

Statement of Accounts

**for the
Year Ended**

31 March 2023

Nicci Mills CPFA
Chief Financial Officer

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THE STATEMENT OF ACCOUNTS

NARRATIVE REPORT

Introduction

This narrative report provides a guide to the Council's accounts and financial position as at 31 March 2023. It includes:

- An explanation of each of the main financial statements;
- A look back at financial and non-financial performance in 2022/23;
- Any major events or changes in presentation and accounting that impact on the Accounts; and
- Future financial challenges.

Explanation of the main financial statements

The Accounts and Audit Regulations 2015 require the Statement of Accounts to be prepared and signed by the responsible officer by 31 May 2023. The accounts are set out on pages 13 to 86. The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements.

Proper accounting practices represent compliance with the following:

- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB - a constituent board of the Financial Reporting Council)
- The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, prepared under International Financial Reporting Standards

The statements are produced using figures rounded to the nearest thousand. This has led to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts comprises:

- ***The Statement of Responsibilities for the Statement of Accounts***

This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts and includes the Chief Finance Officer's certificate.

- ***Core Financial Statements***

The core financial statements consist of the following four statements and associated notes.

- **[Comprehensive Income and Expenditure Statement \(CIES\)](#)**

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. 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 Movement in Reserves Statement.

- [Balance Sheet](#)

The 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 – usable and unusable – as referred to under the Movement in Reserves Statement.

- [Movement in Reserves Statement](#)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The '(surplus) or deficit on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'net (increase) /decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- [Cash Flow Statement](#)

The Cash Flow Statement shows the changes in the Council's cash and cash equivalent holdings 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.

- [Notes to the Core Financial Statements](#)

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

- ***Supplementary Financial Statements***

In addition to the four core statements the following supplementary statements and associated notes are included within the Accounts.

- [Housing Revenue Account](#)

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

- [Collection Fund](#)

The Collection Fund for English Authorities is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- [Group Accounts](#)

The Council has full ownership of a subsidiary company – Canterbury Environment Company Ltd. Group accounts are prepared combining the financial statements of the company with Canterbury City Council. The group account figures are not currently materially different to that of the Council, but as the company delivers large contracts on behalf of the Council, group accounts are considered to be qualitatively material.

- **Annual Governance Statement**

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

- **Independent Auditor's Report**

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Looking back at performance in 2022/23

Following the retirement of the Chief Executive in December 2021, the Council started the year with a new senior management structure which does not have a Chief Executive post, instead three strategic directors work together with one of them being designated Head of Paid Service. The Council also implemented a new governance system in May 2022, moving from a committee system to a Cabinet system.

As the country continued to recover from the pandemic, the war in Ukraine started in February 2022 causing the cost of energy to increase significantly and driving up inflation to a 41 year high of 11.1% in October 2022. In response to rising inflation the Bank of England have increased interest rates continually throughout the year reaching a high of 5.25% in August 2023 compared to 0.1% in December 2021.

The significant increases in energy costs and inflation have resulted in a cost of living crisis and the Government have continued to ask local authorities to fulfil additional duties to support local businesses and residents with the continuation of the Covid Additional Relief Fund, Household Support Fund and the new Energy Rebate Scheme. The Council, together with other councils, has also continued to support refugees from Afghanistan temporarily housed in the district and supported local families to provide accommodation for people displaced by the war in Ukraine.

In October 2022 Cabinet agreed to disband East Kent ICT and that the ICT service be returned in-house. The service is being brought back in a phased approach which started in October 2022 and will run through to April 2024.

Financial performance in 2022/23

This section gives an overview of the financial performance of the Council in 2022/23 for both the General Fund and the Housing Revenue Account, including reasons for significant variations from planned expenditure.

It has been another exceptionally difficult year financially for the Council. The Council set its budget for 2022/23 in February 2022. Recovery from the pandemic, the impact of the ongoing war in Ukraine, inflationary pressures and the cost of living crisis have continued to have a fundamental impact on the Council's finances and resources.

Services continued to recover at varying rates from the pandemic throughout the year and the Council put in place various assumptions when setting the budget for 2022/23. At the budget setting stage it was estimated that the use of reserves to balance the budget for 2022/23 would be £0.9m from the budget stabilisation reserve.

Following the huge uncertainty of the last two financial years, and continued uncertainty around the future of local government funding, the Council continued to work to minimise expenditure in all areas.

The final outturn for the General Fund was an underspend of £13,000 after the government support funding and contributions to reserves. The actual use of reserves to balance the budget for 2022/23 was as per the budget allocated, however further contributions to reserves were also made, resulting in a net contribution to the Budget Stabilisation reserve. Further details can be found in Note 9 to the accounts. This will have positive benefits for the Council's financial resilience in the forthcoming years.

The job market continues to be very buoyant making it difficult to recruit to certain positions or get the right person with the right level of skills. This means that resources are overstretched and the use of overtime, fixed term contracts and temporary staff has been required in some areas to ensure service delivery to support residents during a challenging economic climate and cost of living crisis.

For the Housing Revenue Account, the quarter three forecast predicted that the year end position would be a £550,000 deficit by the year end. The actual position at the year end was worse at a £969,000 deficit, which was significantly worse than the budgeted surplus position of £661,000.

2. Details of major variances against outturn

General Fund Revenue Expenditure

The General Fund accounts for all revenue (day to day) services other than those provided in respect of council housing.

In overall terms, the outturn position can be reconciled to the original budget position as set out below.

The main components of the General Fund actual expenditure and income and how these compare with budget is set out below by service:

Service Area	Net Budget	Net Outturn	Net Variance
	£'000	£'000	()= saving £'000
Corporate Management	8,229	6,183	(2,046)
Corporate Services	3,700	4,102	402
Strategy & Improvement	3,694	3,680	(14)
Place Services	(9,039)	(8,206)	833
People Services	11,457	12,387	930
Case Services (People & Place)	416	490	74
Total net expenditure	18,457	18,636	179
Levy Account Surplus	(324)	(538)	(214)
NDR allocation	(4,936)	(4,986)	(50)
New Homes Bonus	(1,604)	(1,604)	0
Council Tax	(12,454)	(12,454)	0
Collection Fund adjustment	0	72	72
Parish precepts	861	861	0
Total income sources	(18,457)	(18,649)	(192)
Net position	0	(13)	(13)

The main variances between the budget and the outturn are set out below by service.

Activity	Variance (£000) ()=favourable	Explanation of variance between budget and outturn
Interest and Financing Costs (within Corporate Management)	(843)	This is due to additional interest income being received on investments due to interest rates being higher than budgeted and lower financing costs on borrowing due to delays in the capital programme. Interest rates are increasing significantly so this is not an ongoing saving.
Property and Regeneration (within Place Services)	871	The variance is mainly due to rental income shortfalls across the portfolio as a result of the ongoing impact of COVID-19. There was also a delay in completing the Riverside Development resulting in lower income than anticipated.
Estate and Asset Management (within People Services)	221	This is mainly due to a reduction in Military Road office space rental income as a result of the loss of a tenant and reduction in demand for renting office space and also additional costs for building security.
Parking – car parks (within Place Services)	(547)	Parking has continued to recover more quickly than anticipated. The budget for 2023/24 is set at a higher level than that for 2022/23.
Parking – park & ride (within Place Services)	270	The park and ride activity has not recovered in line with other parking income.

Housing Revenue Expenditure

The main components of the Housing Revenue Account actual expenditure and income and how these compare with budgets are set out below:

	Net budget	Net Outturn	Net Variance (=saving)
	£'000	£'000	£'000
General management	4,168	3,755	(413)
Special services	2,330	2,409	79
Rent, rates & charges	404	596	192
Repairs & maintenance	6,396	7,118	722
Bad debt provision	250	382	132
Rents & service charges receivable	(27,029)	(26,821)	208
Total HRA direct budgets	(13,481)	(12,561)	920
Support costs	1,024	1,041	17
Capital charges	5,380	5,412	32
Total HRA indirect budgets	6,404	6,453	49
Self financing debt	6,416	6,416	0
(Surplus)/Deficit	(661)	308	969

The overall revenue outturn position for 2022/23 was a deficit of £0.3m, an increase of £1m on the £661k budgeted surplus. The explanations for the main variance to the budget are set out below.

Activity	Variance (£000) (=favourable)	Explanation
General Management	(413)	There was an overspend of £275,000 across General Management budgets largely due to expenditure and vacancy savings targets not being met. This has been offset by a contribution from reserves of £688,000 to cover overspends within the HRA budgets.
Special Services	79	Largely due to increased electricity and gas costs as a result of increasing rates.
Rents, Rates and Charges	192	This is due to Council Tax void payments exceeding budget and increases in insurance premiums.
Repairs and Maintenance	722	Void works were overspent by £627,000 and reactive repairs were overspent by £267,000 due to a large volume of works being required and increased costs due to inflation. Improvements in contract management are being sought to ensure tighter control over spend.
Bad Debt Provision	132	The increase required to the provision was higher than anticipated when the budget was set.
Rent & Service Charges Receivable	208	When the budget was set it was expected that the Council would have been able to progress with its decision to introduce affordable rents for some of its properties but this discussions with the Department for Levelling Up, Housing and Communities are taking much longer than anticipated.

		Garage rents are also under budget due to a high number of voids. The future of garage lettings is currently being reviewed.
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Capital Expenditure

General Fund Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The capital programme for 2022/23 and beyond represents the investment priorities for the Council. The revenue impact of implementing the capital programme is reflected in the revenue budget.

The City Council's gross expenditure on capital schemes in 2022/23 was £11.2m. This was financed by grants, capital receipts and reserves. The net outturn position of the capital programme after external contributions is detailed in the table below.

Service Area	Net Budget	Net Actual spend	Carried forward	Net Variance () = saving
	£'000	£'000	£'000	£'000
Corporate Services	1,176	153	1,025	2
People Services	4,284	845	3,606	167
Place Services	8,336	4,720	3,682	66
Strategy & Improvement	4,692	2,126	2,813	247
Total Capital Projects	18,488	7,844	11,126	482

The main expenditure items in 2022/23 were the continuation of the Canterbury Riverside development, Kingsmead Field Housing, St George's Public Realm and Leisure Centre refurb.

HRA Capital Expenditure

	2022/23 Net Budget £'000	2022/23 Net Outturn £'000	2022/23 Net Position £'000
Planned Maintenance and Improvement Schemes			
39 Castle Street, Canterbury	191	394	203
External Works	440	1,272	832
Fire Prevention Works	250	248	(2)
External Wall Insulation Works	3,300	3	(3,297)
Internal Works	1,330	1,302	(28)
Major Works Void	400	697	297
Water Hygiene Major Works	150	28	(122)
Middle Wall, Whitstable	670	777	107
Procurement, Contract Management & Contingency	100	8	(92)
	6,831	4,729	(2,102)
Other Schemes			
Housing Development Schemes	0	28	28
IT Improvements	84	26	(58)
Parham Road, Canterbury	125	776	651
Purchase of Dwellings	1,400	1,850	450
	1,609	2,680	1,071
Total	8,440	7,409	(1,031)

The 2022/23 and 2023/24 capital programmes were both set for each individual year only and contained no projections for following years because of the need to review the many elements of the budget including planned maintenance and development programmes, now that the service has been brought in-house. The capital programme going forward is currently being developed as we continue to gain a much better understanding of the condition of the Council's housing and build robust data on this.

£6,831,000 was budgeted for planned maintenance and improvement in 2022/23 across the capital projects listed in the table above. This was to be allocated to specific budget lines for the capital works required in-year as identified and in the light of stock condition surveys and the Asset Management Strategy. The overall budget was constantly monitored throughout the year and allocated to the planned maintenance and improvement requirements as they were identified. However budgets were not constantly realigned to the allocated spend hence the various under and over spends shown across the schemes. The External Wall Insulation project for high rise properties, Windsor House, Whitstable and Elizabeth Court and Margaret Court in Herne Bay has slipped due to difficulties in engaging fire engineers to scope the works required. However, on site surveys have now taken place and the report for the findings was received in January. Reviews are underway to determine whether more intrusive surveys are necessary and to establish the extent of the work required for the buildings to be and remain compliant. Work will start in 2023/24 and a budget of £1,800,000 has already been built into the 2023/24 capital programme, so slippage will not be required.

The remaining properties in the Parham Road scheme were completed and handed over in 2021/22. However, there was a delay in the final valuation for the works completed which has resulted in the overspend of £651,000.

£1,400,000 for the purchase of five properties at Kingsmead Field, which was planned for in 2021/22 was delayed and reprogrammed for completion in September 2022. These properties were acquired in January 2023 at a cost of £1,850,000 based on market prices, resulting in an overspend of £450,000.

There is a total unbudgeted spend of £28,000 across the small housing development projects due to development potential assessments and financial viability studies being undertaken on council land across the district. 146 plots across the district have been assessed during the last two years. Architects and pre-application planning advice is currently being sought on two potential development sites at East Street, Canterbury (Sturry Road Social Club) and Warwick Road, Canterbury. Many of the other plots being identified are unlikely to be suitable for housing development due to their small size, but it is expected that they will produce a modest pipeline of ongoing development activity in the short to medium term.

Balance sheet

The Council's net assets increased from £358m to £471m as at 31 March 2023. The main changes year on year were:

- an increase of £13m in the value of council dwellings;
- a decrease in current assets of £13m offset by a decrease in current liabilities of £27m due to Government grants being repaid;
- increased cashflow led to reductions in both short term and long term borrowing of £8m (planned principal repayments were made and no new long term loans taken out); short term borrowing is expected to increase in 2023/24 as Government grant schemes come to an end; and
- a decrease in the pension deficit of £78m.

The two biggest liabilities on the balance sheet are long term borrowing at £152m and the pension deficit at £10m, both of which have reduced this year. The majority of the Council's debt is with the Public Works Loan Board at a fixed rate of interest, with an average of 2.74%. The Council has continued its policy of using short term borrowing to partly fund its capital programme. This has reduced borrowing costs but exposes the Council to interest rate variations.

Overall the Council's balance sheet has become less liquid over time, as capital expenditure has been funded from capital receipts, withdrawing from short term investments and short term external borrowing. In the medium and longer term, as internal borrowing and short term borrowing is repaid, the Council's liquidity will improve.

