,818)        |
| 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)         |
| <b>At 31 March 2024</b>  | <b>(8,166)</b>       | <b>(7,202)</b>        | <b>(11,213)</b>                     | <b>-</b>            | <b>-</b>                     | <b>(1,183)</b>    | <b>(27,764)</b> |
| <b>Balance Sheet amount at 31 March 2024</b>   | <b>217,074</b>       | <b>33,209</b>         | <b>4,299</b>                        | <b>3,461</b>        | <b>9,683</b>                 | <b>58,624</b>     | <b>326,350</b>  |
| Balance Sheet amount at 1 April 2023   | 227,963              | 27,983                | 4,626                               | 3,461               | 7,804                        | 75,854            | 347,691         |



**NOTES SUPPORTING THE BALANCE SHEET**

| Property, Plant and Equipment  | Council<br>Dwellings | Land and<br>Buildings | Vehicles,<br>Plant and<br>Equipment | Community<br>Assets | Assets Under<br>Construction | Surplus<br>Assets | Total           |
|--|----------------------|-----------------------|-------------------------------------|---------------------|------------------------------|-------------------|-----------------|
| 2022/23  | £000s                | £000s                 | £000s                               | £000s               | £000s                        | £000s             | £000s           |
| <b>Cost or Valuation</b>   |                      |                       |                                     |                     |                              |                   |                 |
| 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)         |
| <b>At 31 March 2023</b>  | <b>233,817</b>       | <b>34,512</b>         | <b>14,915</b>                       | <b>3,461</b>        | <b>7,804</b>                 | <b>77,291</b>     | <b>371,801</b>  |
| <b>Depreciation and Impairment</b>   |                      |                       |                                     |                     |                              |                   |                 |
| At 1 April 2022  | -                    | (2,036)               | (9,424)                             | -                   | -                            | -                 | (11,460)        |
| Depreciation charge for the year   | (2,934)              | (322)                 | (865)                               | -                   | -                            | -                 | (4,123)         |
| 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)        |
| <b>At 31 March 2023</b>  | <b>(5,854)</b>       | <b>(6,529)</b>        | <b>(10,289)</b>                     | <b>-</b>            | <b>-</b>                     | <b>(1,437)</b>    | <b>(24,109)</b> |
| <b>Balance Sheet amount at 31 March 2023</b>   | <b>227,963</b>       | <b>27,983</b>         | <b>4,626</b>                        | <b>3,461</b>        | <b>7,804</b>                 | <b>75,854</b>     | <b>347,691</b>  |
| 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

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

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.

|                         | <b>22/23</b>   | <b>23/24</b>   |
|-------------------------|----------------|----------------|
| Infrastructure Assets   | 8,481          | 7,555          |
| Other PPE Assets        | 347,692        | 326,350        |
| <b>Total PPE Assets</b> | <b>356,173</b> | <b>333,905</b> |

## 17. Heritage Properties

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.

| <b>Cost or Valuation</b> | <b>Buildings<br/>£000s</b> | <b>Other Items<br/>£000s</b> | <b>Total Assets<br/>£000s</b> |
|--------------------------|----------------------------|------------------------------|-------------------------------|
| At 1 April 2023          | 2,900                      | 98                           | 2,998                         |
| At 31 March 2024         | <b>2,900</b>               | <b>98</b>                    | <b>2,998</b>                  |

## NOTES SUPPORTING THE BALANCE SHEET

### 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<br>£000s | 2023/24<br>£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<br>£000s | 2023/24<br>£000s |
|---|------------------|------------------|
| <b>Cost or Valuation</b>                                  |                  |                  |
| 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>30,594</u>    | <u>30,278</u>    |

### Fair Value Hierarchy for Investment Properties

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

| 2023/24 Recurring fair value measurements using: | Other significant<br>observable inputs<br>(Level 2)<br>31-Mar-23<br>£000s | Fair value at<br>31-Mar-23<br>£000s | Other significant<br>observable inputs<br>(Level 2)<br>31-Mar-24<br>£000s | Fair value at<br>31-Mar-24<br>£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                                 |
| <b>Total at Fair Value</b>                       | <u>30,594</u>   | <u>30,594</u>                       | <u>30,278</u>   | <u>30,278</u>                       |
| Assets Under Construction                        | -   | -                                   | -   | -                                   |
| <b>Total Investment Properties</b>               | <u>30,594</u>   | <u>30,594</u>                       | <u>30,278</u>   | <u>30,278</u>                       |

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.

## NOTES SUPPORTING THE BALANCE SHEET

### 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 |               | 2023/24 |               |
|--|---------|---------------|---------|---------------|
|  | £000s   | £000s         | £000s   | £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) |               |
| Net shares in unlisted companies                 |         | 441           |         | 753           |
|  |         | <u>14,555</u> |         | <u>14,835</u> |

### 20. Long Term Debtors

| Long Term Debtors                           | 2022/23       | 2023/24       |
|---|---------------|---------------|
|   | £000s         | £000s         |
| Loan to Oportunitas Limited                 | 5,640         | 6,383         |
| Loan to Otterpool Park LLP                  | 8,045         | 15,964        |
| Expected Credit Loss (Loans to Companies)   | (369)         | 216           |
| Other Adjustments                           | (430)         | (2,906)       |
| 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>22,886</u> |

## NOTES SUPPORTING THE BALANCE SHEET

### 21. Short Term Debtors

| Short Term Debtors               | 2022/23<br>£000s | 2023/24<br>£000s |
|----------------------------------|------------------|------------------|
| Trade Receivables                | 2,928            | 1,744            |
| 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            | 33               |
| Sundry Debtors                   | 1,644            | 2,484            |
|                                  | <b>19,737</b>    | <b>12,973</b>    |
| <b>Impairment of debt</b>        |                  |                  |
| Trade Receivables                | (1,059)          | (506)            |
| Other Receivables                | (1,063)          | (1,066)          |
| <b>Total</b>                     | <b>(2,122)</b>   | <b>(1,571)</b>   |
| <b>Balance as at 31 March</b>    | <b>17,615</b>    | <b>11,402</b>    |

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;

| Age of Debt   | 2022/23<br>£000s | 2023/24<br>£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            |
| <b>Total</b>  | <b>1,644</b>     | <b>2,484</b>     |

### 22. Cash and Cash Equivalents

#### Cash and Cash Equivalents

| Cash and Cash Equivalents | 2022/23<br>£000s | 2023/24<br>£000s |
|---------------------------|------------------|------------------|
| Bank Accounts             | 500              | (772)            |
| Money Market Funds        | 10,245           | 6,095            |
| <b>Total</b>              | <b>10,745</b>    | <b>5,323</b>     |

## NOTES SUPPORTING THE BALANCE SHEET

### 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           |
|                              | <b>44,755</b> | <b>38,007</b> |

### 24. Long Term Creditors

#### Long Term Creditors

|                     | 2022/23      | 2023/24      |
|---------------------|--------------|--------------|
|                     | £000s        | £000s        |
| Receipts in Advance | 6,101        | 9,053        |
|                     | <b>6,101</b> | <b>9,053</b> |

### 25. Short Term Creditors

#### Short Term Creditors

|                             | 2022/23       | 2023/24       |
|-----------------------------|---------------|---------------|
|                             | £000s         | £000s         |
| Trade Payables              | 105           | 104           |
| Payables to Related Parties | 9,332         | 8,750         |
| Receipts in Advance         | 1,270         | 272           |
| Accrued Creditors           | 7,086         | 2,427         |
| Other Payables              | 2,673         | 2,346         |
| Council Taxpayers           | 2,005         | 1,743         |
| Business Ratepayers         | 2,099         | 1,651         |
|                             | <b>24,571</b> | <b>17,290</b> |

### 26. Provisions

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

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.

## NOTES SUPPORTING THE BALANCE SHEET

### 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        |
|                              | <u>62,322</u> | <u>70,323</u> |

### 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

## NOTES SUPPORTING THE BALANCE SHEET

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.

### 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           | (62,322)        | (70,323)        | (44,333)        | (37,478)        |
| - Accrued interest                 | -               | -               | (422)           | (528)           |
| <b>Total Borrowing</b>             | <b>(62,322)</b> | <b>(70,323)</b> | <b>(44,755)</b> | <b>(38,007)</b> |
| Liabilities at amortised cost:     |                 |                 |                 |                 |
| - Trade payables                   | -               | -               | (7,916)         | (3,277)         |
| <b>Included in Creditors</b>       | <b>-</b>        | <b>-</b>        | <b>(7,916)</b>  | <b>(3,277)</b>  |
| <b>Total Financial Liabilities</b> | <b>(62,322)</b> | <b>(70,323)</b> | <b>(52,671)</b> | <b>(41,284)</b> |

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.



## NOTES SUPPORTING THE BALANCE SHEET

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

| 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        | -             | -            |
| <b>Total investments</b>                 | <b>14,555</b> | <b>14,835</b> | <b>-</b>      | <b>-</b>     |
| At amortised cost:                       |               |               |               |              |
| - Principal                              | -             | -             | 500           | (772)        |
| At fair value through profit & loss:     |               |               |               |              |
| - Fair value                             | -             | -             | 10,245        | 6,095        |
| <b>Total Cash &amp; Cash Equivalents</b> | <b>-</b>      | <b>-</b>      | <b>10,745</b> | <b>5,323</b> |
| At amortised cost:                       |               |               |               |              |
| - Trade receivables                      | -             | -             | 3,467         | 3,488        |
| - Lease receivables                      | 98            | 42            | 11            | 57           |
| - Loans made for service purposes        | 8,467         | 23,931        | 193           | (1,534)      |
| - Loss allowance Expected Credit Loss    | (369)         | -             | (66)          | 553          |
| <b>Included in Debtors</b>               | <b>8,197</b>  | <b>23,972</b> | <b>3,606</b>  | <b>2,563</b> |
| <b>Total Financial Assets</b>            | <b>22,751</b> | <b>38,807</b> | <b>14,350</b> | <b>7,887</b> |

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        |
| <b>Opening carrying amount of soft loans on 1st April</b>       | <b>1,797</b> | <b>1,738</b> |
| Amounts repaid to the Council                                   | (84)         | (150)        |
| Increase/(decrease) in discounted amount due to passage of time | 25           | -            |
| <b>Closing Carrying Amount of Soft Loans on 31st March</b>      | <b>1,738</b> | <b>1,588</b> |

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

## NOTES SUPPORTING THE BALANCE SHEET

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

| Financial Liabilities                                | Fair Value Level | Balance Sheet  |                | Balance Sheet  |                |
|--|------------------|----------------|----------------|----------------|----------------|
|  |                  | 31-Mar-23      |                | 31-Mar-24      |                |
|  |                  | £000s          | £000s          | £000s          | £000s          |
| <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         |
| <b>Total</b>   |                  | <b>106,655</b> | <b>103,448</b> | <b>107,801</b> | <b>105,280</b> |
| Liabilities for which fair value is not disclosed *  |                  | 8,338          |                | 3,805          |                |
| <b>Total Financial Liabilities</b>                   |                  | <b>114,993</b> |                | <b>111,606</b> |                |
| <i>Recorded on balance sheet as:</i>                 |                  |                |                |                |                |
| Short-term creditors                                 |                  | 7,916          |                | 3,277          |                |
| Short-term borrowing                                 |                  | 44,755         |                | 38,007         |                |
| Long-term borrowing                                  |                  | 62,321         |                | 70,323         |                |
| <b>Total Financial Liabilities</b>                   |                  | <b>114,993</b> |                | <b>111,606</b> |                |

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

### Short term Liabilities

|                                |              |              |
|--------------------------------|--------------|--------------|
| Trade Creditors                | 7,916        | 3,277        |
| Borrowing (inc accrd interest) | 422          | 528          |
|                                | <b>8,338</b> | <b>3,805</b> |

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 |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  |                  | 31-Mar-23     | Fair Value    | 31-Mar-24     | Fair Value    |
|  |                  | £'000         | £'000         | £'000         | £'000         |
| <b>Financial Assets</b>                              |                  |               |               |               |               |
| <b>Financial assets held at fair value</b>           |                  |               |               |               |               |
| 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           |
| <b>Financial assets held at amortised cost</b>       |                  |               |               |               |               |
| Long-term loans to companies                         | 3                | 13,975        | 13,975        | 5,003         | 3,374         |
| Soft Loans   | 3                | 1,739         | 1,739         | 15,964        | 15,964        |
| Lease receivables                                    | 3                | 98            | 98            | 339           | 339           |
| <b>Total</b>   |                  | <b>40,548</b> | <b>40,548</b> | <b>42,235</b> | <b>40,606</b> |
| <b>Assets for which fair value is not disclosed*</b> |                  | <b>4,943</b>  |               | <b>2,068</b>  |               |
| <b>Total Financial Assets</b>                        |                  | <b>45,491</b> |               | <b>44,303</b> |               |
| <b>Recorded on balance sheet as:</b>                 |                  |               |               |               |               |
| Long-term investments                                |                  | 14,555        |               | 14,835        |               |
| Long-term debtors                                    |                  | 16,585        |               | 22,886        |               |
| Short-term debtors                                   |                  | 3,607         |               | 2,067         |               |
| Cash and cash equivalents                            |                  | 10,745        |               | 5,323         |               |
| <b>Total Financial Assets</b>                        |                  | <b>45,491</b> |               | <b>45,111</b> |               |

\*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)

## NOTES SUPPORTING THE BALANCE SHEET

### Sensitivity Analysis

| 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 31<sup>st</sup> 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 31<sup>st</sup> 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

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

## NOTES SUPPORTING THE BALANCE SHEET

### 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:

|   | Financial<br>Liabilities<br>measured at<br>amortised cost | Financial<br>Assets at<br>Amortised<br>Cost | Financial<br>Assets at<br>Fair Value<br>Profit &<br>Loss | 23/24<br>Total | 22/23<br>Total |
|---|---|---|--|----------------|----------------|
|   | £000s   | £000s                                       | £000s  | £000s          | £000s          |
| <b>Financial Instruments Income, Expense, Gains and Losses 2023/24</b>  |   |   |  |                |                |
| Interest expense  | 2,885   | -   | -  | 2,885          | 1,939          |
| (Gains)/Losses from changes in fair value                               | 2,029   | -   | 48   | 2,077          | 4,551          |
| (Gains)/Losses on derecognition impairment losses                       | (216)   | -   | -  | (216)          | 369            |
| <b>Total Expense in Surplus or Deficit on the Provision of Services</b> | <b>4,697</b>  | <b>-</b>                                    | <b>48</b>  | <b>4,746</b>   | <b>6,858</b>   |
| Interest and dividend income  | -   | (1,264)                                     | (1,346)  | (2,610)        | (1,369)        |
| Gains from changes in fair value  | -   | -   | -  | -              | -              |
| <b>Total Income in Surplus or Deficit on the Provision of Services</b>  | <b>-</b>  | <b>(1,264)</b>                              | <b>(1,346)</b>   | <b>(2,610)</b> | <b>(1,369)</b> |
| <b>Net (gain)/loss for the year</b>                                     | <b>4,697</b>  | <b>(1,264)</b>                              | <b>(1,297)</b>   | <b>2,136</b>   | <b>5,489</b>   |

## 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.

## NOTES SUPPORTING THE BALANCE SHEET

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.

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 31<sup>st</sup> March 2020. These results, including the allowance, have been rolled forward and re-measured to provide accounting results as at 31<sup>st</sup> 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)    |
| <b>Net defined benefit liability / (asset)</b> | <b>13,098</b> | <b>9,077</b> |

#### 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          |
| <b>Total Loss / (profit)</b>                                 | <b>6,048</b> | <b>2,890</b> |

## NOTES SUPPORTING THE BALANCE SHEET

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

|   | Year to<br>31-Mar-23 | Year to<br>31-Mar-24 |
|---|----------------------|----------------------|
|   | £000s                | £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                  |
|   | <b>138,576</b>       | <b>138,997</b>       |

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

|  | Year to<br>31-Mar-23 | Year to<br>31-Mar-24 |
|--|----------------------|----------------------|
|  | £000s                | £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)                    | -                    | -                    |
|  | <b>125,478</b>       | <b>129,920</b>       |

### Remeasurement of net assets /(defined liability)

|  | Year to<br>31-Mar-23 | Year to<br>31-Mar-24 |
|--|----------------------|----------------------|
|  | £000s                | £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)                |
|  | <b>61,192</b>        | <b>2,858</b>         |

### 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



## NOTES SUPPORTING THE BALANCE SHEET

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 31<sup>st</sup> March 2024.

The significant assumptions used by the actuary have been:

| <b>Statistical assumptions</b>          | <b>2022/23</b> | <b>2023/24</b> |
|---|----------------|----------------|
| 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.

| <b>Sensitivity Analysis</b>                             | <b>£000s</b> | <b>£000s</b> | <b>£000s</b> | <b>£000s</b> | <b>£000s</b> |
|---|--------------|--------------|--------------|--------------|--------------|
| 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

## NOTES SUPPORTING THE BALANCE SHEET

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 31<sup>st</sup> March 2025, with the most recent valuation completing on 31<sup>st</sup> 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 31<sup>st</sup> 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<br>31-Mar-24 | Year to<br>31-Mar-25 |
|--|----------------------|----------------------|
|  | £000s                | £000s                |
| Projection for the year to 31 March 2024     |                      |                      |
| Service cost                                 | 2,560                | 2,456                |
| Net Interest and defined liability / (asset) | 540                  | 353                  |
| Administration Expenses                      | 75                   | 113                  |
| <b>Total loss / (profit)</b>                 | <b>3,175</b>         | <b>2,922</b>         |
| <b>Employer Contributions</b>                | <b>3,721</b>         | <b>3,792</b>         |

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

**NOTES SUPPORTING THE BALANCE SHEET**

**31. Usable Reserves**

| <b>Usable Reserves</b>   | <b>2022/23</b>  | <b>2023/24</b>  |
|--------------------------|-----------------|-----------------|
|                          | <b>£000s</b>    | <b>£000s</b>    |
| General Fund Reserve     | (5,625)         | (5,875)         |
| Earmarked Reserves       | (14,870)        | (12,070)        |
| Housing Revenue Reserve  | (7,003)         | (3,364)         |
| Major Repair Reserve     | -               | (1)             |
| Capital Receipt Reserve  | (7,859)         | (9,078)         |
| Capital Grants Unapplied | (6,777)         | (7,498)         |
| <b>Total</b>             | <b>(42,135)</b> | <b>(37,884)</b> |

**32. Unusable Reserves**

| <b>Unusable Reserves</b>                   | <b>2022/23</b>   | <b>2023/24</b>   |
|--|------------------|------------------|
|  | <b>£000s</b>     | <b>£000s</b>     |
| Revaluation Reserve                        | (130,681)        | (108,967)        |
| Pooled Investment Funds Adjustment Account | 950              | 918              |
| Capital Adjustment Account                 | (134,956)        | (132,708)        |
| Deferred Capital Receipts reserve          | (109)            | (98)             |
| Collection Fund Adjustment Account         | (451)            | (1,970)          |
| Pensions Reserve                           | 13,098           | 9,077            |
| Accumulated Absences Account               | 465              | 515              |
|  | <b>(251,684)</b> | <b>(233,234)</b> |

**Revaluation Reserve**

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

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

| <b>Revaluation Reserve</b>  | <b>2022/23</b> |                  | <b>2023/24</b> |                  |
|---|----------------|------------------|----------------|------------------|
|   | <b>£000s</b>   | <b>£000s</b>     | <b>£000s</b>   | <b>£000s</b>     |
| <b>Balance at 1 April</b>   |                | <b>(126,365)</b> |                | <b>(130,681)</b> |
| 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            |
| <b>Balance as at 31 March</b>   |                | <b>(130,681)</b> |                | <b>(108,967)</b> |

## NOTES SUPPORTING THE BALANCE SHEET

The Revaluation Reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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      |
| <b>Balance at 1 April</b>                  |         | <b>(1,010)</b> |         | <b>950</b> |
| Upward revaluation of investments          | -       |                | -       | (32)       |
| Downward revaluation of investments        | -       | 1,960          | -       | -          |
| <b>Balance as at 31 March</b>              |         | <b>950</b>     |         | <b>918</b> |

### 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 1<sup>st</sup> 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            |
| <b>Balance at 1 April</b>  |         | (139,544)        |         | (134,956)        |
| <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b> |         |                  |         |                  |
| Charges for depreciation and impairment of non-current assets  | 17,298  |                  | 15,125  |                  |
| Revaluation (gains)/losses on Property, Plant and Equipment  | 2,649   |                  | 5,353   |                  |
| 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     |                  |
| Movement in fair value of subsidiaries   | 2,616   |                  | 48      |                  |
|  |         | <b>25,217</b>    |         | <b>23,799</b>    |
| Adjusting amounts written out of the Revaluation Reserve   |         | (1,631)          |         | (1,657)          |
| <b>Net written out amount of the cost of non-current assets consumed in the year</b>   |         | <b>23,586</b>    |         | <b>22,142</b>    |
| <b>Capital financing applied in the year:</b>  |         |                  |         |                  |
| 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) |                  | (3,199) |                  |
| 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) |                  |
|  |         | <b>(19,166)</b>  |         | <b>(21,172)</b>  |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement   |         | <b>167</b>       |         | <b>1,277</b>     |
| <b>Balance as at 31 March</b>  |         | <b>(134,956)</b> |         | <b>(132,708)</b> |

### 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.

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

### Deferred Capital Receipts Reserve

## NOTES SUPPORTING THE BALANCE SHEET

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       |
| <b>Balance at 1 April</b>   |         | (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          |
| <b>Balance as at 31 March</b>   |         | <u>(109)</u> |         | <u>(98)</u> |

### 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   |                |
| <b>Balance at 1 April</b>  |         | 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)        |
| <b>Balance as at 31 March</b>  |         | <u>(451)</u> |         | <u>(1,970)</u> |

### 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 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.

## NOTES SUPPORTING THE BALANCE SHEET

| Pension Reserve  | 2022/23       | 2023/24       |
|--|---------------|---------------|
|  | £000s         | £000s         |
| <b>Balance at 1 April</b>  | <b>72,548</b> | <b>13,098</b> |
| 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)       |
| <b>Balance as at 31 March</b>  | <b>13,098</b> | <b>9,077</b>  |

### 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      |
| <b>Balance at 1 April</b>   |         | <b>507</b> |         | <b>465</b> |
| 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         |
| <b>Balance as at 31 March</b>   |         | <b>465</b> |         | <b>515</b> |

### 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.

## NOTES SUPPORTING THE BALANCE SHEET

| Capital Expenditure and Financing  | 2022/23<br>£000s | 2023/24<br>£000s |
|--|------------------|------------------|
| Opening Capital Financing Requirement  | 133,177          | 141,393          |
| <b>Capital Investment</b>  |                  |                  |
| 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            |
| <b>Sources of Finance</b>  |                  |                  |
| Capital Receipts   | (2,953)          | (1,455)          |
| Government grants and other contributions  | (4,053)          | (7,070)          |
| <b>Sums set aside from revenue:</b>  |                  |                  |
| Direct Revenue Contributions   | (8,949)          | (10,684)         |
| Previous Year Financing Adjustment   | (56)             | (57)             |
| Revenue provision for debt repayment   | (3,207)          | (1,964)          |
| <b>Closing Capital Financing Requirement</b>   | <b>141,393</b>   | <b>148,684</b>   |
| 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)             |
| <b>Increase / (decrease) in Capital Financing Requirement</b>                          | <b>8,216</b>     | <b>7,292</b>     |

### 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.

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.



## NOTES SUPPORTING THE BALANCE SHEET

- *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<br>£'000 | 31/03/2024<br>£'000 |
|-----------------------------------|---------------------|---------------------|
| Treasury Investments              | 24,359              | 20,177              |
| Trade Receivables                 | 4,572               | 6,385               |
| Lease Receivables                 | 109                 | 98                  |
| Service Loans                     | 6,922               | 7,479               |
| Service Loan Commitments          | 970                 | 0                   |
| <b>Total Credit Risk Exposure</b> | <b>36,932</b>       | <b>34,139</b>       |

### 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.

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<br>£000s | Short-term<br>£000s | Long-term<br>£000s | Short-term<br>£000s |
| AAA                      |                    | 10,245              |                    | 6,095               |
| Unrated pooled funds     | 16,459             |                     | 14,082             |                     |
| <b>Total Investments</b> | <b>16,459</b>      | <b>10,245</b>       | <b>14,082</b>      | <b>6,095</b>        |

## NOTES SUPPORTING THE BALANCE SHEET

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:

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

### 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.

## NOTES SUPPORTING THE BALANCE SHEET

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<br>£000s | 31-Mar-24<br>£000s | 31-Mar-23<br>£000s | 31-Mar-24<br>£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             |
| <b>Total</b>     | <b>106,655</b>     | <b>107,801</b>     | <b>132,977</b>     | <b>136,264</b>     |

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:

- 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

## NOTES SUPPORTING THE BALANCE SHEET

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:

|  | <b>£000s</b> |
|--|--------------|
| Increase in interest payable on variable rate borrowings     | 133          |
| Increase in interest receivable on variable rate investments | (11)         |
| <b>Impact on Comprehensive Income and Expenditure</b>        | <b>122</b>   |
| 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

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

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.