The Council is a member of the Local Government Pension Scheme, which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits) (IAS19). This value is assessed by the actuary in accordance with prescribed accounting rules. Note 28 shows that the total value of liabilities (i.e. future commitments from the fund) is the Council's net liability of £179m whereas the estimated assets are valued at £169m leading to a net deficit of £10m. The deficit has decreased by £78m.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations, which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2022. The fund is next due for revaluation as at 31 March 2025 and new contribution rates will apply from April 2026.

Significant changes to local authority financial regime in 2022/23

There have been no significant changes to the local authority financial regime in 2022/23.

Future challenges

General

The future for local government funding remains very uncertain, with no information available on funding from April 2024 onwards. In setting out its medium term financial plan (MTFS) the Council has assumed reductions in government funding.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities. The Strategy runs to the end of the current Council term only.

The items set out below are considered the main issues that will have an impact on the Council's budget strategy and financial planning in the medium term.

Inflation and energy prices - As inflation levels continue to increase, this will have a significant impact on all areas of services in 2023/24 and beyond, only adding to an existing volatile financial situation. The Council's direct costs are affected as are contract prices across the board. The

current economic climate is having a major impact on businesses in premises owned by the Council, with many businesses struggling to keep up with the increasing costs of fuel, inflationary pressures and energy costs. It is forecast that in 2023/24 income may be down by £1.2m when compared to the 2022/23 budget and the budget for 2023/24 has been adjusted to reflect the reduced income level. The 2022/23 outturn and contributions to reserves will help to support future spending.

Staffing – Staff shortages mean that the Council may struggle to deliver its services and will be paying higher pay rates than previously estimated. Higher staff turnover reduces corporate knowledge and requires investment in recruitment and induction. Contract prices and delivery will also be affected by the economy wide staff shortages.

Staff at our waste collection contractor Canenco started strike action over pay in July. Several offers have been put forward to the GMB union but have been rejected and so recycling collections continue to be disrupted for residents. Alternative collection arrangements are being considered and resolution continues to be a priority for the Council.

Borrowing costs – Increasing interest rates will have an impact on future borrowing costs. The majority of existing loans are on a fixed interest basis so are not affected.

Risk management

The Audit Committee considers the Council's risk register on a quarterly basis. For each risk identified, the Committee considers the mitigating action in place and whether further action is required to adequately manage the risk. None of the high level risks are expected to have a material impact on the Council's financial position.

Financial risks are assessed separately in detail in the budget report and are taken into account in budget assumptions as necessary.

Conclusions

In another very challenging year, the City Council has substantially delivered its financial plan for 2022/23 and preparatory work is in place to deliver further savings in future years whilst continuing to strive to minimise the impact on services.

I would like to take the opportunity to thank all staff within the Council for their efforts in delivering the Council's financial plans this year. That work has put the Council in the best possible position to deal with the serious financial challenges facing the Council in 2023/24 onwards.

Thanks are due in particular to the finance team for their work producing this Statement of Accounts at a time when their workload substantially exceeded their capacity.

Nicci Mills
Service Director Finance and Procurement and s151 officer
23/08/2023

Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

This statement shows the accounting cost of providing services in the year ended 31 March 2023, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

2021/22				2022/23		
Gross Exp	Income	Net Exp	Note	Gross Exp	Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
6,265	(7,057)	(793)	Corporate Management	11,924	(12,391)	(467)
38,859	(34,588)	4,271	Corporate Services	36,807	(31,642)	5,165
5,527	(945)	4,582	Strategy & Improvement	4,663	(303)	4,360
24,619	(29,781)	(5,161)	Place Services	35,193	(29,282)	5,911
22,617	(11,994)	10,622	People Services	24,684	(10,125)	14,559
716	(178)	538	Case Services (People & Place)	794	(162)	632
25,192	(25,784)	(591)	Housing Revenue Account	27,028	(26,889)	139
123,795	(110,327)	13,468	Cost of Services	141,093	(110,794)	30,299
			Other Operating Expenditure			
0	(2,838)	(2,838)	Loss/(Gain) on Sales of Assets	0	(3,974)	(3,974)
979	0	979	Parish Council Precepts & Drainage Board Levy	1,010	0	1,010
539	0	539	Housing Capital Receipts Cont to Govt Pool	0	0	0
			Financing & Investment Income & Expenditure			
4,869	0	4,869	Interest Payable on Debt	4,806	0	4,806
1,799	0	1,799	Net interest on the net defined benefit liability	28.1	2,226	0
3	(200)	(197)	Investment interest and other income	95	(694)	(599)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
0	0	0	Change in Fair Value of Investment Properties	2,005	0	2,005
141	(97)	44	(Surplus)/deficit from Trading Operations	113	(68)	45
90	(259)	(169)	Impairment adjustments	373	(473)	(100)
			Taxation & Non-Specific Grant Income & Expenditure			
351	(1,972)	(1,621)	Recognised Capital Grants & Contributions	20	356	(3,851)
0	(8,093)	(8,093)	Collection Fund (Income) & Expenditure	0	(12,671)	(12,671)
35	(12,294)	(12,259)	Non ring-fenced Government Grants	20	794	(9,130)
132,601	(136,330)	(3,729)	(Surplus)/deficit on provision of services	152,871	(141,905)	10,966
			(Surplus)/deficit on revaluation of non current assets			
		12,834	assets	18.1		(42,103)
			Remeasurement of the net defined benefit liability	28.1		(81,684)
		(8,571)				(81,684)
		533	Total Comprehensive (Income) & Expenditure			(112,821)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 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 CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves 2022/23	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 carried forward	(2,239)	(34,685)	(36,924)	(893)	0	(2,291)	(5,456)	(45,564)	(312,472)	(358,036)
Movement in reserves during 2022/23										
(Surplus) or deficit on provision of services	10,322	0	10,322	644	0	0	0	10,966	0	10,966
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	(123,787)	(123,787)
Total comprehensive Income and Expenditure	10,201	0	10,201	765	0	0	0	10,966	(123,787)	(112,821)
Adjustments between accounting basis and funding basis under regulations (Note 6)	(8,137)	0	(8,137)	228	0	(1,857)	(2,596)	(12,362)	12,362	0
Net (increase)/decrease before transfers to Earmarked Reserves	2,064	0	2,064	993	0	(1,857)	(2,596)	(1,396)	(111,425)	(112,821)
Transfers to/(from) Earmarked Reserves (Note 9)	(1,877)	2,563	686	(686)	0	0	0	0	0	0
(Increase)/Decrease in year	187	2,563	2,750	307	0	(1,857)	(2,596)	(1,396)	(111,425)	(112,821)
Balance at 31 March 2023 carried forward	(2,052)	(32,122)	(34,174)	(586)	0	(4,148)	(8,052)	(46,960)	(423,897)	(470,857)

Movement in Reserves 2021/22	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 carried forward	(2,000)	(39,100)	(41,100)	(2,553)	0	(1,254)	(5,097)	(50,003)	(308,566)	(358,569)
Movement in reserves during 2021/22										
(Surplus) or deficit on provision of services	(3,584)	0	(3,584)	(146)	0	0	0	(3,729)	0	(3,729)
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	4,263	4,263
Total comprehensive Income and Expenditure	(3,705)	0	(3,705)	(24)	0	0	0	(3,729)	4,263	533
Adjustments between accounting basis and funding basis under regulations (Note 6)	7,817	0	7,817	1,747	0	(1,037)	(360)	8,168	(8,168)	0
Net (increase)/decrease before transfers to Earmarked Reserves	4,112	0	4,112	1,723	0	(1,037)	(360)	4,438	(3,906)	533
Transfers to/(from) Earmarked Reserves (Note 9)	(4,351)	4,415	64	(64)	0	0	0	0	0	0
(Increase)/Decrease in year	(239)	4,415	4,176	1,659	0	(1,037)	(360)	4,438	(3,906)	533
Balance at 31 March 2022 carried forward	(2,239)	(34,685)	(36,924)	(893)	0	(2,291)	(5,456)	(45,564)	(312,472)	(358,036)

Cash Flow Statement

The Cash Flow Statement shows the Council's changes in cash and cash equivalents 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 council tax and grant income or from the users of services provided by the Council. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2021/22 £'000	2022/23 £'000
(3,729) Net (surplus) or deficit on the provision of services	10,966
(9,732) Depreciation and impairment	(11,151)
(5,631) Impairment and downward revaluations	(16,722)
(154) Amortisation	(290)
(170) Change in impairment for bad debts	(96)
(20,233) (Increase)/decrease in creditors	18,415
(18,200) Increase/(decrease) in debtors	(428)
10 Increase/(decrease) in inventories	(13)
(5,137) Movement in pension liability	(3,822)
0 Movement in investment property values	(2,005)
(4,315) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(8,501)
28 Other non-cash items charged to the net surplus or deficit on the provision of services	31
(63,534) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,582)
1,621 Capital grants credited to the surplus or deficit on the provision of services	3,495
5,907 Proceeds from the sale of property, plant and equipment	10,353
(59,735) Net Cash flows from operating activities	232
24,566 Purchase of property, plant & equipment, investment property and intangible assets	14,829
204,496 Purchase of short-term and long-term investments	205,396
(5,907) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(10,353)
(175,979) Proceeds from investments	(222,700)
(1,689) Other receipts from investing activities	(3,860)
45,487 Net Cash flows from Investing Activities	(16,688)
(13,000) Cash receipts of short- and long-term borrowing	(15,000)
34,145 Repayments of short- and long-term borrowing	21,913
(6,173) Other payments for financing activities	7,418
14,972 Net Cash flows from Financing Activities	14,331
724 Net (increase) or decrease in cash and cash equivalents	(2,125)
(704) Cash and cash equivalents at the beginning of the reporting period	20
20 Cash and cash equivalents at the end of the reporting period	(2,105)

NOTES TO THE FINANCIAL STATEMENTS

Expenditure and Funding Analysis for the year ended 31 March 2023

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES. Details of the adjustments can be found in note 7.

2021/22			2022/23			
Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES		Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
5,987	(6,779)	(793)	Corporate Management	6,183	(6,649)	(466)
3,330	941	4,271	Corporate Services	4,102	1,062	5,164
3,574	1,007	4,582	Strategy & Improvement	3,680	680	4,360
(6,544)	1,383	(5,161)	Place Services	(8,206)	14,116	5,910
10,385	237	10,622	People Services	12,387	2,173	14,560
388	150	538	Case Services (People & Place)	490	142	632
1,659	(2,251)	(591)	Housing Revenue Account	308	(169)	139
18,779	(5,311)	13,468	Cost of Services	18,944	11,355	30,299
			Other Operating Expenditure			
0	(2,838)	(2,838)	Loss/Gain on Sales of Assets	0	(3,974)	(3,974)
0	979	979	Parish Council Precepts & Drainage Board Levy	0	1,010	1,010
0	539	539	Housing Capital Receipts Cont to Govt Pool	0	0	0
			Financing & Investment Income & Expenditure			
0	4,869	4,869	Interest Payable on Debt	0	4,806	4,806
0	1,799	1,799	Net interest on the net defined benefit liability	0	2,226	2,226
0	(198)	(198)	Investment Interest Income	0	(599)	(599)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
0	0	0	Change in fair value of investment properties	0	2,005	2,005
0	45	45	Surplus from Trading Operations	0	45	45
0	(170)	(170)	Impairment adjustments	0	(100)	(100)
			Taxation & Non-Specific Grant Income & Expenditure			
0	(1,621)	(1,621)	Recognised Capital Grants & Contributions	0	(3,495)	(3,495)
(10,945)	2,852	(8,093)	Income from the Collection Fund	(11,521)	(1,150)	(12,671)
(6,613)	(5,646)	(12,259)	Non ring-fenced Government Grants	(7,128)	(1,208)	(8,336)
(17,558)	361	(17,197)	Other Income and Expenditure	(18,649)	(684)	(19,333)
1,220	(4,950)	(3,729)	(Surplus)/Deficit on provision of services	295	10,671	10,966
(4,553)			Opening General Fund and HRA balances	(3,133)		
1,220			(Surplus)/Deficit on General Fund and HRA bal	295		
0			Use of Housing Revenue Account reserve	0		
200			Use of General Fund reserve	200		
(3,133)			Closing General Fund and HRA balances	(2,638)		

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.1.1 Qualitative Characteristics of Financial Information

Relevance - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.

Comparability - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.

Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.

Materiality - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

1.1.2 Accounting Concepts

Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.

Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

1.2 Accruals of Income and Expenditure

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. An exception to this principle relates to electricity and similar utility costs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council Tax and National Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police and Crime Commissioner, and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. These accounts only show the amount owed to/from taxpayers in respect of council tax demanded by this Council. Amounts owing to/from taxpayers for council tax for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Billing authorities are required by statute to maintain a separate fund (ie 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 and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the CIES represent the amounts due to this Council for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council'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 Movement in Reserves Statement.

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

Other material revenue streams

The Council has a number of other material revenue streams and the approach to recognition is on an accruals basis as set out above with the following exceptions:

Parking income – cash received through parking machines is accounted for on the day on which it is collected. Busy parking machines are emptied on a daily basis.

Planning fee income – fees received are accounted for on a cash basis.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are highly liquid 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.

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

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

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

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

1.5 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that costs will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.6 Charges to Revenue for Non-current Assets

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

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

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

1.7 Employee Benefits

1.7.1 Benefits payable during employment

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

1.7.3 Post-employment Benefits (Pension Costs)

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council.

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

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

Liabilities are discounted to their value at current prices using a discount rate of 4.8% (based on the indicative rate of return on the Merrill Lynch AA rated corporate bond).

The assets of Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

i) Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.

Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES.

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

iii) Re-measurement comprising

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

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

1.7.4 Discretionary Benefit

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

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 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 an understanding of the Council's financial performance.

1.10 Financial Instruments

1.10.1 Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. 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 estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.10.2 Financial Assets (Investments)

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. Financial assets are classified into three types:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. If it is determined that no objective evidence of impairment exists for an individually assessed debtor balance, the debtor balance shall be included in a group of debtor balances that are individually assessed for impairment.