**NOTES SUPPORTING THE BALANCE SHEET**

**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:

| <b>Opening<br/>Balance<br/>01-Apr-23<br/>£000s</b> | <b>New<br/>Contributions<br/>£000s</b> | <b>Amounts<br/>Applied<br/>£000s</b> | <b>Closing<br/>Balance<br/>31-Mar-24<br/>£000s</b> |
|--|--|--------------------------------------|--|
| (3,794)  | (1,767)                                | 5                                    | (5,557)  |

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

|  | <b>2022/23<br/>£000s</b> | <b>2023/24<br/>£000s</b> |
|--|--------------------------|--------------------------|
| <b>Liabilities:</b>                          |                          |                          |
| Long term creditors – receipts in advance    | (3,314)                  | (5,213)                  |
| Capital grants received in advance – current | (65)                     | (59)                     |
| <b>Reserves:</b>                             |                          |                          |
| Capital grants unapplied reserve             | <u>(415)</u>             | <u>(285)</u>             |
|  | <b><u>(3,794)</u></b>    | <b><u>(5,557)</u></b>    |

# 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:

| <b>2022/23</b>        | <b>2023/24</b> |
|-----------------------|----------------|
| <b>£000s</b>          | <b>£000s</b>   |
| 473 Interest received | (1,264)        |
| (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:

| <b>2022/23</b>   | <b>2023/24</b> |
|--|----------------|
| <b>£000s</b>   | <b>£000s</b>   |
| 5,469 Depreciation and impairment  | 5,655          |
| 14,707 Impairment and downward revaluations  | 14,121         |
| 44 Amortisation  | 54             |
| (371) Change in impairment for bad debts   | 216            |
| 5,662 Increase/(decrease) in creditors   | (4,411)        |
| (1,280) (Increase)/decrease in debtors   | 4,438          |
| (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        | 934            |
| <b>31,081</b>  | <b>20,544</b>  |

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

| <b>2022/23</b>   | <b>2023/24</b> |
|--|----------------|
| <b>£000s</b>   | <b>£000s</b>   |
| (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                      | (1,947)        |
| - Any other items for which the cash effects are investing or financing cash flows   | -              |
| <b>(1,955)</b>   | <b>(2,356)</b> |

**NOTES SUPPORTING THE CASH FLOW STATEMENT**

### **37. Cash Flow Statement – Investing Activities**

| <b>2022/23</b>  |  | <b>2023/24</b>  |
|-----------------|--|-----------------|
| <b>£000s</b>    |  | <b>£000s</b>    |
| (18,028)        | Purchase of property, plant & equipment, investment property and intangible assets               | (17,849)        |
| (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 | 1,947           |
|                 | - Proceeds from investments  | -               |
| 1,676           | Other receipts from investing activities   | 3,124           |
| <b>(23,697)</b> | <b>Net cash flows from investing activities</b>  | <b>(21,133)</b> |

### **38. Cash Flow Statement – Financing Activities**

| <b>2022/23</b> |   | <b>2023/24</b> |
|----------------|---|----------------|
| <b>£000s</b>   |   | <b>£000s</b>   |
| 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         | 1,775          |
| <b>8,486</b>   | <b>Net cash flows from financing activities</b> | <b>3,029</b>   |



# 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 - 60 -.

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 - 58 -). 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- 59 -).

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- 99 -). 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 31<sup>st</sup> 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 15<sup>th</sup> 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- 113 -- 124 -

Payment of £727k 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 £6.9m was made in 2023/24 to Otterpool Park LLP in respect of a company loan and £360k in equity.

## NOTES TO THE FINANCIAL STATEMENTS

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Payment of £5k was 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:

| <b>Related Parties</b>                   | <b>2022/23</b> | <b>2023/24</b> |
|--|----------------|----------------|
|  | <b>£000s</b>   | <b>£000s</b>   |
| Amounts due to Central Government        | 9,015          | 8,520          |
| Amount due to Oportunitas Limited        | -              | -              |
| Amount due to Folkestone Parks Charity   | 317            | 174            |
| 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**

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:

| Grant                            | Purpose of Grant  | Opening<br>Balance<br>01-Apr-23<br>£000s | New<br>Grants<br>£000s | Expended<br>£000s | Closing<br>Balance<br>31-Mar-24<br>£000s | Balance<br>Sheet<br>Analysis |
|----------------------------------|---|--|------------------------|-------------------|--|------------------------------|
| Council Tax Energy Rebate Scheme | Payments to households to help with the cost of rising energy bills | (675)                                    | -                      | -                 | (675)                                    | Creditor                     |
|                                  |   | <u>(675)</u>                             | <u>0</u>               | <u>0</u>          | <u>(675)</u>                             |                              |

### **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.

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           |
| <b>Income</b>  |                 |
| (15,844) Dwelling Rents (Gross)  | (17,071)        |
| (285) Non dwelling rents (Gross)   | (373)           |
| (1,023) Charges for services and facilities  | (1,021)         |
| (52) Contributions towards expenditure   | (52)            |
| (374) Capital Grants and Contributions   | (3,491)         |
| <b>(17,579)</b>  | <b>(22,008)</b> |
| <b>Expenditure</b>   |                 |
| 3,974 Repairs and maintenance  | 4,530           |
| 6,202 Supervision and management   | 6,475           |
| 11 Rents, rates, taxes and other charges   | 13              |
| 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              |
| <b>21,128</b>  | <b>26,087</b>   |
| <b>3,549</b> Net (surplus)/deficit of HRA Services as included in the whole authority CIES | <b>4,079</b>    |
| <b>189</b> HRA services share of Corporate and Democratic Core                             | <b>155</b>      |
| <b>3,737</b> Net (surplus)/deficit of HRA services   | <b>4,234</b>    |
| (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              |
| <b>5,277</b> (Surplus)/Deficit for the year on HRA Services                                | <b>5,186</b>    |

| Movement on the Housing Revenue Account Statement   |                |
|---|----------------|
| 2022/23   | 2023/24        |
| £000s   | £000s          |
| 5,277 Deficit on the HRA Income and Expenditure Statement   | 5,186          |
| (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   | 6,076          |
| (283) HRA share of contributions to or from the Pensions Reserve (HRA Note 9)   | 201            |
| <b>3,062</b> Net (increase) or decrease before transfers to or from Reserves  | <b>3,639</b>   |
| - Transfer from the Major Repairs Reserve   | -              |
| <b>3,062</b> (Increase) or Decrease in year on the HRA  | <b>3,639</b>   |
| (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)  | 3,639          |
| <b>(7,001)</b> Balance on the HRA at the end of the current reporting period  | <b>(3,364)</b> |

## HOUSING REVENUE ACCOUNT

### 1. Housing Assets

At 31<sup>st</sup> 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:

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

The Balance Sheet value was as follows:

|  | <b>2022/23</b> | <b>2023/24</b> |
|--|----------------|----------------|
|  | <b>£000s</b>   | <b>£000s</b>   |
| <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                 | <b>235,618</b> | <b>224,580</b> |
| <i>Assets under construction</i>         | 1,729          | 1,717          |
| Total Non Operational Assets             | <b>1,729</b>   | <b>1,717</b>   |
| <b>Total Assets</b>                      | <b>237,347</b> | <b>226,297</b> |

### 2. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at the 31<sup>st</sup> 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

|   | <b>2022/23</b> | <b>2023/24</b> |
|---|----------------|----------------|
|   | <b>£000s</b>   | <b>£000s</b>   |
| 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          |
| <b>Balance on the Major Repairs Reserve as at 31 March</b>            | <b>-</b>       | <b>-</b>       |



## HOUSING REVENUE ACCOUNT

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

|                   | 2022/23      | 2023/24       |
|-------------------|--------------|---------------|
|                   | £000s        | £000s         |
| Houses            | 9,655        | 12,359        |
| Other Property    | 44           | 342           |
| Intangible Assets | 48           | -             |
|                   | <b>9,747</b> | <b>12,700</b> |

### 5. Capital Financing

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

|                       | 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         |
|                       | <b>9,750</b> | <b>12,643</b> |

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

|                  | 2022/23      | 2023/24    |
|------------------|--------------|------------|
|                  | £000s        | £000s      |
| Houses and Flats | 1,098        | 561        |
|                  | <b>1,098</b> | <b>561</b> |

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

| 2022/23        |              |              |                                   | 2023/24        |              |              |              |
|----------------|--------------|--------------|-----------------------------------|----------------|--------------|--------------|--------------|
| Revaluation    | Depreciation | Impairment   | Amortisation                      | Revaluation    | Depreciation | Impairment   | Amortisation |
| £000s          | £000s        | £000s        | £000s                             | £000s          | £000s        | £000s        | £000s        |
| -              | -            | -            | -                                 |                |              |              |              |
| (1,956)        | 2,934        | 5,854        | -                                 | (3,357)        | 3,039        | 8,170        | -            |
| 236            | 38           | 148          | -                                 | -              | 44           | 168          | -            |
| -              | 84           | -            | -                                 | -              | 86           | -            | -            |
| -              | 30           | -            | -                                 | -              | 30           | -            | -            |
|                |              |              | 32                                |                |              |              | 42           |
|                |              |              | Amortisation of intangible assets |                |              |              | assets       |
| <b>(1,719)</b> | <b>3,087</b> | <b>6,002</b> | <b>32</b>                         | <b>(3,357)</b> | <b>3,199</b> | <b>8,338</b> | <b>42</b>    |

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

## HOUSING REVENUE ACCOUNT

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

|   | 31-Mar-23<br>£000s | 31-Mar-24<br>£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<br>£000s | 2023/24<br>£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)             |
|   | <u>(7,345)</u>   | <u>(8,216)</u>   |

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

### 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.

## **HOUSING REVENUE ACCOUNT**

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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).

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**

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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.

## COLLECTION FUND

| 2022/23  |                            |                  | 2023/24   |                         |                            |                  |
|--|----------------------------|------------------|---|-------------------------|----------------------------|------------------|
| Council<br>Tax<br>£000s  | Business<br>Rates<br>£000s | Total<br>£000s   |   | Council<br>Tax<br>£000s | Business<br>Rates<br>£000s | Total<br>£000s   |
| <b>Amounts required by statute to be credited to the Collection Fund</b> |                            |                  |   |                         |                            |                  |
| (84,354)   |                            | (84,354)         |   | (89,867)                |                            | (89,867)         |
| 5  |                            | 5                | Council Tax benefit   | -                       |                            | -                |
| (86)   |                            | (86)             | Council Tax S13A 1(C) Discounts                               | (456)                   |                            | (456)            |
|  | (21,778)                   | (21,778)         | Business Rates income (Note 2)                                |                         | (29,355)                   | (29,355)         |
|  | (1,376)                    | (1,376)          | Business Rates transitional protection                        |                         | (2,179)                    | (2,179)          |
| <b>(84,435)</b>  | <b>(23,154)</b>            | <b>(107,589)</b> | <b>Total Income</b>   | <b>(90,323)</b>         | <b>(31,534)</b>            | <b>(121,857)</b> |
| <b>Amounts required by statute to be debited to the Collection Fund</b>  |                            |                  |   |                         |                            |                  |
| <b>Council tax precepts and demands:</b>                                 |                            |                  |   |                         |                            |                  |
| 57,240   |                            | 57,240           | Kent County Council   | 61,334                  |                            | 61,334           |
| 8,937  |                            | 8,937            | Kent Police and Crime Commissioner                            | 9,720                   |                            | 9,720            |
| 3,226  |                            | 3,226            | Kent Fire and Rescue Service                                  | 3,490                   |                            | 3,490            |
| 13,591   |                            | 13,591           | Folkestone & Hythe District Council                           | 14,290                  |                            | 14,290           |
| 3,408  |                            | 3,408            | Surplus/(deficit) distribution                                | (342)                   |                            | (342)            |
| 832  |                            | 832              | Council Tax bad debts written off                             | 489                     |                            | 489              |
| 386  |                            | 386              | (Decrease)/Increase in provision for Council Tax bad debts    | 327                     |                            | 327              |
| <b>Payment of Business Rates</b>   |                            |                  |   |                         |                            |                  |
|  | 145                        | 145              | Cost of Business Rates collection                             |                         | 145                        | 145              |
|  |                            |                  | Share of Business Rates income:                               |                         |                            |                  |
|  | 11,275                     | 11,275           | Central Government (central share)                            |                         | 13,576                     | 13,576           |
|  | 2,030                      | 2,030            | Kent County Council   |                         | 2,444                      | 2,444            |
|  | 226                        | 226              | Kent Fire and Rescue Service                                  |                         | 272                        | 272              |
|  | 9,020                      | 9,020            | Folkestone & Hythe District Council                           |                         | 10,860                     | 10,860           |
|  | (8,860)                    | (8,860)          | Surplus/(deficit) distribution                                |                         | 289                        | 289              |
|  | 180                        | 180              | Business Rates bad debts written off                          |                         | 31                         | 31               |
|  | 262                        | 262              | (Decrease)/Increase in provision for Business Rates bad debts |                         | 78                         | 78               |
|  | (2,032)                    | (2,032)          | (Decrease)/Increase in provision for Business Rates appeals   |                         | 457                        | 457              |
| <b>87,620</b>  | <b>12,246</b>              | <b>99,866</b>    | <b>Total Expenditure</b>                                      | <b>89,308</b>           | <b>28,152</b>              | <b>117,460</b>   |
| 3,185  | (10,908)                   | (7,723)          | <b>(SURPLUS)/DEFICIT FOR THE YEAR</b>                         | (1,015)                 | (3,382)                    | (4,397)          |
| (1,638)  | 9,183                      | 7,545            | (Surplus)/Deficit brought forward                             | 1,547                   | (1,725)                    | (178)            |
| 1,547  | (1,725)                    | (178)            | (Surplus)/Deficit carried forward                             | 532                     | (5,107)                    | (4,575)          |

## COLLECTION FUND

### 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           |
| <b>2,118.71</b>   | <b>2,222.12</b> |

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

| Band | Chargeable Dwellings | Band D Equivalent                                     | Income<br>£'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)           |
|      | 52,741               | 41,136  | <b>(91,410)</b> |
|      |                      | Contributions from the Ministry of Defence in lieu of | (613)           |
|      |                      | In year adjustments                                   | 2,156           |
|      |                      | <b>Income collectable from council tax payers</b>     | <b>(89,867)</b> |

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%).