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

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

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

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

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

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

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

1.11 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital

Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.12 Intangible Assets

Expenditure on assets that do not have physical substance, but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected to bring future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured at cost as there is no active market against which to determine an alternative value. The balance is amortised (ie written down) to the relevant service revenue account on a straight-line basis over 5 years. Intangible assets are therefore included in the balance sheet at historical costs, net of the amount written-down to revenue.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. The costs are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment account.

1.13 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 jointly controlled entities, group accounts will be prepared.

In the Council's own single entity accounts, any interest in companies and other entities will be recorded as financial assets at cost, less any provision for losses.

1.14 Inventories

Inventories are included in the Balance Sheet at actual cost or net realisable value if lower.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (see 1.16.3).

1.16.1 The Council as Lessee

i) Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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

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

ii) Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.16.2 The Council as Lessor

i) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against the Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii) Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease term are charged as an expense over the lease term, on the same basis as the rental income.

1.16.3 Embedded Leases

These are assets that although not owned by the Council are used primarily by it for service provision. Examples are vehicles used by the Council's grounds and waste contractors. In these cases estimated values for the vehicles have been used along with a leased term in line with the contract period. Assets are recognised in the balance sheet at the net book value and offset by a deferred liability. The lease charge forms part of the contract payment on behalf of these vehicles on a straight-line basis over the life of the asset. These assets are depreciated in line with our normal capital policy.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

1.18 Property, Plant and Equipment

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

1.18.1 Recognition

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

1.18.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- community assets, infrastructure and assets under construction – depreciated historical cost or historical cost. If historical cost information is not available current cost discounted back to date of acquisition, using retail price index.
- council dwellings – existing use value, determined using the basis of existing use value for social housing (EUV-SH).
- assets held for sale - fair value, determined as the amount that would be paid for the asset in its highest and best use.
- all other assets – existing use value where there is sufficient evidence of transactions for that use, or depreciated replacement cost (DRC) is used as an estimate of current value for assets of a specialist nature.

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

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 current 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.

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

Where decreases in value are identified, they are accounted for as follows:

- 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 first against any relevant balance in the reserve, and then against the relevant service line(s) in the CIES.

1.18.3 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 as follows:

- 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.

1.18.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings, infrastructure and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (as long as the amount involved is material).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately on straight-line allocation over the useful life of the component.

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

Additions of plant, vehicles and equipment are subject to depreciation from the subsequent year following addition of the asset.

1.18.5 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are 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 (the capital financial requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.18.6 Heritage Assets

The Council owns a large number of heritage assets which have either been donated to or purchased by the Council, or the Council has inherited from other public bodies. The assets fall into two basic categories: land and buildings and museum contents and artefacts plus various items of public art and sculpture on display around the district.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where the Council does not hold information on cost or value (see note 10.1).

1.19 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 of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

1.20 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 Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.21 Revenue Expenditure Funded from Capital under Statute

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 this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.23 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government until April 2024, whilst allowing earlier adoption where authorities are able to do so.

The following amendments to accounting standards in 2023/24 do not have a material impact on the Council:

- Definition of accounting estimates (Amendments to IAS 8).
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

3 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out above, 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 set out below.

- a) There remains a high degree of uncertainty about future levels of funding for local government and the economic challenges facing the Council. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b) The Council has reviewed the use of the vehicles (non-current assets) used by the park and ride contractors in order to deliver the contract to establish the type of lease arrangement that covers their use. The non-current assets used to deliver the contract have a useful life significantly greater than the duration of the contract and therefore the current assets are not recognised in the council's accounts.
- c) During 2017/18 the Council purchased the remaining half interest in the Whitefriars shopping centre. Given that the Council now owns 100% of the centre for long term regeneration purposes, it has decided to classify the asset as a non-current property asset rather than as a financial instrument. This better reflects the Council's intentions to retain this property for the long term for regeneration purposes.
- d) In February 2018, this Council, together with Dover and Thanet district councils, entered into a contract with Civica UK Ltd ("Civica"). As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis.

In December 2018 the Council transferred the operation of the Marlowe Theatre to the Marlowe Theatre Trust, and recently revised the partnership agreement with the Council's leisure services delivery partner Active Life Limited. There are similar arrangements in place with regard to the pension arrangement as Civica.

For the 2022/23 accounts therefore the Council has decided not to reflect these arrangement in its statement of accounts as it considers that the probability of the guarantee being realised is minimal and so the value of the potential transaction is insignificant.

- e) The Council made payments to households to help with energy bills as part of the Energy Bill Support Scheme which was funded from central government. Where the Council was making payments based on central government set criteria, and the control, discretion and risk were held by central government, these transactions are deemed to have been carried out on an agency basis, and as such do not form part of these accounts.
- f) The Council wholly owns Canterbury Environment Company Ltd (Canenco). In view of the company being a 100% owned subsidiary it is judged that the Council's interest in it is a material one and as a result group financial statements have been prepared in addition to the Council's single entity accounts.

4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability (£10.344m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £12.3m.</p> <p>Changes to assumptions in 2022/23 have contributed to a decrease in the net liability of £77.9m.</p>
Business Rate Appeals (£5.042m)	The Council has a significant number of outstanding appeals against the Valuation Office (VOA) rating list. These can take several years to be heard and the outcome is difficult to estimate. Government guidance and a Kent wide adopted methodology has been used to estimate the provision for the outcome of the appeals.	If the outcome of appeals is a reduction in the rateable value above that which has been provided then the NNDR collection fund would incur the additional cost of the appeals and there would be an ongoing reduction in the NNDR yield. If successful appeals increased by 1%, the impact to the council would be £50,000 for each year of the claim, totalling approximately £400,000.
Valuation of property, plant and equipment (PPE) (£675.108m)	<p>All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation team work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters. The methodology used to value PPE is as set out in note 10.4 to the accounts.</p> <p>When the fair values of investment properties, surplus assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ol style="list-style-type: none"> 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where</p>	<p>The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate, and similarly to value its PPE.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, repairs backlogs, beacon classifications and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The most significant single asset is the Council's 100% stake in the Whitefriars Shopping Centre. This is valued using Level 2 inputs. A one percent variation would lead to a change in value of £730k which is not material.</p> <p>If the valuation of the overall PPE increased by 1%, the impact to the council would be £6.8m.</p>

	Level 1 inputs are not available, the authority's internal RICS qualified valuers identify the most appropriate valuation techniques to determine fair value.	
Bad debt provisions (impairment allowance) (£4.835m)	The Council has bad debt provisions of £4.835m for income relating to the HRA, benefit overpayments, council tax, NNDR and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis. However, future payment patterns could differ from historical trends.	The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns. If collection rates were to deteriorate by 1% an extra £484k would be required to set aside as an allowance.

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 23 August 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6 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.

The following sets out a description of the reserves that the adjustments are made against.

6.1 General Fund Balance

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

6.2 Housing Revenue Account Balance

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

6.3 Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

6.4 Capital Receipts Reserve

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

6.5 Capital Grants Unapplied

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

Accounting and Funding basis adjustments 2022/23	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Charges for Depreciation and impairment of non-current assets	(7,101)		(4,340)					11,441
Revaluation on Property, Plant & Equipment	(12,132)		(6,711)					18,843
Movement in market value of investment property	(2,005)							2,005
Capital grant and contributions applied	900		0					(900)
Revenue Expenditure funded from Capital under Statute	(2,254)		0					2,254
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,323)		(2,056)					6,379
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	8,527							(8,527)
Capital expenditure charged against GF & HRA balances	182		5,850					(6,031)
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to CIES	(356)					356		0
Capital grants and contributions unapplied	2,952					(2,952)		0
Adjustments primarily involving the Capital Receipts Reserve (CRR)								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	6,452		3,901		(10,353)			0
Use of CRR to finance capital expenditure					8,557			(8,557)
Contribution from CRR to finance payments to the Government capital receipts pool	0							0
Repayments of soft loans and Hsg Act advances					(61)			61
Adjustments primarily involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA			4,340	(4,340)				0
Use of the Major Repairs Reserve to finance new capital expenditure					4,340			(4,340)
Voluntary transfer to Major Repairs Reserve					0			0
Adjustments involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	47							(47)
Adjustments involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to CIES	(7,325)		(1,422)					8,747
Employers contributions and direct payments to pensioners payable in year.	4,267		658					(4,925)
Adjustments involving Collection Fund Adjustment Account								
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance	4,001							(4,001)
Adjustments involving Accumulated Absences Account								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	33		7					(40)
Total Adjustments 2022/23	(8,137)	0	228	0	(1,857)	(2,596)		12,362

Accounting and Funding basis adjustments 2021/22	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Charges for Depreciation and impairment of non-current assets	(5,710)		(4,176)					9,885
Revaluation on Property, Plant & Equipment	(2,098)		(4,779)					6,877
Movement in market value of investment property	0		0					0
Capital grant and contributions applied	853		409					(1,261)
Revenue Expenditure funded from Capital under Statute	(603)		0					603
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,044)		(2,026)					3,069
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	7,188							(7,188)
Capital expenditure charged against GF & HRA balances	555		5,720					(6,275)
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to CIES	(351)					351		0
Capital grants and contributions unapplied	711					(711)		0
Adjustments primarily involving the Capital Receipts Reserve (CRR)								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	2,601		3,307		(5,907)			0
Use of CRR to finance capital expenditure					4,393			(4,393)
Contribution from CRR to finance payments to the Government capital receipts pool	(539)				539			0
Transfer from deferred CRR upon receipt of cash								0
Repayments of soft loans and Hsg Act advances					(62)			62
Adjustments primarily involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA			4,176	(4,176)				0
Use of the Major Repairs Reserve to finance new capital expenditure					4,176			(4,176)
Voluntary transfer to Major Repairs Reserve					0			0
Adjustments involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	43							(43)
Adjustments involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to CIES	(8,217)		(1,546)					9,763
Employers contributions and direct payments to pensioners payable in year.	3,992		634					(4,626)
Adjustments involving Collection Fund Adjustment Account								
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance	10,316							(10,316)
Adjustments involving Accumulated Absences Account								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	122		28					(150)
Total Adjustments 2021/22	7,817	0	1,747	0	(1,036)	(360)		(8,168)

8 Expenditure and income analysed by nature

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

	2021/22		2022/23							
	Corporate Management	Corporate Services	Strategy & Improvement	Place Services	People Services	Case Services (People & Place)	Housing Revenue Account	Net Cost of Services	Sources of Finance	Total
£'000 Expenditure	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
26,664 Employee benefits expenses	982	4,047	2,553	6,438	5,227	791	4,264	24,302	2,259	26,561
42,772 Other service expenses	7,340	3,895	1,646	9,438	14,765	1	12,384	49,468	4,103	53,571
(810) Support service recharges	(1,418)	(910)	(170)	865	(34)	(103)	758	(1,011)	0	(1,011)
33,715 Housing benefit payments	0	28,926	0	0	2,310	0	0	31,236	(65)	31,171
19,709 Depreciation, amortisation, impairment	3	8	478	18,282	1,889	0	11,085	31,745	2,005	33,750
3,378 Interest payments	0	0	0	36	0	0	0	36	3,449	3,485
979 Precepts and levies	0	0	0	0	0	0	0	0	1,010	1,010
539 Payments to Housing Capital Receipts pool	0	0	0	0	0	0	0	0	0	0
(2,838) Gain on the disposal of assets	0	0	0	0	0	0	0	0	(3,974)	(3,974)
124,110 Total Expenditure	6,907	35,966	4,506	35,059	24,157	689	28,491	135,775	8,788	144,563
Income										
(24,090) Housing tenancy rental income	0	0	0	0	0	0	(25,034)	(25,034)	0	(25,034)
(39,632) Fees, charges and other service income	776	(810)	60	(28,233)	(4,082)	(58)	(2,592)	(34,938)	(614)	(35,552)
(198) Interest and investment income	0	0	0	0	0	0	0	0	(2,150)	(2,150)
(22,135) Income - council tax & non-domestic rates	0	0	0	0	0	0	0	0	(16,455)	(16,455)
(41,783) Government grants and contributions	(8,149)	(29,992)	(206)	(915)	(5,516)	0	(726)	(45,504)	(8,901)	(54,405)
(127,839) Total Income	(7,373)	(30,802)	(146)	(29,148)	(9,598)	(58)	(28,352)	(105,476)	(28,121)	(133,597)
(3,729) Surplus/Deficit on provision of services	(467)	5,164	4,360	5,911	14,559	631	139	30,299	(19,333)	10,966

9 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 2022/23.