## COLLECTION FUND

| <b>2022/23</b>  |  | <b>2023/24</b>  |
|-----------------|--|-----------------|
| <b>£000s</b>    |  | <b>£000s</b>    |
| (73,026)        | Non domestic rateable value as at 31 March   | (83,096)        |
| 49.9p           | Non-domestic rate multiplier   | 49.9p           |
| <b>(36,440)</b> | <b>NNDR income before allowances and other adjustments</b>   | <b>(41,465)</b> |
| 14,662          | Allowances, reduced assessments and other adjustments, including small business rate relief supplement & Covid reliefs | 12,110          |
| <b>(21,778)</b> | <b>Income collectable from business rate payers</b>  | <b>(29,355)</b> |

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 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

**Group Movement in Reserves Statement**

|  | General Fund<br>Balance | Housing<br>Revenue<br>Account | Capital Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied<br>Account | Total Usable<br>Reserves | Unusable<br>Reserves | Total Authority<br>Reserves | Council Share of<br>Subsidiary<br>Usable Reserves | Total Group<br>Reserves |
|--|-------------------------|-------------------------------|-----------------------------|--------------------------|--|--------------------------|----------------------|-----------------------------|---|-------------------------|
|  | £000s                   | £000s                         | £000s                       | £000s                    | £000s                                  | £000s                    | £000s                | £000s                       | £000s   | £000s                   |
| <b>2022/23</b>   |                         |                               |                             |                          |  |                          |                      |                             |   |                         |
| Group Balance at 31 March 2022   | (26,977)                | (10,065)                      | (9,069)                     | -                        | (7,923)                                | (54,034)                 | (193,853)            | (247,887)                   | (198)   | (248,085)               |
| <b>Movement in reserves during 2022/23</b>                               |                         |                               |                             |                          |  |                          |                      |                             |   |                         |
| Total Comprehensive Income and Expenditure                               | 14,375                  | 5,277                         | -                           | -                        | -                                      | 19,652                   | (69,754)             | (50,102)                    | (1,719)   | (51,821)                |
| Adjustments between group accounts and authority accounts                | (1,747)                 | -                             | -                           | -                        | -                                      | (1,747)                  | -                    | (1,747)                     | 1,747   | -                       |
| <b>Net Increase/Decrease before Transfers</b>                            | <b>12,628</b>           | <b>5,277</b>                  | -                           | -                        | -                                      | <b>17,905</b>            | <b>(69,754)</b>      | <b>(51,849)</b>             | <b>28</b>   | <b>(51,821)</b>         |
| Adjustments between accounting basis and funding basis under regulations | (6,147)                 | (2,215)                       | 1,210                       | -                        | 1,146                                  | (6,006)                  | 6,006                | -                           | -   | -                       |
| <b>Increase or Decrease in 2022/23</b>                                   | <b>6,481</b>            | <b>3,062</b>                  | <b>1,210</b>                | -                        | <b>1,146</b>                           | <b>11,900</b>            | <b>(63,748)</b>      | <b>(51,849)</b>             | <b>28</b>   | <b>(51,821)</b>         |
| <b>Balance at 31st March 2023 carried forward</b>                        | <b>(20,496)</b>         | <b>(7,003)</b>                | <b>(7,859)</b>              | -                        | <b>(6,777)</b>                         | <b>(42,134)</b>          | <b>(257,601)</b>     | <b>(299,736)</b>            | <b>(170)</b>                                      | <b>(299,906)</b>        |
| <b>2023/24</b>   |                         |                               |                             |                          |  |                          |                      |                             |   |                         |
| Group Balance at 31 March 2023   | (20,496)                | (7,003)                       | (7,859)                     | -                        | (6,777)                                | (42,134)                 | (257,601)            | (299,736)                   | (170)   | (299,906)               |
| <b>Movement in reserves during 2023/24</b>                               |                         |                               |                             |                          |  |                          |                      |                             |   |                         |
| Total Comprehensive Income and Expenditure                               | 3,570                   | 5,186                         | -                           | -                        | -                                      | 8,755                    | 17,150               | 25,905                      | (3,072)   | 22,833                  |
| Adjustments between group accounts and authority accounts                | (3,253)                 | -                             | -                           | -                        | -                                      | (3,253)                  | -                    | (3,253)                     | 3,253   | -                       |
| <b>Net Increase/Decrease before Transfers</b>                            | <b>317</b>              | <b>5,186</b>                  | -                           | -                        | -                                      | <b>5,502</b>             | <b>17,150</b>        | <b>22,652</b>               | <b>181</b>  | <b>22,833</b>           |
| Adjustments between accounting basis and funding basis under regulations | 2,235                   | (1,546)                       | (1,218)                     | -                        | (721)                                  | (1,250)                  | 1,250                | -                           | -   | -                       |
| <b>Increase or Decrease in 2023/24</b>                                   | <b>2,552</b>            | <b>3,639</b>                  | <b>(1,218)</b>              | -                        | <b>(721)</b>                           | <b>4,252</b>             | <b>18,400</b>        | <b>22,652</b>               | <b>181</b>  | <b>22,833</b>           |
| <b>Balance at 31st March 2024 carried forward</b>                        | <b>(17,944)</b>         | <b>(3,364)</b>                | <b>(9,076)</b>              | -                        | <b>(7,498)</b>                         | <b>(37,882)</b>          | <b>(239,201)</b>     | <b>(277,083)</b>            | <b>11</b>   | <b>(277,074)</b>        |

**GROUP ACCOUNTS**

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

Group Comprehensive Income and Expenditure Statement:

| 2022/23                       |                  |                             |   | 2023/24                       |                  |                             |
|-------------------------------|------------------|-----------------------------|---|-------------------------------|------------------|-----------------------------|
| Gross<br>Expenditure<br>£000s | Income<br>£000s  | Net<br>Expenditure<br>£000s |   | Gross<br>Expenditure<br>£000s | Income<br>£000s  | Net<br>Expenditure<br>£000s |
|                               |                  |                             | <b>Continuing Operations</b>                              |                               |                  |                             |
| 1,097                         | (188)            | 908                         | Leadership Support  | 847                           | (180)            | 667                         |
| 3,526                         | (295)            | 3,231                       | Governance & Law  | 3,699                         | (300)            | 3,399                       |
| 842                           | (141)            | 701                         | Human Resources   | 836                           | (136)            | 699                         |
| 34,809                        | (29,042)         | 5,767                       | Finance Customer & Support                                | 35,407                        | (28,005)         | 7,402                       |
| -                             | -                | -                           | Strategic Development                                     | -                             | -                | -                           |
| 1,252                         | (555)            | 697                         | Economic Development                                      | 1,677                         | (1,468)          | 209                         |
| 1,645                         | (1,249)          | 396                         | Planning  | 1,666                         | (1,555)          | 111                         |
| 16,651                        | (6,935)          | 9,716                       | Estates & Operations                                      | 11,793                        | (7,131)          | 4,662                       |
| 5,610                         | (5,750)          | (141)                       | Housing   | 5,383                         | (6,370)          | (987)                       |
| 9,384                         | (4,112)          | 5,272                       | Customer Case Regulatory & Communities                    | 9,910                         | (3,031)          | 6,879                       |
| -                             | -                | -                           | Transition & Transformation                               | -                             | -                | -                           |
| 19,597                        | (17,579)         | 2,018                       | Local Authority Housing (HRA)                             | 22,885                        | (22,008)         | 876                         |
| <b>94,410</b>                 | <b>(65,845)</b>  | <b>28,566</b>               | <b>(Surplus)/Deficit on Continuing Operations</b>         | <b>94,103</b>                 | <b>(70,184)</b>  | <b>23,919</b>               |
| 4,439                         | (75)             | 4,365                       | Other operating expenditure                               | 5,591                         | -                | 5,591                       |
| 11,158                        | (7,130)          | 4,027                       | Financing and investment income and expenditure           | 5,034                         | (2,767)          | 2,268                       |
| 6,317                         | (27,263)         | (20,946)                    | Taxation and non-specific grant income                    | 7,137                         | (32,501)         | (25,365)                    |
| <b>116,325</b>                | <b>(100,313)</b> | <b>16,012</b>               | <b>(Surplus) or Deficit on Provision of Services</b>      | <b>111,865</b>                | <b>(105,452)</b> | <b>6,414</b>                |
| -                             | -                | <b>(6,641)</b>              | (Surplus) or deficit on revaluation of non-current assets | -                             | -                | <b>19,278</b>               |
| -                             | -                | <b>(61,192)</b>             | Re-measurement of net defined liability                   | -                             | -                | <b>(2,858)</b>              |
| -                             | -                | <b>(67,833)</b>             | <b>Other Comprehensive Income and Expenditure</b>         | -                             | -                | <b>16,420</b>               |
| -                             | -                | <b>(51,821)</b>             | <b>TOTAL Comprehensive Income and Expenditure</b>         | -                             | -                | <b>22,833</b>               |

**GROUP ACCOUNTS**  
**GROUP BALANCE SHEET**

**Group Balance Sheet:**

| <b>2022/23</b>   |                                      | <b>Note</b> | <b>2023/24</b>   |
|------------------|--------------------------------------|-------------|------------------|
| <b>£000s</b>     |                                      |             | <b>£000s</b>     |
|                  | <b>Non current assets</b>            |             |                  |
| 227,963          | Council dwellings                    |             | 217,074          |
| 128,277          | Property, plant and equipment        |             | 116,873          |
| 2,998            | Heritage Assets                      |             | 2,998            |
| 42,460           | Investment property                  | 2           | 43,959           |
| 210              | Intangible assets                    |             | 223              |
| 14,114           | Long term investments                | 3           | 14,082           |
| 2,809            | Long term debtors                    | 4           | 418              |
| <b>418,831</b>   | <b>Long term assets</b>              |             | <b>395,625</b>   |
| -                | Assets Held For Sale                 |             | 109              |
| 8,731            | Inventories                          | 5           | 17,113           |
| 17,059           | Short term debtors                   | 6           | 10,199           |
| 11,307           | Cash and cash equivalents            | 7           | 5,426            |
| <b>37,097</b>    | <b>Current assets</b>                |             | <b>32,847</b>    |
| (44,755)         | Short term borrowing                 | 9           | (38,007)         |
| (24,571)         | Short term creditors                 |             | (17,291)         |
| (3,554)          | Grants receipts in advance - capital |             | (5,645)          |
| (1,198)          | Current Provisions                   |             | (1,381)          |
| <b>(74,078)</b>  | <b>Current liabilities</b>           |             | <b>(62,324)</b>  |
| (62,322)         | Long term borrowing                  | 9           | (70,323)         |
| (13,098)         | Net Pensions liability               |             | (9,077)          |
| (6,101)          | Long term liabilities                |             | (9,053)          |
| (423)            | Provisions                           |             | (619)            |
| <b>(81,944)</b>  | <b>Long term liabilities</b>         |             | <b>(89,073)</b>  |
| <b>299,905</b>   | <b>Net assets</b>                    |             | <b>277,075</b>   |
| (42,305)         | Usable reserves                      |             | (37,873)         |
| (257,602)        | Unusable reserves                    |             | (239,200)        |
| <b>(299,905)</b> | <b>Total Reserves</b>                |             | <b>(277,075)</b> |

**GROUP ACCOUNTS**  
**GROUP CASH FLOW STATEMENT**

**Group Cashflow Statement:**

| <b>2022/23</b>  | <b>2023/24</b>  |
|---|-----------------|
| <b>£000s</b>  | <b>£000s</b>    |
| (18,626) Net surplus or (deficit) on the provision of services  | (6,717)         |
| 33,372 Adjustments to net surplus or (deficit) on the provision of services for non-cash movements  | 21,971          |
| (2,665) Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | (4,163)         |
| <b>12,080 Net cash flow from operating activities</b>   | <b>11,091</b>   |
| <b>(17,726) Net cash flow from investing activities (Group Note 8)</b>  | <b>(15,091)</b> |
| <b>2,163 Net cash flow from financing activities</b>  | <b>(1,884)</b>  |
| <b>(3,483) Net increase or decrease in cash and cash equivalents</b>  | <b>(5,884)</b>  |
| 14,790 Cash and cash equivalents at the beginning of the reporting period   | 11,307          |
| <b>11,307 Cash and cash equivalents at the end of the reporting period</b>  | <b>5,426</b>    |

## **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

## GROUP ACCOUNTS

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:

|  | 2022/23<br>£000s | 2023/24<br>£000s       | 2023/24<br>£000s | 2023/24<br>£000s |
|--|------------------|------------------------|------------------|------------------|
| Cost or Valuation                            |                  | Investment<br>Property | AUC              | Total            |
| At 1 April                                   | 39,637           | 40,098                 | -                | 40,098           |
| Additions – acquisitions                     | 1,406            | 1,350                  | -                | 1,350            |
| Assets Under Construction (AUC) - at 1 April | -                | -                      | 2,362            | 2,362            |
| Additions - AUC                              | 1,275            | -                      | 939              | 939              |
| Transfers from AUC                           | -                | 3,300                  | (3,300)          | -                |
| Net gain/loss from fv adjustments            | 1,231            | 752                    | -                | 752              |
| Impairment                                   | (1,029)          | (1,251)                | -                | (1,251)          |
| Reclassification to PPE- Surplus Asset       | -                | -                      | -                | -                |
| Disposals                                    | (60)             | (291)                  | -                | (291)            |
| At 31 March                                  | <b>42,460</b>    | <b>43,959</b>          | -                | <b>43,959</b>    |

#### Fair Value Hierarchy for Investment Properties

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

## GROUP ACCOUNTS

| 2023/24 Recurring fair value measurements using: | Other significant observable inputs | Fair value at |
|--|-------------------------------------|---------------|
|  | (Level 2)                           | 31-Mar-24     |
|  | £000s                               | £000s         |
| Residential Units                                | 22,175                              | 22,175        |
| Agricultural Land                                | 1,185                               | 1,185         |
| Commercial Units                                 | 20,599                              | 20,599        |
| <b>Total at Fair Value</b>                       | <b>43,959</b>                       | <b>43,959</b> |
| Assets Under Construction                        | -                                   | -             |