Reserve	Note	Balance at		Transfers		Balance at		Transfers		Balance at	
		31 March 2021	to reserve	from reserve	31 March 2022	to reserve	from reserve	31 March 2023			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Computer/equipment	a	(234)	(46)	0	(279)	(46)	0	(325)			
Buildings maintenance	b	(1,015)	(11)	3	(1,022)	(11)	0	(1,032)			
Commercial property stabilisation reserve	c	(653)	(909)	0	(1,561)	(493)	553	(1,502)			
Restructure reserve	d	0	(259)	0	(259)	(85)	33	(312)			
Open spaces maintenance	e	(807)	0	13	(794)	0	17	(778)			
Budget stabilisation reserve	f	(11,804)	(5,936)	4,089	(13,651)	(2,721)	2,656	(13,716)			
Carry forward reserve	g	(1,033)	(1,436)	327	(2,141)	(943)	1,192	(1,892)			
Whitstable Harbour reserves	h	(701)	(166)	720	(146)	(31)	146	(31)			
NDR reserve	i	(20,169)	(5,784)	14,612	(11,340)	(1,467)	3,970	(8,837)			
Capital reserve	j	(791)	0	274	(517)	0	33	(484)			
Planning reserves	k	(176)	(1,080)	0	(1,256)	(675)	0	(1,930)			
Other General Fund reserves		(944)	(442)	381	(1,005)	(606)	355	(1,256)			
Total of Reserves		(38,323)	(16,069)	20,420	(33,973)	(7,078)	8,955	(32,095)			
Net Transfer - General Fund					4,351			1,877			
HRA Reserves (excl major repairs reserve)											
Subsidence and other reserves	h1	(776)	(2)	67	(712)	(2)	688	(26)			
Total HRA Reserves		(776)	(2)	67	(712)	(2)	688	(26)			
Net Transfer - HRA					64			686			
Total Reserves		(39,100)	(16,071)	20,486	(34,685)	(7,080)	9,643	(32,122)			

Earmarked Reserves

- a) The computer/equipment reserve is held to finance ICT equipment which needs replacing.
- b) The buildings maintenance reserve is used to finance major repairs to Council buildings.
- c) The commercial property stabilisation reserve is used to smooth the commercial property income fluctuations across financial years.
- d) The restructure reserve is used to cover restructure costs.
- e) The open spaces maintenance reserve holds the balance from commuted payments from developers (under section 106 agreements) based on 20 years maintenance cost of spaces taken over by the Council. The balance for each development is transferred to revenue over 20 years.
- f) The budget stabilisation is in place to support the revenue budget over future years and to cover any impairment on investments.
- g) The carry forward reserve is used to carry forward approved allocations to the next financial year to fund specific items or projects.
- h) The Whitstable Harbour reserves hold surpluses from the harbour account to spend on the Harbour in future years.
- i) The NDR reserve has been created to allocate grant funding received in the current year that is required to fund the NDR collection fund costs accounted for in future financial years. The significant difference in 2021/22 is due to the Council receiving additional Section 31 grant payments as the Government expanded business rates reliefs in response to the pandemic in 2020/21 and paying the government and preceptors amount back in 2021/22. Due to the required accounting treatment, the additional Section 31 grants are held by the billing authority rather than going through the Collection Fund. A deficit is held on the Collection Fund, which is then recovered from the billing authority over future years. This sum has therefore been transferred into the reserve to meet the costs of the Council's share of the deficit in the future. The Council's proportion of the payment of these grants, for the Collection Fund, was £14m.
- j) The capital reserve has been established to facilitate revenue contributions towards funding of the capital programme.
- k) The planning reserves are used to finance development management in the district and to finance the costs of local plan inquiries.
- h1) The HRA subsidence reserve was released to revenue in 2022/23 as liabilities arising from subsidence of housing stock properties are now covered within the Council's insurance policy.

Other General Fund Reserves consists of a number of reserves with balances of less than £500,000, which have been earmarked for a range of different purposes such as insurance, election costs, and car park investments.

10 Property plant and equipment, investment properties and intangible assets

Following the introduction of capital accounting, plant, property and equipment (PPE) are valued using the basis set out in note 10.4 below, any differences being credited or debited to the Revaluation Reserve. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. The summary of the movement in these assets during the year are listed in the two tables below.

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Community Assets	Assets Under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
At 1 April 2022 (b/fwd)	331,280	264,016	21,452	1,706	27,872	646,327	4,348	12,341	1,701	664,717
Additions	7,381	1,388	870	0	3,847	13,486	0	0	426	13,912
Disposals	(2,056)	0	(234)	0	0	(2,290)	0	0	0	(2,290)
Acc Dep'n w/o	0	(3,796)	0	0	0	(3,796)	0	(10)	0	(3,806)
Reclassifications/Transfers	0	(1,083)	0	0	(8,291)	(9,374)	0	0	0	(9,374)
Revaluations to Revaluation Reserve	14,730	17,783	0	304	2,447	35,264	0	1,747	0	37,011
Revaluations to CIES	(6,690)	(10,840)	0	0	384	(17,146)	(2,005)	0	0	(19,151)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2023	344,645	267,468	22,088	2,010	26,259	662,470	2,343	14,078	2,127	681,019
Depreciation and impairment										
At 1 April 2022 (b/fwd)	(4,008)	(6,254)	(11,284)	(4)	0	(21,550)	0	(14)	(456)	(22,021)
Charge for 2022/23	(4,137)	(4,145)	(2,066)	(1)	0	(10,349)	0	(10)	(289)	(10,648)
Disposals	0	0	234	0	0	234	0	0	0	234
Acc Dep'n w/o	4,008	3,796	0	0	0	7,804	0	0	0	7,804
Reclassifications	0	1	0	0	0	1	0	0	0	1
Impairments to CIES	0	0	0	0	0	0	0	10	0	10
At 31 March 2023	(4,137)	(6,602)	(13,116)	(5)	0	(23,860)	0	(14)	(745)	(24,620)
Net Book Value at 31 March 2023	340,508	260,866	8,972	2,005	26,259	638,610	2,343	14,064	1,382	656,399

10 Property plant and equipment, investment properties and intangible assets

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Community Assets	Assets Under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2021 (b/fwd)	348,136	270,076	15,705	1,706	23,888	659,512	4,348	12,286	1,041	677,187
Additions	4,900	1,774	5,974	0	11,167	23,816	0	0	681	24,497
Disposals	(2,026)	(2,289)	(227)	0	0	(4,542)	0	0	(20)	(4,562)
Acc Dep'n w/o	0	(4,168)	0	0	0	(4,168)	0	(9)	0	(4,177)
Reclassifications/Transfers	0	(5,590)	0	0	0	(5,590)	0	0	0	(5,590)
Revaluations to Revaluation Reserve	(22,215)	6,391	0	0	0	(15,824)	0	64	0	(15,760)
Revaluations to CIES	(4,698)	(2,179)	0	0	0	(6,877)	0	0	0	(6,877)
Other movements in Cost or Valuation	7,183	0	0	0	(7,183)	0	0	0	0	0
At 31 March 2022	331,280	264,016	21,452	1,706	27,872	646,327	4,348	12,341	1,701	664,717
<u>Depreciation and impairment</u>										
At 1 April 2021 (b/fwd)	(4,172)	(6,857)	(10,161)	(3)	0	(21,194)	0	(14)	(322)	(21,531)
Charge for 2021/22	(4,008)	(3,565)	(1,350)	(1)	0	(8,924)	0	(9)	(154)	(9,087)
Disposals	0	0	227	0	0	227	0	0	20	247
Acc Dep'n w/o	4,172	4,168	0	0	0	8,340	0	9	0	8,349
Reclassifications	0	1	0	0	0	1	0	0	0	1
Impairments to CIES	0	0	0	0	0	0	0	0	0	0
At 31 March 2022	(4,008)	(6,254)	(11,284)	(4)	0	(21,550)	0	(14)	(456)	(22,021)
Net Book Value at 31 March 2022	327,272	257,762	10,169	1,702	27,872	624,777	4,348	12,327	1,246	642,697

Infrastructure Assets	31/03/2022	31/03/2023
NBV @ 1 April	20,130	19,332
Additions	0	167
Depreciation/Impairment	(798)	(791)
NBV @ 31March	19,332	18,708

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 England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	31/03/2022	31/03/2023
Infrastructure assets	19,332	18,708
Other PPE assets	642,697	656,399
Total PPE assets	662,029	675,107

10.1 Heritage Assets

FRS 102 defines a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

Canterbury City Council owns a large number of heritage assets which have either been donated to the Council or purchased or the Council has inherited from other public bodies. The assets are maintained to a standard which enables them to retain their original value. Therefore, it is not considered appropriate to depreciate these assets.

Land and Buildings

The Council owns the following land and buildings, most of them historic, which are held and maintained principally for their contribution to knowledge and culture. The Council does not hold information on the cost or value of these assets and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts.

Heritage Asset	Location
Roper Gateway, St Dunstons Street	Canterbury
Jesuit Chapel (Hales Place Chapel Trust)	Canterbury
Black Princes Chantry Wall	Canterbury
City Walls	Canterbury
Dane John Mound	Canterbury
St George's Clocktower	Canterbury
St Mary Magdalene Clocktower	Canterbury
1st and 2nd World War Memorials	Various
Boer War Memorial, Dane John	Canterbury
Kent Yeomanry War Memorial	Canterbury
Whitstable War Memorial	Whitstable
Memorial to Kentish Martyrs	Canterbury

Assets whose primary function is operational, such as the Holy Cross Church (The Guildhall), Tower House, and museum buildings are not classed as Heritage Assets. Where the asset values are recorded on the fixed asset register, these values are also shown in the reconciliation below.

The buildings are all maintained by the Council's buildings services team. There are regular inspections and any maintenance required is carried out as part of the maintenance programme for all of the Council's buildings.

Museum contents and other artefacts

The museums service is managed within the Place Services area, and a small team look after and preserve the exhibits.

The service operated two museums within the district during 2022/23. Independent groups have been established in Herne Bay and Whitstable to take on the management of the museums on the Council's behalf.

The current valuation for art in the museums for insurance purposes is £8,302,000. Other museum exhibits are valued for insurance purposes at £886,000 and various civic and public art commissions are valued at £2,103,000 giving an overall total of £11,291,000 which also includes Tower House and Van Dyck paintings, but excludes exhibitions on loan to the Council.

It has been determined that the civic regalia should be classed as operational assets as they are used in the course of the Council's business.

Reconciliation of the carrying value of Heritage Assets Held by the Authority

At 31 March 2022		Asset	At 31 March 2023	
£'000	£'000		£'000	£'000
841		Museum Exhibits	886	
<u>8,786</u>		Public Art and Painting Collection	<u>10,405</u>	
	9,627	Museum contents and artefacts		11,291
972		Roman Site Butchery Lane	972	
30		Canterbury Castle	30	
161		Littlebourne Barn	161	
489		Central Parade Clock Tower	489	
<u>1,048</u>		The Westgate	<u>1,121</u>	
	2,700	Land and Buildings		2,773
	<u>12,327</u>	Total		<u>14,064</u>

10.2 Assets held for sale

31 March 2022	Transfers	Revaluations	Assets sold	31 March 2023
£'000	£'000	£'000	£'000	£'000
3,523 Car park land	0	978	0	4,501
950 Business centres	500		0	1,450
1,117 Surplus land	8,292	162	(5,970)	3,601
0 Surplus Property	581	369	(475)	475
<u>5,589</u>	<u>9,373</u>	<u>1,509</u>	<u>(6,445)</u>	<u>10,026</u>

10.3 Depreciation

Depreciation is provided for PPE with a finite useful life according to the following policy:

- Operational buildings are depreciated unless the amount involved is not material.
- Newly acquired assets are depreciated from the date of acquisition although assets in the course of construction are where depreciated, are depreciated at historical cost.
- Depreciation is calculated using the straight-line method over the expected useful life of the asset. This is calculated for each asset on an individual basis as follows: infrastructure assets are depreciated over periods varying from 10 to 50 years, operational buildings over periods ranging from 20 to 100 years, and plant, vehicles and equipment are mainly depreciated over five years.

A revised depreciation charge using component accounting was implemented for the HRA in 2010/11 and has been implemented for major properties only for the General Fund from 2011/12.

10.4 Revaluations

The Council carries out a rolling programme of revaluations that ensures that all property, highways, infrastructure assets, plant and equipment required to be measured at current value is re-valued at least every five years. Investment properties, surplus properties and assets held for sale are re-valued every year, as are all assets with a capital value of over £400,000. Revaluations for 2022/23 were carried out internally with the exception of Whitefriars, which was valued by Knight Frank.

Assets category	Date of last valuation	Basis of valuation	Value of revalued assets £'000	Valuer
Council dwellings	March 2023	A	344,645	Adam Wright, MRICS
Other land and buildings	March 2023	B	221,615	Adam Wright, MRICS
Surplus assets	March 2023	C	0	Adam Wright, MRICS
Investment properties	March 2023	C	2,343	Adam Wright, MRICS
Infrastructure assets	March 2023	B	43,965	Liam Woollorton, IEng, MICE
Assets held for sale	March 2023	C	10,026	Adam Wright, MRICS

Basis of valuation

- A Current Value - Existing Use Value – Social Housing reflects discounted value in accordance with MHCLG guidance to allow for the use of property as rented social housing
- B
 - a) Current Value - Existing Use Value where there was sufficient evidence of transactions for that use, or
 - b) Depreciated replacement cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties
- C Current Value - Fair value for properties categorised as Assets Held for Sale, surplus or investment properties

Valuation techniques used to determine level 2 fair values for investment properties

The Fair Values of retail assets have been assessed using the investment method reflecting market conditions, sale prices and achieved rents for similar assets in the local authority area as at the valuation date. Market conditions are such that the level of observable inputs is significant leading to the property being categorised at Level 2 in the fair value hierarchy (see Note 4 for an explanation of the fair value levels).

Highest and Best Use of Investment Properties

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

There has been no change in the valuation techniques used during the year for investment property.

Following the Grenfell Fire tragedy in June 2017, the MHCLG published 'Advice for Building Owners of Multi-Storey, Multi-Occupied Residential Buildings' (the consolidated advice note (CAN)) in January 2020. Following publication of the MHCLG's advice the RICS produced a Guidance Note 'Valuation of properties in multi-storey, multi occupancy residential buildings with cladding' 1st edition, March 2021 (the RICS Guidance Note), which came into effect on 5th April 2021. When Savill's valued the housing stock in March 2022 their opinion of value for Canterbury City Council's three high rise blocks, Elizabeth Court and Margaret Court, Herne Bay and Windsor House Whitstable had regards to both the CAN and the RICS Guidance Note. Until the full extent of the remediation works that may be required to the external wall insulation at these blocks and the specific costings for these works are known, Savills withheld the value

and attributed a nil value to the three blocks. These blocks continue to be held at a nil value as at 31 March 2023.

11 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 in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. This effectively means that it has been covered by borrowing.

2021/22 Capital Expenditure and Financing	2022/23
£'000	£'000
266,239 Opening Capital Financing Requirement	267,925
Capital Expenditure in year:	
13,330 Property, plant and equipment	10,233
11,167 Assets under construction	3,847
Revenue expenditure funded from capital under statute	
2,141 see note 11.1	3,996
<u>26,638</u>	<u>18,076</u>
(5,720) HRA loan repayment	(5,847)
Sources of Finance	
(4,393) Capital receipts	(8,557)
(122) Loan repayments	(127)
(2,799) Government grants and other contributions	(2,642)
(4,730) Revenue and Reserves	(4,522)
(7,188) Revenue and provision for repayment of loans (MRP)	(8,527)
<u>(19,232)</u>	<u>(24,376)</u>
267,925 Closing Capital Financing Requirement	255,778
Explanation of movements in year	
(5,720) HRA loan repayment	(5,847)
(7,188) MRP	(8,527)
(122) Soft loan repayments	(127)
Increase in underlying need to borrow (unsupported by	
14,716 government financial assistance).	2,355
<u>1,685</u> Movement of Capital Financing Requirement	<u>(12,147)</u>

11.1 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This expenditure is recognised as revenue expenditure and any funding of it by grants recognised as revenue income.