### 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

| Long Term Investments                            | 2022/23       | 2023/24       |
|--|---------------|---------------|
|  | £000s         | £000s         |
| Bond, equity & property funds                    | 14,114        | 14,082        |
| Shares in unlisted companies                     | -             | -             |
| Changes in FV of equity investments in companies | -             | -             |
|  | <b>14,114</b> | <b>14,082</b> |



## GROUP ACCOUNTS

### Note 4 – Long Term Debtors

| Long Term Debtors                           | 2022/23<br>£000s | 2023/24<br>£000s |
|---|------------------|------------------|
| Loan to Oportunitas Limited                 | -                | -                |
| Loan to Otterpool Park LLP                  | -                | -                |
| Expected Credit Loss (Loans to Companies)   | (369)            | 94               |
| Other Adjustments                           | (521)            | (2,906)          |
| Soft Loans                                  | 1,739            | 1,589            |
| Other Loans                                 | 1,090            | 779              |
| Capital Prepayment (Otterpool Land Options) | 773              | 773              |
| Lease Receivables                           | 98               | 88               |
|   | <b>2,809</b>     | <b>418</b>       |

### Note 5 – Stock and WIP

|                  | 2022/23<br>£000s | 2023/24<br>£000s |
|------------------|------------------|------------------|
| Stock            | 11               | 6                |
| Work in progress | 8,720            | 17,107           |
|                  | <b>8,731</b>     | <b>17,113</b>    |

### Note 6 – Short Term Debtors

| Short Term Debtors               | 2022/23<br>£000s | 2023/24<br>£000s |
|----------------------------------|------------------|------------------|
| Trade Receivables                | 3,262            | 2,018            |
| Receivables from Related Parties | 7,266            | 1,971            |
| Prepayments                      | 705              | 729              |
| Other Receivables                | 2,017            | 2,048            |
| Council Taxpayers                | 2,889            | 2,488            |
| Business Ratepayers              | 1,398            | 33               |
| Sundry Debtors                   | 1,644            | 2,484            |
|                                  | <b>19,181</b>    | <b>11,770</b>    |
| <b>Impairment of debt</b>        |                  |                  |
| Trade Receivables                | (1,059)          | (506)            |
| Other Receivables                | (1,063)          | (1,066)          |
| <b>Total</b>                     | <b>(2,122)</b>   | <b>(1,571)</b>   |
|                                  | <b>17,059</b>    | <b>10,199</b>    |

## GROUP ACCOUNTS

### Note 7 – Cash and Cash Equivalents

| Cash and Cash Equivalents | 2022/23       | 2023/24      |
|---------------------------|---------------|--------------|
|                           | £000s         | £000s        |
| Bank Accounts             | 1,062         | (669)        |
| Money Market Funds        | 10,245        | 6,095        |
|                           | <u>11,307</u> | <u>5,426</u> |

### Note 8 – Cash Flow Statement – Investing Activities

| 2022/23         |  | 2023/24         |
|-----------------|--|-----------------|
| £000s           |  | £000s           |
| (19,351)        | Purchase of property, plant & equipment, investment property and intangible assets               | (18,894)        |
|                 | - Purchase of short-term and long-term investments   | -               |
| (1,291)         | Other payments for investing activities  | (1,273)         |
| 1,240           | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | 1,947           |
|                 | - Proceeds from investments  | -               |
| 1,676           | Other receipts from investing activities   | 3,124           |
| <u>(17,726)</u> | <b>Net cash flows from investing activities</b>  | <u>(15,091)</u> |

## GROUP ACCOUNTS

### Note 9 – Financial Instruments

| Financial Liabilities              | Long Term          |                    | Short Term         |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | 31-Mar-23<br>£000s | 31-Mar-24<br>£000s | 31-Mar-23<br>£000s | 31-Mar-24<br>£000s |
| Loans amortised cost:              |                    |                    |                    |                    |
| - Principal sum borrowed           | (62,323)           | (70,323)           | (44,333)           | (37,478)           |
| - Accrued interest                 | -                  | -                  | (422)              | (528)              |
| <b>Total Borrowing</b>             | <b>(62,323)</b>    | <b>(70,323)</b>    | <b>(44,755)</b>    | <b>(38,007)</b>    |
| Liabilities at amortised cost:     |                    |                    |                    |                    |
| - Trade payables                   | -                  | -                  | (8,091)            | (3,277)            |
| <b>Included in Creditors</b>       | <b>-</b>           | <b>-</b>           | <b>(8,091)</b>     | <b>(3,277)</b>     |
| <b>Total Financial Liabilities</b> | <b>(62,323)</b>    | <b>(70,323)</b>    | <b>(52,846)</b>    | <b>(41,284)</b>    |

| Financial Assets                         | Long Term          |                    | Short Term         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 31-Mar-23<br>£000s | 31-Mar-24<br>£000s | 31-Mar-23<br>£000s | 31-Mar-24<br>£000s |
| At fair value through profit & loss:     |                    |                    |                    |                    |
| - Fair value                             | 8,396              | 8,676              | -                  | -                  |
| <b>Total investments</b>                 | <b>8,396</b>       | <b>8,676</b>       | <b>-</b>           | <b>-</b>           |
| At amortised cost:                       |                    |                    |                    |                    |
| - Principal                              | -                  | -                  | 500                | (772)              |
| At fair value through profit & loss:     |                    |                    |                    |                    |
| - Fair value                             | -                  | -                  | 10,245             | 6,095              |
| <b>Total Cash &amp; Cash Equivalents</b> | <b>-</b>           | <b>-</b>           | <b>10,745</b>      | <b>5,323</b>       |
| At amortised cost:                       |                    |                    |                    |                    |
| - Trade receivables*                     | -                  | -                  | 3,510              | 3,488              |
| - Lease receivables*                     | 98                 | 42                 | 11                 | 57                 |
| - Loans made for service purposes*       | 8,467              | 23,931             | 193                | (1,534)            |
| - Loss allowance Expected Credit Loss*   | -                  | -                  | (66)               | 553                |
| <b>Included in Debtors</b>               | <b>8,565</b>       | <b>23,972</b>      | <b>3,649</b>       | <b>2,563</b>       |
| <b>Total Financial Assets</b>            | <b>16,961</b>      | <b>32,648</b>      | <b>14,393</b>      | <b>7,887</b>       |

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

2023/24 Audit Opinion to Follow

**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

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# Annual Governance Statement 2023/24

## 1. INTRODUCTION:

- 1.1 The Leader of the Council (Councillor Jim Martin) and Chief Executive (Dr Susan Priest) both recognise the importance of having good systems in place to manage and deliver services to the residents of Folkestone & Hythe. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. This AGS is in respect of the 2023-24 financial year.

## 2. SCOPE OF RESPONSIBILITY

- 2.1 Folkestone and Hythe District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.
- 2.3 The Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework "Delivering Good Governance in Local Government." A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements under the Accounts and Audit Regulations 2015 (SI 2015/184).

## 3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK:

- 3.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- Identify and prioritise risks to the achievement of the Council's aims and objectives.
  - Evaluate the likelihood and impact of those risks.
  - Manage those risks efficiently, effectively and economically.

The information provided in the governance framework includes matters to the year ending 31 March 2024, and up to the date of approval of the annual report and statement of accounts.

## 4. HOW WE APPLY THE GOVERNANCE FRAMEWORK TO THE LOCAL CODE OF CORPORATE GOVERNANCE

- 4.1 The Council aims to achieve effective corporate governance through the Local Code of Corporate Governance. The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to

sources of further information which include more detail about how the Council has implemented its commitments:

| <b>Principle A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW</b>  |   |
|--|---|
| <b>How the Council meets these principles</b>  | <b>Where you can see Governance in action:</b>  |
| <p><b>Code of Conduct:</b> There are codes of conduct in place for all Councillors and Officers which can be found in Parts 9.1 and 8.3 of the Constitution.</p> <p>The Council has appointed independent persons to investigate any allegations of misconduct and the Audit and Governance Committee receives regular reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>Complaints of misconduct by an officer, will be directed to the employee’s line manager or corporate director and will be dealt with in accordance with the Council’s disciplinary procedures.</p>  | <p><a href="#">Code of Conduct for Councillors</a></p> <p><a href="#">Code of conduct for officers</a></p> <p><a href="#">Audit and Governance Committee   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p>          |
| <p><b>Constitution:</b> Sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to citizens. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 15 articles, which set out the basic rules governing the Council's business.</p> <p>The Council’s Constitution notably contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules.</p>  | <p><a href="#">Council Constitution</a></p>   |
| <p><b>Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing:</b></p> <p>The aim of this document is a policy statement of the Council’s strategy for combating and dealing with fraud and corruption both within and against the authority. As such, it provides an overview of the key principles to be observed by members and staff.</p> <p>The Anti-Fraud &amp; Anti-Corruption Framework is divided into five smaller targeted documents, including the Anti-Fraud &amp; Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy.</p> | <p><a href="#">Anti-Fraud and Corruption Framework</a></p>  |
| <p><b>Council Employment Terms</b></p>   | <p>All Council employees have clear conditions of employment as set out in their employment contract, and roles and responsibilities are set out in job descriptions. A variety of related employment policies and guidance notes</p> |

**ANNUAL GOVERNANCE STATEMENT**

|  |   |
|--|---|
|  | <p>are available to staff via the internal intranet. Staff are notified as updates are made.</p>  |
| <p><b>Declaration of Disclosable Pecuniary Interests:</b> A member must, before the end of 28 days beginning with the day he/she becomes a Member or Co-opted Member of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest.</p> <p>Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest.</p> <p>There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Any declarations of interest made during meetings are recorded in the minutes.</p>   | <p><a href="#">Declarations of Interest</a></p>   |
| <p><b>Compliments &amp; Complaints Procedure:</b> The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p>   | <p><a href="#">Council's complaints procedure</a></p>   |
| <p><b>Management Structure:</b> The council has established senior leadership team in place known as the Corporate Leadership Team (CLT) which is the main officer decision-making body and works with elected members, to provide strategic direction and run key council services. CLT consists of the following positions:</p> <ul style="list-style-type: none"> <li>• <b>Chief Executive</b></li> <li>• <b>Director of Strategy and Resources</b></li> <li>• <b>Director of Housing and Operations</b></li> <li>• <b>Interim Director of Governance and Finance (S151 Officer)</b></li> </ul> <p>A further 8 Chief Officers make up extended Senior management team that report into the following directors:</p> <ul style="list-style-type: none"> <li>• <b>Director of Strategy and Resources:</b> <ul style="list-style-type: none"> <li>○ <b>Chief Officer – Planning &amp; Building Control</b></li> <li>○ <b>Chief Officer – People &amp; Customer Services</b></li> <li>○ <b>Assistant Director – Governance, Law &amp; Democracy</b></li> </ul> </li> <li>• <b>Director of Housing and Operations:</b> <ul style="list-style-type: none"> <li>○ <b>Chief Officer – Housing</b></li> <li>○ <b>Chief Officer – Regulatory &amp; Community Services</b></li> <li>○ <b>Chief Officer – Place &amp; Growth</b></li> <li>○ <b>Chief Officer – Corporate Estates &amp; Development</b></li> </ul> </li> <li>• <b>Interim Director of Governance and Finance (S151 Officer)</b></li> </ul> | <p><a href="#">Corporate Leadership Team</a></p> <p><a href="#">Organisation chart, covering staff in the top three levels of the organisation.</a></p> |

|   |  |
|---|--|
| <p>○ <b>Chief Officer – Financial Services</b></p> <p>The council has the following statutory officer positions in place that are responsible for the following:</p> <p><b>Head of Paid Service:</b> This role resides with the Chief Executive and has a duty to monitor and review the operations of the Constitution to ensure its aims and principles are given full effect. The Authority keeps the appropriateness of the Constitution under review.</p> <p><b>Chief Finance Officer (Section 151):</b> The interim Director of Governance and Finance holds the role of Chief Finance Offer, a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.</p> <p><b>Monitoring Officer:</b> The Assistant Director for Governance &amp; Law holds the role of Monitoring Officer and is responsible for:</p> <ul style="list-style-type: none"> <li>• Maintaining and interpreting the Councils constitution, ensuring lawfulness and fairness of decision-making.</li> <li>• Providing advice to all councillors, on the scope of powers and authority to take decisions; maladministration; financial impropriety; probity; and Budget and Policy Framework issues.</li> <li>• Conducting investigations, or arrange for investigations to be conducted, into complaints concerning alleged breaches of the councillor’s Code of Conduct.</li> </ul> |  |
|---|--|

**Principle: B - ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

| <b>How the Council meets these principles</b>   | <b>Where you can see Governance in action:</b> |
|---|--|
| <p><b>Corporate Plan:</b> The Council identifies and communicates its aims and ambitions for the district through its current Corporate Plan. The plan covers the period 2021 to 2030. The current Corporate Plan sets out the Council’s vision for improving the lives for all those who live and work in the district for the next nine years.</p> <p>The vision for Folkestone &amp; Hythe is ‘<b>Creating Tomorrow Together</b>’.</p> <p>To help achieve the vision for the district, the Council’s current corporate plan has four service ambitions and six guiding principles set out as follows:</p> <p>Four service ambitions:</p> | <p><a href="#">Corporate Plan 2021-30</a></p>  |