2021/22	2022/23			
	Gross	Other		Net Exp
Net Exp	Exp	Gov Grant	Contr	Net Exp
£'000	£'000	£'000	£'000	£'000
0 Disabled facilities and improvement grants	1,196	(1,168)	(28)	0
603 Other including parish council grants	2,800	(271)	(275)	2,254
<u>603</u> Total	<u>3,996</u>	<u>(1,439)</u>	<u>(303)</u>	<u>2,254</u>

The financing of this expenditure was grants and contributions of £1.742m. Adding this to the £0.9m non REFCUS grant funded capital expenditure reconciles to the total capital grants applied to finance capital expenditure £2.642m (see table above).

12. Financial Instruments

12.1 Categories of Financial Instruments

The following categories of financial instrument (and non-financial assets/liabilities) are disclosed on the face of the Balance Sheet as at 31 March.

Financial Assets	<u>Non-Current</u>				<u>Current</u>				Total 31 March	Total 31 March
	Investments		Debtors		Investments		Debtors			
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March		
	2023	2022	2023	2022	2023	2022	2023	2022		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Amortised cost	0	0	341	353	0	0	6,690	7,787	7,031	8,141
Fair Value through profit and loss	0	0	0	0	15,116	32,420	0	0	15,116	32,420
Cash and cash equivalents	0	0	0	0	0	0	2,105	797	2,105	797
Soft loans	0	0	2,467	2,625	0	0	0	0	2,467	2,625
Total financial assets	0	0	2,808	2,979	15,116	32,420	8,795	8,584	26,719	43,983
Non-financial assets	0	0	0	0	0	0	122	2,155	122	2,155
Total	0	0	2,808	2,979	15,116	32,420	8,917	10,739	26,841	46,138

Financial Liabilities

Financial Liabilities	<u>Non-Current</u>				<u>Current</u>				Total 31 March	Total 31 March
	Borrowings		Creditors		Borrowings		Creditors			
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March		
	2023	2022	2023	2022	2023	2022	2023	2022		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Amortised cost	(152,337)	(162,856)	0	0	(26,434)	(22,829)	(29,863)	(50,227)	(208,634)	(235,913)
Total financial liabilities	(152,337)	(162,856)	0	0	(26,434)	(22,829)	(29,863)	(50,227)	(208,634)	(235,913)
Non-financial liabilities	0	0	0	0	0	0	(7,325)	184	(7,325)	184
Total	(152,337)	(162,856)	0	0	(26,434)	(22,829)	(37,188)	(50,044)	(215,960)	(235,729)

12.2 Material Soft Loan made by the Council

Loan to Kent County Cricket Club (KCCC)

Soft loans includes a loan to the KCCC (towards the implementation of its development plans) which is deemed to be material. A soft loan is one where the advance has been made at less than market rates. Within the balance of soft loans of £2.5m shown in the table at 12.1 above, is an amount of £2.3m in respect of the KCCC.

	2021/22	2022/23
	£'000	£'000
Balance at start of year:		
Opening balance	2,534	2,436
Loans repaid	(122)	(127)
Increase/(decrease) in discounted amount	24	24
Impairment losses	0	0
Closing balance at end of year	<u>2,436</u>	<u>2,333</u>

The interest rate at which the fair value of this soft loan has been made is arrived at by adding 1% to the actual cost of borrowing to reflect the credit risk.

12.3 Income, Expense, Gains and Losses

The income, expense, gains and losses recognised in the CIES (as part of Surplus/Deficit on the Provision of Services) in relation to financial instruments are made up as follows:

	2021/22	2022/23
	£'000	£'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	(20)	(499)
Financial assets measured at amortised cost	24	22
Total net gains/losses	<u>3</u>	<u>(477)</u>
Interest revenue:		
Financial assets measured at amortised cost	<u>(130)</u>	<u>(132)</u>
Interest expense	<u>4,870</u>	<u>4,806</u>

12.4 Fair Values of Financial Assets and Liabilities

The Council's financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the Net Present Value of the cash flows that will take place over the remaining term of the instruments, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The following assumptions have been used:

- i) For PWLB loans, the new borrowing rate has been used as the discount factor (as opposed to the premature repayment rate). This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation. Relevant interest rates at 31 March 2023 were between 4.44% and 4.91% depending on the maturity date of the loan.
- ii) No early repayment or impairment is recognised.

- iii) For investments, the discount rate used in the Net Present Value calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of the valuation for an instrument with the same outstanding period to maturity.

The fair values calculated by Arlingclose our treasury advisors:

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
Long term borrowing				
162,854	169,928	Financial Liabilities PWLB loans	152,335	134,198
2	0	Financial Liabilities - Other bonds and mortgages	2	0
Short term borrowing				
22,829	22,621	Financial Liabilities - temporary loans	26,434	23,375

The fair value is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date including two loans totalling £105m with rates of 2.61% and 2.47% which account for a fair value of £14.1m lower than the carrying amount. Further, the commitment to pay interest below current market rates on the other loans decreases the amount that the Council would have to pay if the lender requested or agreed to early repayments of the loans.

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
Investments				
0	0	Loans and receivables - banks and building societies	0	0
32,420	32,420	Fair value through profit and loss - money market funds	15,116	15,116
<u>32,420</u>	<u>32,420</u>		<u>15,116</u>	<u>15,116</u>

The value of money market funds are made at "mark to market" meaning that the value of the funds are constantly measured at their fair value. The Council's carrying amount in the accounts is kept up to date resulting in them being equal to the fair value.

Financial assets and liabilities additionally include cash, bank overnight deposits and some debtors and creditors as set out in the table (above) in note 12.1. The fair value of these is equivalent to the nominal value as they are short term liquid assets.

12.5 Nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management

in relation to treasury management is reviewed throughout the year, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits are only made with banks and financial institutions if they are rated with a minimum score of F1. The Treasury Management Strategy sets out the lending limits to any single counter party, these are based on the assessed risks and vary between £2.5 million and £10 million. The strategy for 2022/23 was agreed by Council on 21 February 2022 and is available on the Council's website.

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needed (although this facility is rarely used), 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.

All investment sums owing to the Council (£15.1m) can be repaid on demand if required. The long term debts are due for repayment in accordance with the loan agreements.

Refinancing and Maturity 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 comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

However £64.3m of loans have a maturity of more than 10 years and the strategy is now to spread the maturity profile of the borrowings and to make early repayments where it is beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2022	Source of Loan	Range of interest rates payable	31 March 2023
£'000		%	£'000
162,854	Public Works Loan Board	0.74 - 10.50	152,335
<u>2</u>	Other bonds and mortgages	2.00 - 5.625	<u>2</u>
162,856	Total Long term borrowing		152,337
	Analysis of loans by maturity is:		
10,518	Maturing in 1-2 years		10,749
32,963	Maturing in 2-5 years		34,061
50,633	Maturing in 5-10 years		43,182
<u>68,742</u>	Maturing in over 10 years		<u>64,345</u>
162,856	Total Long term borrowing		152,337

Market Risk

Interest rate risk

The Council is exposed to significant risks in terms of its exposures to interest rate movements on its investments, although much less on its borrowings. Movements in interest rates have a complex impact on the authority. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities/borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure account. However changes in interest payable and receivable on variable rate borrowings and investments (if the Council had any) would be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

Investments or borrowings at variable interest rates are potentially most affected by interest rate risk; this Council invests in money market funds which are subject to movements in interest rates. For a 1% increase in rates additional income of £135k would be generated from the funds. A 1% reduction would have the opposite effect.

General Fund Borrowing

The maturity analysis table on page 52 shows £64.3m Council borrowing in excess of 10 years, of this £62.3m relates to the General Fund and £2m relates to the HRA.

Financial Instruments Designated at Fair Value through Profit or Loss (FVPL)

The Council held £15.1m in money market funds at 31 March 2023 designated as FVPL. The risk to the value of the funds is managed as described above. Fair value hierarchy of Level 1 is applied, that is, the value is derived from quoted prices in active markets for identical assets. The impact of a 1% interest rate rise would lead to an estimated reduction in fair value of £16k.

13 Long term debtors

Balance at 31 March 2022 £'000	Category	Advances £'000	Repayments £'000	Write-Offs £'000	Balance at 31 March 2023 £'000
Soft loans (Misc loans)					
2,828	Actual amount outstanding	0	(189)	0	2,639
(203)	Adjustments to fair value	0	30	0	(173)
<u>2,625</u>	Soft loans - Fair value	<u>0</u>	<u>(159)</u>	<u>0</u>	<u>2,466</u>
220	Canenco loan	0	0	0	220
133	Shared Service Reserves	0	(12)	0	121
<u>2,979</u>	Total	<u>0</u>	<u>(171)</u>	<u>0</u>	<u>2,808</u>

The balance for soft loans at 31 March 2023 of £2.639m has been reduced downwards by £173k (contra the Financial Instruments adjustment account) to a 'fair value' of £2.466m using a discounted cash flow calculation, to reflect the interest charged is below market rates or where interest is at the market rate a credit default risk of 1% has been used.

14 Short term debtors

31 March 2022 Category £'000	31 March 2023 £'000
11,956 Other entities and individuals	9,136
1,636 Central government bodies	1,504
1,367 Other local authorities	971
8 Public corps and trading funds	36
14,967 Total	11,647
Impairment of debt	
(1,333) Local tax payers	(1,239)
(1,251) Housing	(1,624)
(1,755) Benefits	(1,690)
(687) Penalty charges notices & other provisions	(282)
(5,025) Total	(4,835)
9,942 Total short term debtors	6,812

14.1 Age of Debt

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

31 March 2022			31 March 2023			
General £'000	HRA £'000	Total £'000	Age of Debt	General £'000	HRA £'000	Total £'000
1,427	87	1,514	0 to 30 days	1,383	62	1,445
151	12	163	31 to 60 days	149	7	156
185	4	189	61 to 90 days	172	8	180
752	2	754	91 to 120 days	689	31	720
529	110	639	Over 120 days	583	26	610
3,045	215	3,260	Total	2,976	134	3,110

14.2 Collectability of debt

The Council does not generally allow credit for customers; however, it is prudent to establish an allowance for non-payment of debt. This calculation is based upon the type and age of the debtor and allows a percentage for the expected failure of collection. The Council's potential maximum exposure to default or non-collection of the debt is shown as the provision balance as at 31 March in the impairment of debt table above.

14.3 Payments in Advance

31 March 2022 £'000	31 March 2023 £'000
1,285 Long Term Payments in Advance	1,187
307 Short Term Payments in Advance	387
1,592	1,574

15 Cash and cash equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts. The balance of cash and cash equivalents is made up of the following elements:

31 March 2022	31 March 2023
£'000	£'000
35 Bank overnight deposits	196
<u>762</u> Cash in hand	<u>2,902</u>
797	3,098
(817) Payments in transit	(993)
<u>(20)</u>	<u>2,105</u>

16 Creditors

31 March 2022	Category	31 March 2023
£'000		£'000
	Sundry creditors	
(9,064)	Other entities and individuals	(5,874)
(38,598)	Central government bodies	(20,401)
(2,354)	Other local authorities	(10,849)
(28)	Public corps and trading funds	(64)
<u>(50,044)</u>	Total	<u>(37,188)</u>

16.1 Deposits and Receipts in Advance

The balance for deposits and receipts in advance of £10.185m is predominantly made up of various government grants. (In 2021/22 the total was £26.525m which was also predominantly made up of various government grants, most of which related to the pandemic).

17 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 6 and 9 to the financial statements.

18 Unusable Reserves

Reserve	Balance at 1 April 2022 £'000	Net movement in year £'000	Balance 31 March 2023 £'000	Purpose of reserve
Revaluation Reserve	(244,684)	(47,755)	(292,439)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 18.1 for details
Capital Adjustment Account	(160,720)	11,274	(149,446)	Store of capital resources set aside to meet past expenditure see note 18.2 for details
Financial Instrument Adjustment Account	480	(47)	432	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
Pensions Reserve	88,206	(77,862)	10,344	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 18.3 for details
Collection Fund Adjustment Account	4,017	(4,000)	17	Resources available to meet future precept payments re City Council share only
Short-term accumulating absences account	230	(40)	190	Represents accrual of holiday entitlement carried forward at year end
Total	<u>(312,472)</u>	<u>(118,430)</u>	<u>(430,902)</u>	

18.1 Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets) as a result of inflation or other factors. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2022 £'000	Category	General Fund £'000	Housing £'000	31 March 2023 £'000
(257,930)	Balance at 1 April	(66,336)	(178,348)	(244,684)
(21,401)	Upward revaluation of assets	(25,281)	(15,973)	(41,254)
	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services	1,035	2	1,037
37,161		(24,246)	(15,971)	(40,216)
15,760	Depreciation written out on revaluations of PPE (Surplus)/deficit on revaluation of assets not posted to the surplus or deficit on the provision of services per CIES.	0	(4,008)	(4,008)
(4,172)		(24,246)	(19,979)	(44,224)
11,588	Transfers to Capital Adjustment Account (note 18.2)			
	Write-out the revaluation gains previously recognised for assets disposed of in current year.	2,122	0	2,122
1,246		(22,124)	(19,979)	(42,103)
12,834	(Surplus)/deficit on revaluation of PPE			
	Difference between fair value depreciation and historical cost depreciation following revaluations	973	2	975
412		(21,151)	(19,977)	(41,128)
13,246	Total movement in reserve in the year	(87,486)	(198,325)	(285,811)
(244,683)	Balance at 31 March	(87,486)	(198,325)	(285,811)

18.2 Capital Adjustment Account

This reserve reflects the timing differences between the historical cost of non-current assets consumed, 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 that have been set aside to finance 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 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2021/22 Capital Adjustment Account Total £'000	General Fund £'000	Housing £'000	2022/23 Total £'000
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment			
(157,512) Balance at 1 April	(75,908)	(84,812)	(160,720)
Charges for depreciation and impairment of non-			
9,885 current assets	7,101	4,340	11,441
6,877 Revaluation of Property, Plant and Equipment	12,132	6,711	18,843
603 Revenue expenditure funded from capital under statute	2,254	0	2,254
Amounts of non-current assets written off on			
3,069 disposal/sale as part of gain/loss on disposal to CIES	4,323	2,056	6,379
20,435	25,810	13,107	38,917
(412) Adjusting amounts written out to Revaluation Reserve	(973)	(2)	(976)
Net written out amount of the cost of non-current assets consumed in the year.			
20,023	24,837	13,104	37,941
Capital financing applied in the year			
0			
(4,393) Use of the Capital Receipts Reserve to finance new capital expenditure	(6,331)	(2,226)	(8,557)
(4,176) Use of the Major Repairs Reserve to finance new capital expenditure	0	(4,340)	(4,340)
(1,261) Capital grants and contributions credited to the CIES that have been applied to capital financing	(900)	0	(900)
(7,188) Statutory provision for the financing of capital charged to the General Fund and HRA balances	(8,527)	0	(8,527)
(555) Capital expenditure charged against the General Fund and HRA balances	(182)	0	(182)
(17,573)	(15,940)	(6,566)	(22,506)
Movement in the year			
0			
Movement in the market value of Investment Properties			
0 debited or credited to the Comp Income and Exp Stmt	2,005	0	2,005
(5,720) HRA loan repayment	0	(5,850)	(5,850)
62 Repayments of soft loans and housing act advances	61	0	61
(160,720) Balance at 31 March	(64,945)	(84,124)	(149,069)

18.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences due to the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statute. 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 pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22	2022/23
£'000	£'000
91,640 Balance at 1 April	88,206
(8,571) Remeasurements of the net defined benefit liability	(81,684)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the	
9,763 Comprehensive I&E Statement	8,747
(4,626) Employer's pension contributions	(4,925)
<u>88,206</u> Balance at 31 March	<u>10,344</u>

19 Cash flow statement – operating activities and reconciliation of liabilities arising from financing

19.1 The cash flows for operating activities include the following items:

2021/22	2022/23
£'000	£'000
4,860 Interest paid	4,643
(150) Investment income received	(571)
<u>4,710</u> Total	<u>4,072</u>

Full details of investing and financing activities are included in the main cash flow statement itself.