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Positive Community Leadership</li> <li>• A Thriving Environment</li> <li>• A Vibrant Economy</li> <li>• Quality Homes and Infrastructure</li> </ul> <p>Six guiding principles:</p> <ul style="list-style-type: none"> <li>• Sustainable Recovery;</li> <li>• Locally Distinctive;</li> <li>• Greener Folkestone &amp; Hythe;</li> <li>• Transparent, Stable, Accountable &amp; Accessible;</li> <li>• Working Effectively with Partners; and</li> <li>• Continuous Improvement.</li> </ul> <p>Following the local elections in May 2023, which brought about change in the council’s political control, the new administration led by both the Green Party and the Liberal Democrats have requested the current corporate plan be reviewed to reflect the priorities of the current administration. Preparatory discussions on forming the process of review began in the 2023-24 year with new corporate plan member and officer working group to be established in May 2024, which has political representation from all parties to help develop new corporate priorities. Working on shaping new the plan will be continuing throughout 2024 with adoption of a new plan anticipated in early 2025.</p> |   |
| <p><b>Freedom of Information and Transparency:</b> The Council is committed to transparency and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the government’s transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500. Information published includes:</p> <ul style="list-style-type: none"> <li>• Senior Staff Salaries</li> <li>• Organisational Structure Chart</li> <li>• Payment to suppliers (over the value £250)</li> <li>• Purchase Orders (£5,000 and over)</li> <li>• Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees.</li> <li>• Grants to Voluntary, Community and Social Enterprise Organisations</li> <li>• Parking Accounts</li> <li>• Local Authority Land Assets</li> <li>• Fraud - Information relating to the work we do countering fraud</li> <li>• Trade Union Facility Time</li> </ul>  | <p><a href="#">Freedom of Information</a></p> <p><a href="#">Council Transparency</a></p> |

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| <p><b>Council Committees and papers:</b> The Council’s democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. Meetings are held face to face and are livestreamed for the public to view to support transparency in decision-making. Restricted papers are kept to a minimum and if necessary commercially sensitive data, or that with an exemption, is redacted.</p> | <p><a href="#">Committees and Papers</a></p>  |
| <p><b>Social Media:</b> The Council has a Facebook page and Twitter feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram to get updates from and interact with the Council.</p>  | <p><a href="#">Folkestone &amp; Hythe District Council   Folkestone   Facebook</a></p> <p><a href="https://x.com/fstonehythedc">https://x.com/fstonehythedc</a></p> <p><a href="#">Folkestone &amp; Hythe District Council   LinkedIn</a></p> <p><a href="#">Folkestone &amp; Hythe DC (@folkestonehythedc) • Instagram</a></p> |
| <p><b>Council Website:</b> The Council’s website is set out in a clear and easily accessible way, using plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage.</p>  | <p><a href="http://www.folkestone-hythe.gov.uk">www.folkestone-hythe.gov.uk</a></p>   |
| <p><b>Statement of Accounts:</b> The Statement of Accounts provides a clear summary of the Council’s activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p>  | <p><a href="#">Statement of accounts   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p>  |

**Principle: C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS**

| How the Council meets these principles  | Where you can see Governance in action:       |
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| <p><b>Corporate Plan:</b> The Council identifies and communicates its aims and ambitions for the district through its current Corporate Plan. The plan covers the period 2021 to 2030. The current Corporate Plan sets out the Council’s vision for improving the lives for all those who live and work in the district for the next nine years.</p> <p>The vision for Folkestone &amp; Hythe is ‘<b>Creating Tomorrow Together</b>’.</p> <p>To help achieve the vision for the district, the Council’s current corporate plan has four service ambitions and six guiding principles set out as follows:</p> <p>Four service ambitions:</p> <ul style="list-style-type: none"> <li>• Positive Community Leadership</li> </ul> | <p><a href="#">Corporate Plan 2021-30</a></p> |

**ANNUAL GOVERNANCE STATEMENT**

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| <ul style="list-style-type: none"> <li>• A Thriving Environment</li> <li>• A Vibrant Economy</li> <li>• Quality Homes and Infrastructure</li> </ul> <p>Six guiding principles:</p> <ul style="list-style-type: none"> <li>• Sustainable Recovery;</li> <li>• Locally Distinctive;</li> <li>• Greener Folkestone &amp; Hythe;</li> <li>• Transparent, Stable, Accountable &amp; Accessible;</li> <li>• Working Effectively with Partners; and</li> <li>• Continuous Improvement.</li> </ul> |   |
| <p><b>Digital Strategy:</b> This strategy describes how the Council will operate and the contribution that ICT and Digital technology will make. There are three priority areas that will enable us to deliver the Strategy. These are: Digital Customer Service, Digital Workforce and Digital Place.</p> <p>The current strategy run until 2023 is due to be renewed in 2024/25.</p>   | <p><a href="#">Digital Strategy</a></p>   |
| <p><b>Council Budget:</b> The Council takes an annual approach to strategic planning, business planning and budget setting, underpinned by a close link between business and financial planning. The Medium-Term Financial Strategy (MTFS) is reviewed annually and forms the basis of the annual budgeting process.</p>   | <p><a href="#">Medium Term Financial Strategy 2022-23 to 2025-26 (folkestone-hythe.gov.uk)</a></p> <p><a href="#">Budget strategy   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p> |
| <p><b>Corporate Performance:</b> Corporate Key Performance Indicators are monitored corporately and reported to the Corporate Leadership Team, Finance and Performance Sub Committee and Cabinet on a quarterly basis that support the council’s corporate action plan.</p>  | <p><a href="#">Policies, plans and documents – Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p>  |

**Principle: D - DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

| How the Council meets these principles   | Where you can see Governance in action:  |
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| <p><b>Medium Term Financial Strategy:</b> The Council has a Medium-Term Financial Strategy (available on the Council’s website as part of the budget for the forthcoming year) which is used to align resources to key priorities.</p> | <p><a href="#">Medium Term Financial Strategy 2022-23 to 2025-26 (folkestone-hythe.gov.uk)</a></p>                             |
| <p><b>Council Decisions:</b> All decision-making meetings are held in public and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although</p>                              | <p><a href="#">Decision making at council meetings   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p> |

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| <p>some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.</p>  | <p><a href="#">Decisions for call-in   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p> <p><a href="#">Browse forward plans   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p> |
| <p><b>Compliments &amp; Complaints Procedure:</b> The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p>   | <p><a href="#">Council's complaints procedure</a></p>  |
| <p><b>Internal Audit:</b> The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet.</p> <p>The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee.</p> <p>The internal audit function reports into the Audit and Governance Committee in the following ways by providing:</p> <ul style="list-style-type: none"> <li>• A summary internal audit reports and the main issues arising, to provide assurance that action has been taken, where necessary.</li> <li>• Development of an internal audit strategy, plan and monitoring of audit performance.</li> <li>• Providing a Head of Internal Audit’s annual report and opinion on the Council’s corporate governance arrangements.</li> </ul>  | <p style="background-color: #cccccc; height: 365px;"></p>  |
| <p><b>Overview and Scrutiny Committee:</b> The Overview &amp; Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview &amp; Scrutiny Committee is to hold Cabinet decision makers to account by monitoring and scrutinising the decisions being made, both before and after they take effect. Members of the Overview &amp; Scrutiny Committee must not be members of the Cabinet and, where possible, should be from different political parties.</p> <p>The committee have an established forward workplan during the year that is approved on an annual basis for the new financial year. In early 2024, suggestions for Scrutiny topics were sought from various sources, with the criteria that only issues which affected residents across the whole district would be considered. suggestions are then circulated to Members of the committee, who were invited to score each item from 1-5 (5 highest, 1 lowest), based on each of the following criteria:</p> | <p><a href="#">Committee details - Overview and Scrutiny Committee   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p> <p><a href="#">Overview and Scrutiny Work Programme 2024-25</a></p>       |



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| <ul style="list-style-type: none"> <li>• High general public concern,</li> <li>• Critical to council priorities and plans</li> <li>• High financial value,</li> <li>• Risks in successful deliver</li> </ul> <p>The nine highest scoring items are then selected for the Scrutiny workplan. Nine items make up the main workplan, with an additional three in 'reserve' for the Committee.</p> <p>The work of the Overview and Scrutiny Committee is reported to Full Council on annual basis on the work that it has undertaken during each financial year.</p> | <p align="center"><a href="#">OSC Annual Report 2023-24</a></p> |
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**Principle: E -DEVELOPING THE COUNCIL’S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

| <b>How the Council meets these principles</b>   | <b>Where you can see Governance in action:</b>  |
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| <p><b>Management Structure:</b> The council has established senior leadership team in place known as the Corporate Leadership Team (CLT) which is the main officer decision-making body and works with elected members, to provide strategic direction and run key council services. CLT consists of the following positions:</p> <ul style="list-style-type: none"> <li>• <b>Chief Executive</b></li> <li>• <b>Director of Strategy and Resources</b></li> <li>• <b>Director of Housing and Operations</b></li> <li>• <b>Interim Director of Governance and Finance (S151 Officer)</b></li> </ul> <p>A further 8 Chief Officers make up extended Senior management team that report into the following directors:</p> <ul style="list-style-type: none"> <li>• <b>Director of Strategy and Resources:</b> <ul style="list-style-type: none"> <li>○ <b>Chief Officer – Planning &amp; Building Control</b></li> <li>○ <b>Chief Officer – People &amp; Customer Services</b></li> <li>○ <b>Assistant Director – Governance, Law &amp; Democracy</b></li> </ul> </li> <li>• <b>Director of Housing and Operations:</b> <ul style="list-style-type: none"> <li>○ <b>Chief Officer – Housing</b></li> <li>○ <b>Chief Officer – Regulatory &amp; Community Services</b></li> <li>○ <b>Chief Officer – Place &amp; Growth</b></li> <li>○ <b>Chief Officer – Corporate Estates &amp; Development</b></li> </ul> </li> <li>• <b>Interim Director of Governance and Finance (S151 Officer)</b> <ul style="list-style-type: none"> <li>○ <b>Chief Officer – Financial Services</b></li> </ul> </li> </ul> | <p><a href="#">Corporate Leadership Team</a></p> <p><a href="#">Organisation chart, covering staff in the top three levels of the organisation.</a></p> |

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| <p><b>Performance Management:</b> The Council has a Performance Management Framework (PMF) in place to keep the Council on track and focused on delivery of its key priorities, by providing elected members, managers and staff with the information and tools they need to deliver high-quality and high-performing services which help to achieve good outcomes for residents. The framework will be reviewed in the 2024/25 year in line with the development of the new corporate plan.</p> <p>All new employees to the Council undertake a corporate induction session that covers topics including: how the council works, corporate priorities, core values and competencies.</p> <p>All staff are required to regularly undertake mandatory e-learning training on: Anti bribery &amp; corruption, Whistleblowing, Cybercrime, Emergency Planning, Equality &amp; Diversity, Safeguarding, Environmental Awareness, Fire Awareness, GDPR, Manual Handling and Office Health &amp; Safety.</p> <p>In September 2023, the council implemented a new Performance and Development Policy that is designed to support individual performance in line with the Council’s People Strategy and Behavioural Competency Framework. The policy ensures employees fully understand the Council’s key strategic objectives and their own Service objectives, what drives these objectives and the contribution each member of staff makes to achieving them. The policy also provides a mechanism for developing all staff at every stage of their careers and help them realise their full potential.</p> <p>Under the policy, all employees have:</p> <ul style="list-style-type: none"> <li>• An annual Performance and Development Review meeting (held in January/February of each year)</li> <li>• At least 3 further formal 1 to 1 meetings with their line manager in order to monitor and review the Performance and Development Plan.</li> </ul> | <p align="center"><a href="#">Performance Management Framework</a></p> |
| <p><b>Code of Conduct for Councillors:</b> There is a code of conduct in place for all Councillors which can be found in Part 9.1 of the Constitution.</p> <p>Following the District Council elections in May 2023, all Councillors were required to undertake a comprehensive training programme which ensures that they have an understanding of the procedures and protocols of the Council. This includes training on planning and licensing matters and Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken.</p>   | <p align="center"><a href="#">Code of Conduct for Councillors</a></p>  |

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| <p>The Audit and Governance Committee receive a quarterly report on complaints received under the Members code of Conduct from the Monitoring officer setting out the number and nature of complaints received, and action taken, as a result, in consultation with the Independent Person on the committee.</p> <p><i>The link sets out the latest update (Quarter 3 of 2023/24 year) at the time of publication for AGS.</i></p>   | <p><a href="#">Quarterly Code of Conduct Complaints Update Report</a></p>  |
| <p><b>Personnel Committee:</b> The committee deals with all matters relating to staff employed by the Council, including determining their terms and conditions of employment or on which they hold office.</p> <p>On an annual basis the committee receives the following reports:</p> <ul style="list-style-type: none"> <li>• <b>HR Annual Report:</b> This report is presented to the Personnel Committee in order for members to be satisfied that the HR team is appropriately supporting the council.</li> <li>• <b>Head of Paid Service Report:</b> The report is from the Chief Executive in relation to the adequacy of resources across the Council.</li> </ul> | <p><a href="#">Personnel Committee</a></p> <p><a href="#">HR Annual Review Report</a></p> <p><a href="#">Head of Paid Service Report</a></p> |

| <p><b>Principle: F - MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b></p>   |   |
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| <p><b>How the Council meets these principles</b></p>   | <p><b>Where you can see Governance in action:</b></p>   |
| <p><b>Council Structure:</b> The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> | <p><a href="#">Democracy – Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p>            |
| <p><b>Committee Structure:</b> A number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out its roles and responsibilities. All leadership roles, the roles of key Officers and the Council’s Scheme of Delegation are set out within the Council Constitution.</p>                  | <p><a href="#">Browse Meetings   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p>              |
| <p><b>Forward Plan:</b> The Cabinet operates within the policy framework set by Full Council and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and</p>   | <p><a href="#">Browse plans - Cabinet, 2024   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p> |