19.2 Reconciliation of liabilities arising from financing activities

Balance at 1 April 2022 (re-stated)	Liability	Financing cash flows	Non cash changes		Balance at 31 March 2023
£'000		£'000	Acquisition £'000	Other non cash £'000	£'000
(162,856)	Long term borrowings	10,294	0	225	(152,337)
(22,829)	Short term borrowings	(2,000)	0	(1,605)	(26,435)
0	Lease liabilities	0	0	0	0
(185,685)	Total liabilities from financing activities	8,294	0	(1,380)	(178,772)

Long term and short term borrowings at 1 April 2022 have been restated due to misclassification in the prior year. The lease liability at 1 April 2022 has been re-stated from £(424)k to nil as the embedded lease write down had occurred in 2020/21.

20 Grant Income

The Council credited the following grants and contributions to the CIES within taxation and non-specific grant income section.

2021/22 Taxation and non-specific grant Income	2022/23
£'000 a) General government grants	£'000
(10,117) Non-domestic rates income and expenditure	(4,985)
(1,478) New homes bonus	(1,604)
(665) Other central government grants	(1,747)
(12,259) Total of general government grants	(8,336)
b) Recognised capital grants and contributions	
(1,621) Grants and contributions	(3,495)
(1,621) Total of recognised capital grants and contributions	(3,495)

The Council credited the following grants and contributions to cost of services within the CIES.

2021/22	2022/23
£'000 Credited to Services	£'000
(18,757) Rent allowances	(17,257)
(11,790) Rent rebates	(11,266)
(611) Benefits administration	(538)
(233) NDR administration	(237)
(3,306) Covid 19 grants	(6,674)
0 Energy Rebate Grants	708
(4,052) Other revenue grants	(5,227)
(1,191) Disabled facilities grants	(1,167)
(39,941)	(41,658)

Covid 19 grants consist of several different grants, as shown below.

2021/22	2022/23
£'000	£'000
(1,281) Additional restrictions grant	(72)
(26) Local authority discretionary grant fund	(6,683)
(961) Sales, fees and charges grant	0
(248) Government support grants	0
(789) Miscellaneous grants	81
(3,306)	(6,674)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if the conditions are not met. They are credited to capital grants receipts in advance until the terms of the condition are substantially met.

21 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims.

2021/22	2022/23
£'000	£'000
80 External audit services carried out by the appointed auditor	64
(8) Rebate from PSAA	0
50 Certification of grant claims and returns	43
122 Total	107

The final agreed fee for external audit services for 21/22 is £105k and the provisional agreed fee for 22/23 is £73k. These costs are exclusive of VAT.

22 Councillors' Allowances

The total of councillors' allowances paid in the year was £331,293 (2021/22 - £316,865)

Details can be found on our website:

<https://www.canterbury.gov.uk/budgets-and-transparency/members-allowances/>

23 Officers' Emoluments

The number of employees whose remuneration including termination payments, but excluding employer's pension contributions, was over £50,000, in bands of £5,000 are shown in the following table.

Number of Employees 2021/22	Remuneration band	Number of Employees 2022/23
10	£50,000 - £54,999	12
15	£55,000 - £59,999	10
4	£60,000 - £64,999	4
7	£65,000 - £69,999	6
3	£70,000 - £74,999	6
2	£75,000 - £79,999	4
1	£80,000 - £84,999	0
1	£85,000 - £89,999	1
0	£90,000 - £94,999	2
1	£95,000 - £99,999	1
0	£100,000 - £104,999	0
1	£105,000 - £109,999	0
1	£110,000 - £114,999	1
0	£115,000 - £119,999	1
0	£120,000 - £124,999	1
1	£150,000 - £154,999	0
47	Total	49

23.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Head of Paid Service or part of Senior Management Team. The lowest full-time pay rate on the Council's salary scale is £20,253, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2021/22			2022/23			
Salaries fees & allowances £'000	Pension Contribution £'000	Total £'000	Statutory Officers	Salaries fees & allowances £'000	Pension Contribution £'000	Total £'000
151	23	174	Head of Paid Service Chief - Executive	0	0	0
0	0	0	Head of Paid Service	120	20	140
112	19	131	Chief Financial Officer - Director Corporate Services	0	0	0
0	0	0	Chief Financial Officer - Deputy Director Finance & Procurement	86	14	100
35	5	40	Head of Legal Services	76	7	83
79	0	79	Interim Head of Legal Services	0	0	0
Non Statutory Directors						
96	16	112	Director - Strategy and Improvement	110	18	128
107	18	125	Director - People and Places	119	20	139
50	7	57	Director - Finance & Procurement	0	0	0
630	88	718	Total	511	79	590

A permanent Head of Legal Services was appointed from October 2021, replacing the Interim Head of Legal Services. The Director - Finance & Procurement post was vacant from 1 October 2021, and was removed from the senior management structure.

There were no other bonuses paid or receivable, no expenses allowance chargeable to UK tax paid or receivable, no amount of any compensation for loss of employment paid or receivable plus any other payment in connection with termination of employment paid to any of the above.

24 Exit Packages and Termination Benefits

The Council terminated the contracts of a number of employees in 2022/23, incurring liabilities of £89,000 (£307,000 in 2021/22). The total in 2022/23 is in respect of 7 officers from various divisions within the Council who were made redundant as part of the Council's ongoing rationalisation of services. Payments include all payments for redundancy, compromise agreements, pension costs incurred and Pay-In-Lieu of notice. The total cost of these exit packages is analysed in bands of £20,000 below:

2021/22			Band	2022/23		
Number of Packages	Type of exit package	Total cost £'000		Number of Packages	Type of exit package	Total cost £'000
4	Compulsory Redundancy	33	£0 -	0	Compulsory Redundancy	0
4	Other	40	£19,999	5	Other	4
2	Compulsory Redundancy	62	£20,000 -	0	Compulsory Redundancy	0
1	Other	26	£39,999	0	Other	0
0	Compulsory Redundancy	0	£40,000 -	2	Compulsory Redundancy	85
1	Other	53	£59,999	0	Other	0
0	Compulsory Redundancy	0	£60,000 -	0	Compulsory Redundancy	0
0	Other	0	£79,999	0	Other	0
1	Compulsory Redundancy	93	£80,000 -	0	Compulsory Redundancy	0
0	Other	0	£99,999	0	Other	0
0	Compulsory Redundancy	0	£100,000 -	0	Compulsory Redundancy	0
0	Other	0	£119,999	0	Other	0
0	Compulsory Redundancy	0	£120,000 -	0	Compulsory Redundancy	0
0	Other	0	£139,999	0	Other	0
0	Compulsory Redundancy	0	£140,000 -	0	Compulsory Redundancy	0
0	Other	0	£159,999	0	Other	0
13		307		7		89

Accounting regulations require the council to include a provision in the accounts for redundancy costs that the council know they will incur in 2023/24. The amounts payable to officers after 31 March 2023 are excluded from the table above as it will be disclosed in 2023/24.

25 Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 20 (above) – both credited to services and credited to taxation and non-specific grant income. Grant receipts outstanding are also shown in this note.

Councillors

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in the last year is shown in note 22.

Details of any related party transactions with councillors are collected annually. Several councillors are trustees of groups that have received small amounts of grant funding during the year.

Canterbury Environment Company (CanenCo)

On 1 February 2021 the Council's waste and street cleansing service became the responsibility of Canterbury Environment Company which is a company wholly owned by the Council. Canterbury Environment Company also took on the grounds maintenance and associated works contract from 1 December 2021. During 2022/23, the Council's Director of People and Place and Deputy Director of Place

served as company directors. In addition, the Strategic Finance Manager was a director until November 2022 and, on her departure, was replaced by the Interim Accountant for the remainder of the financial year.

Payment of £10.6m was made in 22/23 to CanenCo in relation to waste services and the Council received £298k from CanenCo in relation to support service charges. Balances due to/from CanenCo at 31st March 2023 are £207k and £384k respectively.

Precepting authorities

The Council collects council tax on behalf of its three major precepting authorities who in turn precept the Council. In addition, Kent County Council and Kent Fire and Rescue receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 76-79. Kent County Council also administers the Kent Pension Fund on behalf of Kent districts (see pages 62-67).

26 Private Finance Initiative (PFI)

In October 2007 the Council entered into an agreement with Kent County Council and nine other Kent district councils to all participate in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'. The PFI generated up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail older people.

As part of the agreement, Canterbury City Council donated two properties on a leasehold basis: King Edward Court, Herne Bay, valued at £1,400k and Brymore Road Garages, Canterbury, valued at £429k. The Council retains ownership of the freehold of both properties and receives a peppercorn rent for the use of the properties.

Under the agreement, the Council have nomination rights over the occupancy of the properties for the first 30 years, after which there will be the option of retaining the nomination rights or receiving an increased rent. The King Edward Court scheme and the Brymore Road scheme (now known as Henry Court) are both built and fully occupied.

27 Impairment losses

Impairment losses on Property, Plant and Equipment which are charged to the surplus or deficit on the provision of services are shown in note 10 to the financial statements. Impairment losses on financial assets are shown in the financing and investment section of the CIES.

28 Pension Costs

Participation in pension schemes

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlements.

The Council participates in the Local Government Pensions Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers.

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

The actuary appointed to carry out the valuation for final accounts purposes is Barnett Waddingham LLP.

The pension disclosures in the accounts are determined by IAS 19.

28.1 Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance during the year:

2021/22 £'000	Transactions in the Comprehensive Income and Expenditure Statement	2022/23 £'000
	Cost of Services	
7,570	Current Service cost	6,442
0	Past Service costs/(gains)	(23)
296	Settlements and Curtailments	0
98	Administrative expense	102
	Financing and Investment income and expenditure	
1,799	Net interest expense	2,226
9,763	Total retirement benefit charged to the Surplus or Deficit on the provision of services	8,747
	Other retirement benefit charged to the Comprehensive Income and Expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
(325)	Return on plan assets (exc net interest expense amount)	2,166
0	Actuarial changes in demographic assumptions	(7,026)
(8,796)	Actuarial changes in financial assumptions	(97,368)
0	Other actuarial (gains)/losses on assets	(1,156)
550	Experience (gain)/loss on defined benefit obligation	21,700
(8,571)	Total retirement benefit charged to the other Comprehensive Income and Expenditure Statement	(81,684)
1,192	Total charged to the Comprehensive Income and Expenditure Statement	(72,937)
	Movements in Reserves Statement	
(9,763)	Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(8,747)
	Actual amount charged against the General Fund Balance for pensions in the year	
4,369	Employer contributions payable to the scheme	4,667
257	Unfunded benefits paid	258

28.2 Pensions Assets and Liabilities recognised in the Balance Sheet

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

2021/22 £'000	Net Pension Liability as at 31 March in Balance Sheet	2022/23 £'000
253,066	Present value of the defined benefit obligation	176,901
167,592	Less fair value of plan assets	168,969
85,474	Sub-total	7,932
2,732	Other movements in the liability	2,412
88,206	Net liability arising from the defined benefit obligation	10,344

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

2021/22 £'000	Movement in Fair Value of scheme assets	2022/23 £'000
165,709	Opening fair value of scheme assets at 1 April	167,592
3,136	Interest income	4,334
	Remeasurement gain/(loss):	
325	Return on plan assets (exc amount in net interest expense)	(2,166)
0	Other actuarial gains/(losses)	1,156
25	Settlement prices received/(paid)	0
(98)	Administrative expenses	(102)
4,626	Employer Contribution	4,925
1,260	Employee Contribution	1,312
(7,391)	Estimated Benefits paid	(8,082)
167,592	Closing fair value of scheme assets at 31 March	168,969

28.4 Reconciliation of Present Value of the Scheme Liabilities

2021/22 £'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	2022/23 £'000
(257,349)	Opening balance at 1 April	(255,798)
(7,570)	Current service cost	(6,442)
(4,935)	Interest cost of pension scheme liabilities	(6,560)
(1,260)	Employee Contributions	(1,312)
	Remeasurement gains and losses:	
0	Actuarial gains/(losses) from demographic assumption changes	7,026
8,796	Actuarial gains/(losses) from financial assumption changes	97,368
(550)	Experience gain/(loss) on defined benefit obligation	(21,700)
(257)	Past service cost/gain including curtailments	23
257	Unfunded pension payments	258
7,134	Estimated benefits paid	7,824
(64)	Liabilities extinguished on settlements	0
(255,798)	Closing balance at 31 March	(179,313)

28.5 Local Government Pension Scheme Assets Comprised:

2021/22 £'000	Pension Scheme Assets	2022/23 £'000
3,463	Cash	3,031
107,883	Equity instruments	107,822
	Bonds	
1,023	- Gilts	926
23,139	- Other	22,192
19,685	Property	16,865
12,399	Target Return Portfolio	12,377
0	Infrastructure	5,756

*For 2021/22, infrastructure was included within the equities asset class.

28.6 Local Government Pension Scheme Assets Breakdown

The following information represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

	2022/23	
	% Quoted	% Unquoted
Fixed Interest Government Securities		
UK	-	-
Overseas	1%	-
Corporate Bonds		
UK	4%	-
Overseas	10%	-
Equities		
UK	16%	-
Overseas	44%	-
Property		
All	-	10%
Others		
Absolute return portfolio	7%	-
Private Equity	-	4%
Infrastructure	-	3%
Derivatives	-	0%
Cash/Temporary Investments	-	2%
Total	81%	19%

28.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liability have been estimated by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Fund being based on the latest triennial full valuation of the scheme as at 31 March 2022.

Valuation techniques are used to determine the fair values of directly held property and pooled property funds that form part of the pension fund assets. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.

The significant assumptions used by the actuary have been:

2021/22		2022/23
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners	
21.6	- Men	21.1
23.7	- Women	23.5
	Longevity at 65 for future pensioners	
23.0	- Men	22.3
25.1	- Women	25.0
3.30%	<i>Rate of inflation (CPI)</i>	2.95%
4.30%	<i>Rate of increased salaries</i>	3.95%
3.30%	<i>Rate of increase in pensions</i>	2.95%
2.60%	<i>Rate for discounting scheme liabilities</i>	4.80%

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 remained constant. The assumption in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<u>Sensitivity Analysis</u>	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	+0.5%	+1.0%	0.0%	-1.0%	-0.5%
Present Value Total Obligation	167,034	156,135	179,313	209,018	193,211
Projected Service Cost	1,946	1,607	2,347	3,394	2,824
Adjustment to long term salary increase	+0.5%	+1.0%	0.0%	-1.0%	-0.5%
Present Value Total Obligation	180,163	181,048	179,313	177,715	178,498
Projected Service Cost	2,355	2,363	2,347	2,331	2,339
Adjustment to pension increases & deferred revaluation	+0.5%	+1.0%	0.0%	-1.0%	-0.5%
Present Value Total Obligation	192,555	207,559	179,313	157,159	167,585
Projected Service Cost	2,821	3,404	2,347	1,598	1,949
Adjustment to life expectancy assumptions		+1 year	none	-1 year	
Present Value Total Obligation		186,829	179,313	172,130	
Projected Service Cost		2,434	2,347	2,263	

28.8 Impact on the Council's Cashflow

The objectives of the scheme are to keep the employers' contribution as 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 an appropriate time period. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

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 and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). 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.

The Council anticipates paying £3.938m employer contributions to the scheme in 2023/24.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

29 Operating Leases payable

During 2011/12 the Council acquired more than an insignificant amount of use of the leisure facilities at Herne Bay High School for 25 years, in return for a payment of £2.4m. This arrangement is being treated as an operating lease payment of £98k in 2022/23 (£98k for 2021/22).

The future lease payments due under this lease in future years are:

As at 31 March 2022	Details of period	As at 31 March 2023
£'000		£'000
98	Not later than one year	98
390	Later than one year and not later than five years	390
936	Later than five years	839
1,424	Total	1,327

The Council's Park and Ride service is operated under an arrangement which is classed under International Financial Reporting Standards as containing an embedded lease. This lease is classified as an operating lease but it is not possible to separate the payments to the operating company between lease payments and payments for other elements of the service.

The total payments in respect of this contract were £1,021k for 2022/23 (£1,097k in 2021/22).

Operating Leases receivable

The Council owns a large portfolio of property including two industrial estates and various properties in the city centre.

Much of this land is leased out. A review of the leases by the Council has concluded that these leases are classed as operating leases as the risks and rewards of ownership of the land remain with the lessor.

The table below shows the amount of annual lease payments receivable based on the date of lease expiry:

As at 31 March 2022	Details of period	As at 31 March 2023
£'000		£'000
	765 Not later than one year	978
	373 Later than one year and not later than five years	192
	4,748 Later than five years	4,715
	5,886 Total	5,885

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

Details of period	2023 £,000
Within one year	5,770
Later than one year and not later than five years	19,235
Later than five years	429,122
Total	454,127

30 Contingent Liability

The Council is aware of building defects identified at the Marlowe Theatre related to the original construction. The theatre was built in 2012 and then transferred to a Trust in 2018. To rectify the defects is an estimated additional £2.6m. There is ongoing litigation with the contractor to recover the costs.

31 Interest in joint arrangements and companies

The Council entered into an arrangement with Dover District Council and Thanet District Council for the provision of the ICT service, HR services, customer services and Revenue and Benefits service. The joint ICT and HR services are hosted by Thanet District Council and Dover Council with all councils paying a management fee for the services provided. The Revenue and Benefits and customer services functions are now provided by Civica jointly on behalf of the three councils.

During 2021/22 HR services were removed from the joint service arrangement, although Payroll services remain within the shared service.

The 2022/23 financial statements contain a long term debtor of £121k which represents the Canterbury City Council element of the EK Services reserve.

In October 2022 Cabinet agreed to disband East Kent ICT and the ICT service is being brought back in-house in a phased approach which started in October 2022 and will run through to April 2024.

Canterbury Environment Company Ltd

The Council is sole owner of the company. Group financial statements for the Council and the company are set out on pages 80 to 86 below.

Key results for the company in 2022/23 are as follows:

2021/22 Canterbury Environment Company £'000	2022/23 £'000
7,627 Turnover	10,587
2,230 Gross profit	2,984
5 Net profit after administration, interest and tax	18
25 Net assets	43

32 Provisions

	NNDR Appeals	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2022	(4,741)	(1,125)	(5,866)
Additional provisions made	(921)	0	(921)
Amounts used	620	54	674
Reversal of unused amounts	0	24	24
Balance at 31 March 2023	(5,042)	(1,047)	(6,089)

NNDR Appeals

This provision is the Council's share of the provision for appeals against NNDR ratings. The Valuation Office has a backlog of outstanding appeals, hence the current high provision.

Other Provisions

Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company, a provision for early retirement/redundancy and a general provisions account. The other provisions are individually insignificant.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

2021/22	2022/23
£'000 Income	£'000
(23,562) Dwelling rents (gross) note 8	(24,460)
(529) Non-dwelling rents (gross)	(571)
(302) Leaseholders charges for service and facilities	(336)
(1,442) Other charges for services and facilities	(1,449)
(1) Revaluation of plant, property & equipment note 7	(34)
(25,835) Total Income	(26,850)
Expenditure	
7,658 Repairs and Maintenance	7,429
Supervision and management	
6,024 General Management	5,070
2,115 Special Services	2,409
371 Rents, rates, council tax and insurance	593
4,176 Depreciation charges note 6	4,340
4,780 Revaluation of plant, property & equipment note 7	6,745
22 Debt management costs	21
97 Increase/(decrease) in provision for bad debts	382
25,244 Total Expenditure	26,989
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	139
(591) and Expenditure Statement	139
121 HRA services share of Corporate and Democratic Core	121
(470) Net cost of HRA Services	260
HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(1,281) Gain on sale of HRA fixed assets	(1,845)
1,841 Interest payable and similar charges	1,991
Interest and investment income	
(1) Notional cash balances	(10)
295 Pensions interest cost and expected return on pension assets Note 10	369
(409) Capital grants and contributions receivable	0
(24) (Surplus)/Deficit for the year on HRA services	765

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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The main differences between this and the way of accounting for the HRA balance being:

- 1) Capital investment is accounted for as it is financed, rather than when the non-current assets are consumed.
- 2) Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned.

3) Impairment losses of £6.7m due to the assessed increase in council house values following capital expenditure (multiplied by the social housing discount factor) being less than actual capital expenditure. These are all reversed out in the following statement.

Movement on the HRA Statement

The HRA Balance compares the Council's spending against rents collected in the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2021/22 Net expenditure	2022/23 Net expenditure
£'000	£'000
(Surplus)/Deficit for the year on the HRA Income and (24) Expenditure Statement	765
Adjustments between accounting basis and funding basis by 1,747 statute	228
1,723 Net (increase)/decrease before transfers to or from reserves	993
(64) Transfers to/(from) reserves (see table below)	(686)
1,659 (Increase)/Decrease in HRA Balance for the year	307
(2,552) Housing Revenue Account balance b/f at 1 April	(893)
(893) Housing Revenue Account balance c/f at 31 March	(586)

Movement on HRA Balance

2021/22 Net Expenditure		2022/23 Net Expenditure
Items included in the HRA Income & Expenditure Account, but excluded from the movement on the HRA		
£'000	Balance for the year	£'000
(4,779)	Reversal of revaluation adjustments - Note 7	(6,711)
5,720	Reversal: HRA loan repayment	5,850
409	Capital grants and contributions applied	0
0	Revenue expenditure funded from capital under statute	0
1,281	Net gain on sale of HRA fixed assets	1,845
28	Accrual for annual leave	7
(1,546)	Net charges made for retirement benefits in accordance with IAS 19 - Note 10	(1,422)
<u>1,113</u>		<u>(430)</u>
Items not included in the HRA Income & Expenditure Account, but included in the movement on the HRA		
Balance for the year		
0	Transfers to/(from) major repairs reserve - Note 3	0
634	Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	658
0	Capital expenditure funded by the HRA - Note 4	0
<u>634</u>		<u>658</u>
Net adjustments between accounting basis and funding basis under statute		
<u>1,747</u>		<u>228</u>
Transfers to/from reserves		
(64)	Contribution to/(from) HRA subsidence and other reserves	(686)
<u>(64)</u>	Transfers to/from reserves	<u>(686)</u>

Notes to the Housing Revenue Account

1 Housing Stock

At 31 March 2023, the Council was responsible for managing 5,065 units of accommodation:

Type of Property	Number of bedrooms				Total
	One	Two	Three	Four+	
Flats- low rise	1,095	329	9	0	1,433
Flats- medium rise	310	348	64	2	724
Flats- high rise	63	68	0	0	131
Houses and bungalows	362	905	1,379	109	2,755
Hostel places	20	2	0	0	22
Totals	<u>1,850</u>	<u>1,652</u>	<u>1,452</u>	<u>111</u>	<u>5,065</u>

Plus 11 basic homes (shared ownership dwellings).

The movement in housing stock can be summarised as follows:

	Stock at 1 April 2022	Right to buy sales	Additions	Redesignation	Stock at 31 March 2023
Flats	2,296	(7)	0	(1)	2,288
Houses and bungalows	2,770	(20)	5	0	2,755
Hostels	22	0	0	0	22
Totals	5,088	(27)	5	(1)	5,065

Following recent stock reviews it was identified that a one bedroom bungalow that was attached to a block of flats was recorded as a one bedroom flat on the housing system. This has now been rectified and restated above, the change to the overall stock valuation was not material.

The balance sheet value of housing assets at 31 March was as follows:

2021/22	2022/23
£'000	£'000
Operational assets	
327,272 Dwellings	340,508
2,716 Garages & parking area	3,420
727 Community centres & communal open space	721
395 Land	852
1,426 Shops	1,397
74 Plant, vehicles and equipment	59
384 Intangibles	317
332,993 Total	347,274

2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 31 March 2023 was £1,032m. For the balance sheet, the figure has been reduced to 33% i.e. £341m to show existing use value as social housing, reflecting the economic cost of providing social housing.

3 Major Repairs Reserve

With effect from 1 April 2002, the Government required that the housing accounts are produced on a Resource Accounting basis. This requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects. Housing subsidy included a grant in the form of a Major Repairs Allowance (MRA) to resource the Major Repairs Reserve. This was ring fenced for capital expenditure of a housing nature. The housing business plan following self financing replaced the subsidy grant with an allowance for capital expenditure which also resources the Major Repairs Reserve.

2021/22	2022/23
Major Repairs Reserve	Major Repairs Reserve
£'000	£'000
0 Balance at 1 April	0
(4,176) Transfer from capital adjustment account (HRA depreciation)	(4,340)
Transfer to (-)/from HRA	
0 Voluntary transfer to/from MRR	0
4,176 Less: expenditure on dwellings financed from this reserve	4,340
0 Balance at 31 March	0

4 Summary of Capital Financing

Capital expenditure of £7.43m was spent on housing assets within the HRA during the year. This was financed as follows:

2021/22	Capital financing of HRA expenditure	2022/23
£'000		£'000
4,176	Major repairs reserve	4,340
1,526	Capital receipts	2,226
409	Capital grant & contributions	0
168	Borrowing	843
6,278	Total	7,409

5 Summary of Capital Receipts

Housing capital receipts during 2022/23 were as follows:

2021/22	Housing capital receipts	2022/23
£'000		£'000
(3,291)	Dwelling sales (net of administration deduction)	(3,858)
(16)	Other sales	(44)
(3,307)	Total	(3,901)

6 Depreciation of property, plant and equipment

Depreciation of £4.34m was charged to the HRA. This comprises of £4.14m for dwellings and £203k for non-dwelling housing assets.

7 Revaluation of property, plant and equipment

2021/22		2022/23
£'000		£'000
6,278	Capital expenditure	7,409
(1,909)	Less assessed net increase in effective value	(2,067)
4,369	Decrease in effective value	5,342
0	Impairment of non-dwelling assets	1,240
411	Social value reduction	164
4,780	Total reduction in valuation	6,745
(1)	Valuation increase applied to CIES	(34)
4,779	Net revaluation total	6,711

8 Dwelling rents (gross)

This is the total rent income for dwellings for the year after allowance is made for voids etc. Average rents were £97.91 per payment week in 2022/23 (£94.21 in 2021/22).