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| <p>Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Overview &amp; Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p>  |  |
| <p><b>Risk Management Policy:</b> The council’s Risk Management Policy is designed to adopt best practice in the identification, evaluation, and cost-effective control of risks. The policy was updated at Cabinet in March 2023 and will undergo annual review in 2024.</p>  | <p><a href="https://modern.gov.co.uk">Risk Management (modern.gov.co.uk)</a></p>   |
| <p><b>Procurement Framework:</b> Procurement frameworks are in place for the purchase of goods and services and to ensure all contracts are appropriately procured and managed. Details on procurement are published on our website as well as data about the contracts that the council has with external suppliers.</p>  | <p><a href="#">Procurement process   Procurement and tendering information   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p> |
| <p><b>Corporate Governance Board:</b><br/>The establishment of the Corporate Governance Board (CGB) that held its inaugural meeting in February 2024. The CGB is made up of Chief Officers &amp; Assistant Directors who will meet monthly to discuss emerging corporate risks and updates to risks already recorded on the Corporate Risk Register. The CGB Term of Reference and meeting schedule is reviewed annually. The CGB main objectives are:</p> <ul style="list-style-type: none"> <li>• To support and provide recommendations to CLT, and drive improvements to strategic planning, risk management, community, staff and stakeholder engagement and how we prioritise systems improvements, training and skills needs.</li> <li>• To improve the effectiveness of governance arrangements and compliance.</li> <li>• To encourage improved decision making and use of resources, including financial management culture.</li> <li>• To act in an advisory manner, embedding a peer support and critical friend role/function.</li> </ul> |  |
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**Principle: G - IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

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| <p><b>How the Council meets these principles</b></p> | <p><b>Where you can see Governance in action:</b></p> |
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| <p><b>Data Protection:</b> The Council complies with data protection legislation, which includes UK GDPR (UK General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This ensures that such processing is carried out fairly, lawfully, and transparently. The Council reviews and supplements its policies, and also keeps its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner.</p>  | <p><a href="https://www.folkestone-hythe.gov.uk">Data protection   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p>       |
| <p><b>Transparency:</b> The council subscribes to the government’s transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500. Information published includes:</p> <ul style="list-style-type: none"> <li>• Senior Staff Salaries</li> <li>• Organisational Structure Chart</li> <li>• Payment to suppliers (over the value £250)</li> <li>• Purchase Orders (£5,000 and over)</li> <li>• Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees.</li> <li>• Grants to Voluntary, Community and Social Enterprise Organisations</li> <li>• Parking Accounts</li> <li>• Local Authority Land Assets</li> <li>• Fraud - Information relating to the work we do countering fraud</li> <li>• Trade Union Facility Time</li> </ul> | <p><a href="https://www.folkestone-hythe.gov.uk">Council transparency – Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p>  |
| <p><b>Statement of Accounts:</b> The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p>  | <p><a href="https://www.folkestone-hythe.gov.uk">Statement of accounts   Folkestone &amp; Hythe District Council (folkestone-hythe.gov.uk)</a></p> |
| <p><b>Audit and Governance Committee:</b> The Council has an Audit and Governance Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council’s Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to the Corporate Leadership Team (CLT) through the quarterly reporting. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Councillors at the Audit &amp; Governance Committee.</p>   | <p><a href="https://www.moderngov.co.uk">Audit and Governance Committee   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p>        |
| <p><b>Full Council:</b> Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget</p>  | <p><a href="https://www.moderngov.co.uk">Council   Folkestone &amp; Hythe District Council (moderngov.co.uk)</a></p>                               |
| <p><b>Internal Audit:</b></p>  |  |

The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services.

The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.

The overall opinion of the System of Internal Controls in operation throughout 2023-24 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2024.

## **5. Risk Management**

- 5.1 The Council’s Risk Management Strategy (Approved by Cabinet 22<sup>nd</sup> March 2023 (Report ref: C/22/99) is reviewed on annual basis to reflect any changes in the Council’s assessment of risk management matters. The strategy sets out the approach that has been adopted for identifying, evaluating, managing and recording risks to which the Council is exposed.
- 5.2 In preparing the Council’s Corporate Risk Register a detailed review of the risks is undertaken by Directors and Chief Officers, with consideration given to the emergence of potential new risks alongside those previously identified as part of the business planning process. This is a dynamic process with progress made against any required action in relation to the risks being reported to the Council’s Corporate Leadership Team on a regular basis for review and action.
- 5.3 The Audit and Governance Committee is responsible for considering the effectiveness of the authority’s risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. The Corporate Risk Register is presented regularly to the Audit and Governance Committee. In addition the committee reviews the Council’s Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet for adoption.
- 5.4 The establishment of the Corporate Governance Board (CGB) in February 2024 has provided an additional function for internal scrutiny and review of risks, before these are presented to Committee. The CGB is made up of Chief Officers & Assistant Directors who meet on a monthly basis to discuss emerging corporate risks and updates to risks already recorded on the Corporate Risk Register. The CGB Term of Reference and meetings are schedules to be reviewed annually. The CGB main objectives are:
  - To support and provide recommendations to CLT, and drive improvements to strategic planning, risk management, community, staff and stakeholder engagement and how we prioritise systems improvements, training and skills needs.

- To improve the effectiveness of governance arrangements and compliance.
- To encourage improved decision making and use of resources, including financial management culture.
- To act in an advisory manner, embedding a peer support and critical friend role/function.

5.5 The diagram on the following page provides an overview of the latest governance and reporting arrangements in place for the Corporate Governance Board to ensure robust corporate Governance, culture of compliance, strengthening Resilience/Business Continuity and risk management remains at the forefront of the Council’s operations:

**Diagram 2: Reporting Arrangements for Corporate Governance Board**



5.6 The Corporate risk register is intended to capture high-level risks reflected in the Council’s Corporate Plan and Medium-Term Financial Strategy. A review of the risk management process (planned for 2024-25) will allow risk management to be aligned with the objectives and priorities emerging from the Corporate Plan review, as well as the new Medium-Term Financial Strategy (approved by Council on 28 February 2024).

**6. Financial Management**

6.1 Section 151 of the Local Government Act 1972 requires a council to ensure that one of their officers has responsibility for the proper administration of its financial affairs. During 2023/24 this responsibility was held by the Interim Director Governance and Finance Services, Directors, Chief Officers and Service Managers are responsible for the financial management of their service areas within the Council, which includes accurate forecasting

and the effective monitoring of financial performance against budget considered throughout the year.

- 6.2 The Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government as set out in *'Delivering Good Governance in Local Government'*.
- 6.3 The Medium-Term Financial Strategy (MTFS) is the Council's key financial planning document which puts the financial perspective on the Council's Corporate Plan priorities. The MTFS was updated and approved by Council in November 2022 and expresses the aims and objectives of various plans and strategies in financial terms over a four-year period ending 31<sup>st</sup> March 2027. The MTFS is a key element of sound corporate governance and financial management which is reviewed and agreed by Members on a regular basis.
- 6.4 In addition, the Cabinet endorsed the Treasury Management report at its 18<sup>th</sup> October 2023 meeting. A Treasury Management monitoring report provides updates on the Council's treasury management activities that had taken place during the year against the agreed strategy and an update on the treasury management indicators.
- 6.5 Full Council consider annually the Investment Strategy and Capital Strategy by 31 March for the financial year ahead. These strategies consider the Council's service and commercial investments and capital expenditure, financing & treasury management, as well as Prudential Indicators. Full Council adopted the relevant strategies for 2023/24 on 22 February 2023 (report references: A/22/29 A/22/28 & C/22/91).
- 6.6 Regular budget monitoring took place in 2023/24 in order to manage the Council's net revenue budget. Regular meetings were held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Finance & Performance Sub Committee and Cabinet on a quarterly basis. It was appropriate to continue to have an additional focus on the Council's revenue budget monitoring during 2023/24 due to the unprecedented economy and cost of living impacts on Council finances.
- 6.7 The level of reserve balances is reviewed annually in line with the budget setting process and is reported to Finance & Performance Sub Committee and Cabinet as part of the quarterly budget monitoring reports.
- 6.8 The adequacy of the reserve levels takes into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, the Council's track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves.
- 6.9 The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a council is not prescribed. The minimum prudent level of reserves that the council should maintain is a matter of judgment. The current approach of the council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:
- a working balance to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
  - a contingency to cushion the impact of unexpected events or emergencies;
  - earmarked reserves to meet known or predicted requirements.
- 6.10 The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities. The level of reserves currently held has been endorsed and reported by the S151 Officer as adequate and in line with the Council's Reserves Policy.



## **7. Procurement and Contract Management:**

7.1 Part 10 of the Council's Constitution sets out the rules our officers must follow when purchasing goods, services and/or works. The Procurement and Contracts Management Team have undertaken a number of activities in the 2023-24 year to improve governance and internal controls including:

- An annual training session for all FHDC staff in procurement and contract management was delivered during the year. These training sessions focused on compliance, ethical procurement practices, and effective contract management. To enhance staff knowledge and foster a culture of accountability and excellence.
- Regular training for procurement teams for continuous up skilling and implementation of best practices, and particularly focus of recent is around the Procurement Act and best practices.
- Regular collaboration meetings with service areas across the council to ensure contracts are in place, reviewed, and managed effectively.
- Greater use of the Salesforce Platform to allow departments to upload contracts over £5,000, which will enable procurement to publish contract on Contract Register to enhance visibility and compliance.
- Improved notifications for keeping departments informed of when contracts are due to expire to be able to plan for the next procurement.
- Improved support and guidance for new procurements and ongoing support post procurement through meetings to help departments manage contracts and any extensions and variations.
- Regular reviews of procurement and contract management processes to identify improvements and ensure compliance with the Procurement regulations and contract standing orders (CSOs).
- Local Business Support – working on tailoring procurement activities to favour local businesses, simplifying tender processes, and providing clear guidance.
- Social Values and CO2 Requirements - Incorporating social value contributions and CO2 reduction requirements into tenders to promote sustainability and social responsibility.

## **8. Internal and External Audit**

### **Internal Audit:**

8.1 The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services. The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.

8.2 Internal Audit has responsibility to:

- Report on the level of assurance in respect of the Council's internal control systems; and

- Provide an overall independent annual Opinion from the Head of the Audit Partnership highlighting areas of concern. This is compiled from the Internal Audit work programme and a review of the Council’s risk management and Corporate Governance arrangements.
- 8.3 The overall opinion of the System of Internal Controls in operation throughout 2023-24 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2024:
- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
  - As at 31 March 2024 the Internal Auditors completed 329.45 days of review equating to 94.13% of planned completion.
  - The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2023-24.
  - In March 2024 an External Quality Assessment (EQA) considered the level of compliance demonstrated by the EKAP with the Public Sector Internal Audit Standards (PSIAS). The results of this assessment showed that internal audit is at the highest level of compliance; assessed as “Generally Conforms” the full EQA report was reported to the July 2024 Audit & Governance Committee. In preparation for new Global Internal Audit Standards from 2025, the EKAP was also provided with an action plan. The next EQA of the EKAP is due in 5 years, by which time the new standards will have become fully established and any new requirements better understood.
  - As part of EKAP’s quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.

**External Audit:**

- 8.4 The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.
- 8.5 Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.
- 8.6 **The Council is in the final stages of concluding its 2022/23 accounts and final audit process. This will culminate in the final external audit opinion being presented to the Council’s Audit and Governance Committee at their meeting in September 2024. It is expected that the Council will receive an unqualified audit opinion for 2022/23.**

- 8.7 The council is associated with a number of outside bodies including – Otterpool Park LLP, Oportunitas Ltd and the East Kent Spatial Development Company that are subject to independent audits alongside having their internal audit approach shared with the council.

### 9. Counter Fraud Arrangements

- 9.1 The Council is firmly opposed to any form of fraud and corruption and will take prompt and decisive action to deal equally with perpetrators from inside and outside the Council. To ensure the highest standards of conduct are upheld, the Council has an established Anti-Fraud and Anti-Corruption Framework in place that is designed to:

- encourage fraud deterrence and prevention;
- raise awareness of fraud and corruption and promote their detection;
- perform investigations and facilitate recovery in a prompt, thorough and professional manner; and
- invoke disciplinary proceedings and further action as appropriate.

The Anti-Fraud & Anti-Corruption Framework is formed of five documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy. This framework has now been reviewed and updated by the S151 Officer and Monitoring Officer in 2023/24. Furthermore, the comprehensive training on Anti-Fraud and Corruption was provided to all staff on 11 January 2024.

- 9.2 The responsibility for the prevention of fraud and corruption lies with management who ensure that adequate controls, including policies and procedures, are in place to prevent and detect fraud and corruption. The Council has developed systems and procedures that incorporate effective and efficient internal controls, and management ensure that controls minimise risk to an appropriate level. Controls are regularly reviewed to ensure they remain appropriate and effective. The internal and external auditors independently monitor the existence, effectiveness and appropriateness of these controls.

- 9.3 The Chief Finance Officer (Section 151 Officer) is responsible for the proper administration of the authority's financial affairs. Under Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is required to report to the full Council, Cabinet and the external auditor if the Council or one of its officers:

- has made, or about to make, a decision which involves incurring unlawful expenditure;
- has taken, or about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority; and
- is about to make an unlawful entry in the authority's accounts.

- 9.4 The Assistant Director for Governance & Law is the 'Monitoring Officer' for the Council. Under 5(2) of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:

- has made or is about to make a decision which contravenes any enactment, or rule of law; and
- has made or is about to make a decision that would give rise to maladministration or injustice as referred to in Part III of the Local Government Act 1974.

### 10. CYBERSECURITY

- 10.1 The council has in place a number of measures to strengthen internal levels of protection which include an advanced anti-virus protection using MS Defender which includes advanced detection and attack surface reduction features. There are multiple layers of automated email filtering along with a human manual intervention when required. If there is still ambiguity with the authenticity of an email we are able to submit this to Microsoft for their specialist analysis. Web filtering is provided by a next generation application filtering firewall. Data from this firewall is sent in real time to a SIEM solution (Microsoft Sentinel) which then analysis all activity against a threat database.
- 10.2 In terms of other defences against cyber threats, the council receives a good level of protection from the Kent Public Services Network (KPSN). The KPSN provide the network and varying degrees of security solutions such as email filtering to a number of partners including Local Government, Kent Police, Fire and Rescue and NHS. This service is backed up by a major ICT supplier, currently Capita.
- 10.3 The council is currently in contract with “CSA limited” who provide a Security Operations Centre (SOC) 24 hours day x 7 days x 365 days per year. The SOC provide an effective cyber security defence with robust monitoring and detection services in place, constantly looking out for security threats in network traffic. Monitoring and detection is a proactive and advanced approach to cyber security that not only detects suspicious activity, but actively hunts down threats, monitors cyber security 24/7, assists in rapid breach incident analysis and responds to eliminate threats from the system before they become an issue. This contract comes to an end in September 2024.
- 10.4 There was a potential cyberattack in Quarter 4 2023/24 across Kent local authorities which was managed extremely well by Capita and the internal ICT team, and as a result of the protection we had in place ensured the disruption to council services was minimal.

## **11. HOUSING SERVICE**

- 11.1 The Housing Landlord Service commenced preparations to meet the revised consumer regulations that the Regulator of Social Housing will be monitoring from April 2024. In 2023/24 the Housing Service continued to monitor an extensive set of KPIs, reported monthly to the Housing Leadership Team. Data is scrutinised quarterly by the Corporate Leadership Team (CLT) and the Strategic Tenants Advisory Panel (STAP), and published on the Council’s website, so that we report back to our council tenants on performance of the housing service.
- 11.2 The Housing Service has embedded an internal governance process focused on continuous service improvement. As part of this, and following a recommendation from internal audits in 2022/23, we provided detailed training on Financial Procedure Rules and Contract Standing Orders to all staff working in the Asset Management section and other departments where staff are responsible for procuring and supervising contracts. We have also introduced an internal monitoring system for all contracts that is maintained in conjunction with procurement colleagues and updated on a monthly basis.
- 11.3 The team has responded to recent legislation, i.e. the Social Housing (Regulation) Act 2023, by giving tenants more opportunity to communicate and engage with us, involving them in the decisions which affect their homes, local communities and the delivery of the housing service. STAP now has a tenant-led scrutiny panel that contributes to the way the Council monitors and delivers service improvement carrying out detailed scrutiny inspections into service areas. We are now using the new Tenant Satisfaction Measures to undertake annual surveying of tenants to determine levels of satisfaction with various aspects of the

housing service. We will also be carrying out more perception and transactional surveys and using the feedback from tenants to inform the continuous improvement plan. The Council’s housing service is also now continuing to improve benchmarking capabilities through HouseMark (industry leaders for the housing sector), to ensure the provision of a good, cost-effective and financially viable service. This will include a focus on health & safety, keeping tenants safe and secure in their homes, and continuing to invest in new energy efficient measures, retrofitting council homes in the coming years.

**12. REVIEW OF EFFECTIVENESS**

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

| Area                        | Review of effectiveness  |
|-----------------------------|--|
| <b>Political leadership</b> | <ul style="list-style-type: none"> <li>• During the year the Overview &amp; Scrutiny Committee considered numerous items, including: Levelling Up Fund Delivery, Otterpool Park: Strategic Direction, Funding and Delivery, Draft District-Wide Carbon Plan, Housing Revenue Account (HRA) Business Plan 2023-2053, Budget Update 2024/25, Community Infrastructure Levy (CIL) and Refresh of the Council’s Children, Young People and Vulnerable Adults Safeguarding Policy.</li> <li>• The Finance and Performance Subcommittee considered the following items during the year including: 2022-23 Annual Performance Report and draft KPIs 2023-24, Quarterly Budget Monitoring reports, Quarterly Corporate Performance Reports, Budget Strategy 2024-25, Waste &amp; Street Cleansing Savings Proposals, Overview of Community Grants and an Options Report on whether to continue to maintain Kent County Council (KCC) owned grass in the district</li> <li>• The Audit and Governance Committee considered the following items during the year including: Update on Change of Governance Arrangements, Annual Governance Statement Actions - update on 2023/24 actions, The Internal Audit Annual Report 2022-23, Corporate Risk Register updates, Quarterly code of conduct complaints reports and Regular detailed updates from Grant Thornton, the Council’s external auditors.</li> </ul> |
| <b>Officer leadership</b>   | <ul style="list-style-type: none"> <li>• New organisational structures were consulted and approved during the year ahead of the start of 2024/25 year as part of a council wide transformation programme to improve resilience, accountability, spans of control and use of ICT in how the council delivers its services for residents.</li> </ul>   |

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|  | <ul style="list-style-type: none"> <li>• Quarterly updates on the council’s performance against Corporate Key Performance Indicators (CKPIs) provided to the Finance &amp; Performance Sub Committee and Cabinet.</li> <li>• Quarterly updates of the council’s corporate risk register to the Audit and Governance Committee.</li> <li>• An annual self-assessment and management assurance statement signed by Directors and senior managers, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.</li> </ul>   |
| <p><b>Internal assessment and monitoring</b></p>                                       | <p>There are regular reporting arrangements in place regarding the financial affairs of the Council with financial performance being reported on a quarterly basis to Members of the Finance &amp; Performance Sub Committee, Cabinet and Full Council.</p> <p>Updates to the council’s corporate risk register are reported quarterly to members of the Audit and Governance Committee.</p> <p>Quarterly Performance against Corporate Key Performance Indicators (CKPIs) that linked to the council’s corporate plan are reported to members of the Finance &amp; Performance Sub Committee and Cabinet.</p>  |
| <p><b>Chief Finance Officer (s151)</b></p>   | <p>The Chief Finance Officer (S151) is the Responsible Financial Officer and is a member of the corporate Leadership Team (CLT). They are responsible for delivering and overseeing the financial management arrangements of the Council.</p> <p>The main channels used by the s151, to ensure and assure effectiveness over 2023/24 were:</p> <ul style="list-style-type: none"> <li>• Putting in place new budgeting and monitoring process including more regular reporting to the Corporate Leadership Team</li> <li>• Procurement of a new finance system for implementation during 2025-26</li> <li>• Full comprehensive and review of the MTFP for 2024-25 ensure more robust assumptions are in place</li> <li>• Establishment of the Corporate Governance Board</li> <li>• Annual Internal Audit Programme</li> <li>• Regular meetings with Internal and External Audit</li> </ul> |
| <p><b>Assistant Director of Governance, Law and Democracy (Monitoring Officer)</b></p> | <p>The Assistant Director – Governance, Law and Democracy holds the position of Monitoring Officer and is member of the council’s Senior Management Team (SMT) whose role in the organisation is to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and to be responsible for the operation of the council’s constitution.</p>   |

**ANNUAL GOVERNANCE STATEMENT**

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|  | <p>The main channels used by the Monitoring Officer, to ensure and assure effectiveness over 2023/24 were:</p> <ul style="list-style-type: none"> <li>• Help establish/promote and Chair the Corporate Governance Board to ensure decision papers going forward were robust and considerate of all relevant issues</li> <li>• Work on the Change of Governance project and work closely with the working group members and all Members as part of the process/decision making for the proposed change of governance.</li> <li>• Review the effectiveness of decision making within the Council and help provide advice to Members and Councillors on decision making process and governance</li> <li>• Ensure that the Overview and Scrutiny function is performing well and in accordance with the provisions in the constitution</li> <li>• Keep under continuous review the Constitution so that it meets the requirements of the Council and Council decision making</li> </ul>   |
| <p><b>Senior Information Risk Owner (SIRO)</b></p> | <p>The Senior Information Risk Officer for the Authority is the Assistant Director – Governance, Law and Democracy. This role is supported by deputies, nominated from time to time. The role of the SIRO includes the following:</p> <ul style="list-style-type: none"> <li>• Lead and foster a culture that values and protects information, and ensures its use for public good.</li> <li>• Ensure there is a plan to achieve and monitor the right culture across the organisation. Takes step to ensure that plan is delivered.</li> <li>• Ensures that the organisation has key staff in place, who are skilled and supported.</li> <li>• Oversees effective responses to security incidents.</li> <li>• Own the information risk policy and risk assessment process, ensuring regular update and review of the risk register.</li> </ul> <p>The main channels used by the SIRO, to ensure and assure effectiveness over 2023/24, were:</p> <ul style="list-style-type: none"> <li>• Completion of relevant training by relevant officers</li> <li>• Close working with key roles such as the Governance Manager, Data Protection Officer and Information Governance Team, and IT manager to strengthen the work in this area</li> <li>• Establishment of the new Information Governance Board</li> </ul> |
| <p><b>Internal audit</b></p>                       | <ul style="list-style-type: none"> <li>• The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides</li> </ul>  |

internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet.

- The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee.
- The overall opinion of the System of Internal Controls in operation throughout 2023-24 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2024:
  - The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
  - As at 31 March 2024 the Internal Auditors completed 329.45 days of review equating to 94.13% of planned completion.
  - The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2023-24.
  - In March 2024 an External Quality Assessment (EQA) considered the level of compliance demonstrated by the EKAP with the Public Sector Internal Audit Standards (PSIAS). The results of this assessment showed that internal audit is at the highest level of compliance; assessed as “Generally Conforms” the full EQA report was reported to the July 2024 Audit & Governance Committee. In preparation for new Global Internal Audit Standards from 2025, the EKAP was also provided with an action plan. The next EQA of the EKAP is due in 5 years, by which time the new standards will have become fully established and any new requirements better understood.
  - As part of EKAP’s quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.



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| <b>External audit</b> | <ul style="list-style-type: none"> <li>• The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.</li> <li>• Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.</li> </ul> |

**13. CONCLUSION**

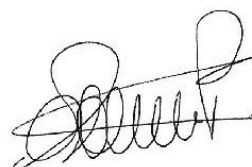
- 13.1 In line with the Council’s responsibilities for its internal control and overall governance environment (paragraph 1.1), the conclusion to the annual review process for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts is that the arrangements in place are considered to be fit for purpose and in accordance with the Council’s governance framework, with no significant areas of the framework requiring attention.
- 13.2 Set out in Appendix 1 is the current action plan outlining the steps the Council proposes to take over the coming year to further enhance our governance arrangements. This action plan will be kept under review through the year and updated as appropriate.
- 13.3 The findings of the annual review of the governance framework will be reported to Members of the Audit and Governance Committee on 31<sup>st</sup> July 2024.

Signed:



**Clr Tim Prater**  
**Deputy Leader of the Council and**  
**Cabinet Member for Finance and**  
**Governance**

Signed:



**Dr Susan Priest**  
**Chief Executive**

Date: 17<sup>th</sup> July 2024

**APPENDIX 1: Action plan for improvement following review of effectiveness of governance arrangements 2024-25:**

|          | <b>Action</b>   | <b>Who</b>         | <b>Date</b> |
|----------|---|--------------------|-------------|
| <b>1</b> | <b>Annual Review of Corporate Governance</b><br>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Directors, Assistant Directors/Chief Officers and internal audit’s opinion report. | Monitoring Officer | May 2025    |
| <b>2</b> | <b>Governance Arrangements</b>  | Monitoring Officer | March 2025  |

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|           |   |   |                |
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|           | To keep under review the Council’s governance arrangements, and to continue to work on the change of governance project with Cllrs and Officers   |   |                |
| <b>3</b>  | <b>Data Retention Policy and General Data Protection Regulation</b><br>To keep under review, the Data retention policy and the new General Data Protection Policy ensuring Officers and Members of the Council are aware of their responsibilities. | Monitoring Officer  | Ongoing        |
| <b>4</b>  | <b>Review of the Overview &amp; Scrutiny Committee function and the new scrutiny arrangements being proposed under the proposed new governance arrangements</b><br>To keep under review the governance and working arrangements of the committee.   | Monitoring Officer  | Ongoing        |
| <b>5</b>  | <b>Corporate Policy Training</b><br>Maintain corporate policy training programme and staff understanding of corporate expectations, roll out to new recruits.   | <b>Chief HR Officer</b>   | Ongoing        |
| <b>6</b>  | <b>Develop temporary corporate policy compliance function</b><br>To provide independent oversight and ensure that compliance with key corporate policies is monitored and reported to senior management team.                                       | Interim Director Governance and Finance Services & Chief Financial Services Officer | March 2025     |
| <b>7.</b> | <b>Review of the Council’s Performance Management Framework (PMF)</b><br>Review of the framework to ensure it aligns to revised performance management processes and the priorities of the new corporate plan once adopted by members.              | Senior Performance Officer  | March 2025     |
| <b>8.</b> | <b>Cyber Security – Security Operations Centre Contract</b><br>To renew and extend the existing SOC contract for the council to ensure effective cyber security defence along with robust monitoring and detection services                         | Digital and ICT Manager   | September 2024 |