9 Rent Arrears

The rent arrears figures are as follows:

2021/22	2022/23
£'000	£'000
1,575 Gross rent arrears at 31 March	1,991
<u>(662) Repayments of rent</u>	<u>(680)</u>
913 Net rent arrears at 31 March	1,311
<u>1,251 Provision for bad debts at 31 March</u>	<u>1,624</u>
<u> %</u>	<u> %</u>
Gross rent arrears as a proportion of gross	
<u> 6.7 dwelling rent income</u>	<u> 8.1</u>

10 HRA share of pensions

Under IAS19 there is a requirement to analyse the movement in the HRA share of the City Council's element of the Kent pension fund (see also note 28 to the core financial statements). However, so that there is no demand on housing rents, the entries are reversed out via the Pensions Reserve. The figures are as follows:

2021/22	2022/23
£'000	£'000
858 HRA share of current service cost less employer contributions	643
<u>(241) HRA share of past service cost less employer contributions</u>	<u>(249)</u>
617 Adjustment to 'General Management' line of HRA statement	394
<u>295 HRA share of pensions interest cost and expected return on</u>	<u>370</u>
<u>912 Pensions assets</u>	<u>764</u>
Net charges made for retirement benefits in accordance with IAS	
<u>(1,546) 19</u>	<u>(1,422)</u>
Employer's contributions payable to the Kent Pension Fund and	
<u>634 retirement benefits payable direct to pensioners</u>	<u>658</u>
<u>(912) HRA share of contributions to/from Pensions Reserve</u>	<u>(764)</u>
<u>0 Net effect on HRA balance</u>	<u>0</u>

Collection Fund

		Income & Expenditure Account				
2021/22	2021/22			Note	2022/23	2022/23
CTAX	NNDR	Income			CTAX	NNDR
£'000	£'000				£'000	£'000
(100,461)		Income from council tax payers			(105,842)	
(1,048)		Transfer from General Fund s13 A1C discounts			0	
	(41,331)	Income from business ratepayers				(44,824)
(101,509)	(41,331)	Total Income			(105,842)	(44,824)
Expenditure						
Precepts and demands						
	6,335	Central Government				16,874
70,167	1,140	Kent County Council			74,442	3,037
10,790	0	Police & Crime Commissioner for Kent			11,626	0
3,997	127	Kent & Medway Fire & Rescue Authority			4,194	337
11,787	5,068	Canterbury City Council			12,383	13,500
96,741	12,670	Total payments to preceptors			102,645	33,748
Business rates						
	233	Costs of collection				237
	286	Renewable Energy Schemes				293
	963	Transitional protection				339
Impairment of debts and appeals						
139	0	Write offs of uncollectable amounts			227	520
644	475	Increase/(decrease) in allowance for impairment			546	(369)
	2,062	Increase/(decrease) in allowance for appeals				753
97,524	16,689	Total Expenditure			103,418	35,521
(3,985)	(24,642)	Net (surplus)/deficit			(2,424)	(9,303)
2,228	35,197	Collection Fund balance at 1 April			(1,757)	10,555
(1,757)	10,555	Collection Fund balance at 31 March			(4,181)	1,252

Notes to the Collection Fund accounts

1. General Note

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2. Precepts and Demands

Council Tax

The payments to the major preceptors are made up as follows:

2021/22 £'000		2022/23 £'000
70,405	Kent County Council	74,902
<u>(238)</u>	-Precept	<u>(460)</u>
<u>70,167</u>	-Share of Collection Fund deficit	<u>74,442</u>
10,826	Kent Police & Crime Commissioner	11,694
<u>(36)</u>	-Precept	<u>(68)</u>
<u>10,790</u>	-Share of Collection Fund deficit	<u>11,626</u>
4,011	Kent Fire & Rescue	4,221
<u>(14)</u>	-Precept	<u>(27)</u>
<u>3,997</u>	-Share of Collection Fund deficit	<u>4,194</u>
11,820	Canterbury City Council	12,455
<u>(33)</u>	-Demand on Collection Fund	<u>(72)</u>
<u>11,787</u>	-Share of Collection Fund deficit	<u>12,383</u>
<u>96,741</u>	Total	<u>102,645</u>

NNDR (Business Rates)

The payments to Central Government and the major preceptors (excludes Kent Police and Crime Commissioner) are as follows:

2021/22 £'000		2022/23 £'000
23,847	Central Government	21,514
<u>(17,512)</u>	-Share of retained business rates	<u>(4,640)</u>
<u>6,335</u>	-Share of Collection Fund balance	<u>16,874</u>
4,292	Kent County Council	3,872
<u>(3,152)</u>	-Share of retained business rates	<u>(835)</u>
<u>1,140</u>	-Share of Collection Fund balance	<u>3,037</u>
477	Kent Fire & Rescue	430
<u>(350)</u>	-Share of retained business rates	<u>(93)</u>
<u>127</u>	-Share of Collection Fund balance	<u>337</u>
19,077	Canterbury City Council	17,212
<u>(14,009)</u>	-Share of retained business rates	<u>(3,712)</u>
<u>5,068</u>	-Share of Collection Fund balance	<u>13,500</u>
<u>12,670</u>	Total	<u>33,748</u>

For NNDR, the Collection Fund balance is shared as a contribution towards the deficit in 2022/23.

In 2022/23, Canterbury continue too chose to be not part of the Kent NNDR Pool (was within the Pool in 2020/21) owing to concerns that a potential reduction in its business rates income could negatively impact on the overall Pool position.

Canterbury City Council is subject to a tariff on its share of the retained business rates, the net amount retained by the council is as follows:

2021/22	2022/23
£'000	£'000
14,925 Canterbury City Council - share of retained business rates	17,221
<u>(16,554) Tariff</u>	<u>(16,554)</u>
<u>(1,629) Adjusted share of retained business rates</u>	<u>667</u>

3. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the City Council and dividing this by the Council Tax Base.

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

2021/22 Band D equivalent dwellings	Band	Estimated Number of Taxable Properties after effect of discounts	Ratio (ninths)	2022/23 Band D equivalent dwellings
2,431	A	3,776	6/9	2,517
7,267	B	9,451	7/9	7,351
14,028	C	16,071	8/9	14,286
11,191	D	11,425	9/9	11,425
8,055	E	6,773	11/9	8,278
5,293	F	3,724	13/9	5,379
3,456	G	2,099	15/9	3,498
136	H	70	18/9	140
<u>51,856</u>		<u>53,388</u>		<u>52,873</u>
<u>96.5%</u>	Collection Rate			<u>97.8%</u>
<u>49,624</u>	Council Tax Base			<u>51,260</u>

4. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, are allocated between Canterbury, central government and major preceptors. There was a general revaluation of all properties effective from 1 April 2022.

2021/22	2022/23
£'000	£'000
148,659 Non domestic rateable value	148,487
0.499 small business non domestic rating multiplier	0.499
74,181 NNDR levied	74,095
<u>(36,869) Less: allowances and other adjustments</u>	<u>(31,043)</u>
37,312 Net contribution due	43,052
<u>233 Cost of collection</u>	<u>237</u>
<u>37,545 Income from business rate payers</u>	<u>43,289</u>

Non domestic rateable value is at end March as provided by the Valuation Office.

The allowances and other adjustments is different between years owing to the additional NNDR reliefs granted during the second year of the pandemic.

**Group Statement
of
Accounts
for the
Year Ended
31 March 2023

(subject to audit)**

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

This statement shows the accounting cost of providing services in the year ended 31 March 2023, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Group Movement in Reserves Statement.

2021/22 Re-stated				2022/23		
Gross Exp	Income	Net Exp	Note	Gross Exp	Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
6,265	(7,057)	(792)	Corporate Management	11,924	(12,391)	(467)
38,859	(34,490)	4,369	Corporate Services	36,807	(31,496)	5,311
5,527	(916)	4,611	Strategy & Improvement	4,663	(236)	4,427
24,619	(29,630)	(5,011)	Place Services	35,193	(29,166)	6,027
22,361	(12,036)	10,325	People Services	24,344	(10,124)	14,220
716	(178)	538	Case Services (People & Place)	794	(162)	632
25,192	(25,784)	(592)	Housing Revenue Account	27,028	(26,889)	139
123,539	(110,092)	13,447	Cost of Services	140,753	(110,464)	30,289
			Other Operating Expenditure			
0	(2,838)	(2,838)	Loss/(Gain) on Sales of Assets	0	(3,974)	(3,974)
979	0	979	Parish Council Precepts & Drainage Board Levy	1,010	0	1,010
539	0	539	Housing Capital Receipts Cont to Govt Pool	0	0	0
			Financing & Investment Income & Expenditure			
4,869	0	4,869	Interest Payable on Debt	4,806	0	4,806
1,799	0	1,799	Net interest on the net defined benefit liability	2,226	0	2,226
3	(195)	(192)	Investment interest and other income	95	(688)	(593)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
0	0	0	Change in Fair Value of Investment Properties	2,005	0	2,005
141	(97)	44	(Surplus)/deficit from Trading Operations	113	(68)	45
90	(259)	(169)	Impairment adjustments	373	(473)	(100)
			Taxation & Non-Specific Grant Income & Expenditure			
351	(1,972)	(1,621)	Recognised Capital Grants & Contributions	356	(3,851)	(3,495)
0	(8,093)	(8,093)	Collection Fund (Income) & Expenditure	0	(12,671)	(12,671)
35	(12,294)	(12,259)	Non ring-fenced Government Grants	794	(9,130)	(8,336)
132,345	(136,090)	(3,745)	(Surplus)/deficit on provision of services	152,531	(141,569)	10,962
		10	Tax expenses of subsidiaries			(15)
		(3,735)	Group (surplus)/deficit			10,947
			(Surplus)/deficit on revaluation of non current assets			(42,103)
			Remeasurement of the net defined benefit liability			(81,684)
		(8,571)				(81,684)
		528	Total Comprehensive (Income) & Expenditure			(112,840)

The 2021/22 Group Statements have been re-stated to reflect adjustments to Canterbury Environment Company Ltd's accounts following its audit. Note 4 below sets out further details.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (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 Group's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Movement in Reserves 2022/23	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 carried forward	(2,239)	(34,685)	(36,924)	(893)	(2,291)	(5,456)	(45,564)	(312,472)	(358,036)	(25)	(358,061)
Movement in reserves during 2022/23											
(Surplus) or deficit on provision of services	10,322	0	10,322	644	0	0	10,966	0	10,966	(18)	10,948
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	(123,787)	(123,787)	0	(123,787)
Total comprehensive Income and Expenditure	10,201	0	10,201	765	0	0	10,966	(123,787)	(112,821)	(18)	(112,839)
Adjustments between accounting basis and funding basis under regulations	(8,137)	0	(8,137)	228	(1,857)	(2,596)	(12,362)	12,362	0	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	2,064	0	2,064	993	(1,857)	(2,596)	(1,396)	(111,425)	(112,821)	(18)	(112,839)
Transfers to/(from) Earmarked Reserves	(1,877)	2,563	686	(686)	0	0	0	0	0	0	0
(Increase)/Decrease in year	187	2,563	2,750	307	(1,857)	(2,596)	(1,396)	(111,425)	(112,821)	(18)	(112,839)
Balance at 31 March 2023 carried forward	(2,052)	(32,122)	(34,174)	(586)	(4,148)	(8,052)	(46,960)	(423,897)	(470,857)	(43)	(470,900)

Movement in Reserves 2021/22 (re-stated)	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 carried forward	(2,000)	(39,100)	(41,100)	(2,553)	(1,254)	(5,097)	(50,003)	(308,566)	(358,569)	(20)	(358,589)
Movement in reserves during 2021/22											
(Surplus) or deficit on provision of services	(3,584)	0	(3,584)	(146)	0	0	(3,729)	0	(3,729)	(5)	(3,734)
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	4,263	4,263	0	4,263
Total comprehensive Income and Expenditure	(3,705)	0	(3,705)	(25)	0	0	(3,729)	4,263	533	(5)	528
Adjustments between accounting basis and funding basis under regulations	7,817	0	7,817	1,747	(1,037)	(360)	8,168	(8,168)	0	0	0
Net (increase)/decrease before transfers to Earmarked	4,112	0	4,112	1,723	(1,037)	(360)	4,438	(3,906)	533	(5)	528
Transfers to/(from) Earmarked Reserves	(4,351)	4,415	65	(64)	0	0	0	0	0	0	0
(Increase)/Decrease in year	(239)	4,415	4,176	1,659	(1,037)	(360)	4,438	(3,906)	533	(5)	528
Balance at 31 March 2022 carried forward	(2,239)	(34,685)	(36,924)	(893)	(2,291)	(5,456)	(45,564)	(312,472)	(358,036)	(25)	(358,061)

Group Balance Sheet as at 31 March

2122 Re-stated		Notes	2223	
£'000	£'000		£'000	£'000
Property, Plant and Equipment				
327,272			340,508	
257,762			260,866	
19,332			18,708	
10,373			9,178	
1,702			2,005	
27,872			26,259	
	644,313			657,524
	12,327	Heritage Assets		14,064
	4,348	Investment Property		2,343
	1,246	Intangible Assets		1,382
	662,234			675,313
	1,285	Payments in Advance		1,188
	2,759	Long-term debtors		2,588
	666,278	Total Long-term Assets		679,089
Current Assets				
32,420			15,116	
249			245	
9,866			6,618	
589			736	
5,589			10,026	
324			2,430	
	49,037			35,171
	715,315	Total Assets		714,260
Current Liabilities				
(50,710)			(37,787)	
(26,519)			(10,184)	
(22,829)			(26,434)	
(5,866)			(6,089)	
	(105,924)			(80,494)
	609,391	Total Assets less Current Liabilities		633,766
Long Term liabilities				
(211)			(127)	
(162,856)			(152,337)	
(57)			(58)	
(88,206)			(10,344)	
	(251,330)			(162,866)
	358,061	Net Assets		470,900
Usable Reserves				
(2,239)			(2,052)	
(893)			(586)	
(34,685)			(32,122)	
(25)			(43)	
(2,290)			(4,148)	
(5,457)			(8,052)	
	(45,589)			(47,003)
Unusable Reserves				
(244,684)			(285,811)	
(160,720)			(149,069)	
480			432	
88,206			10,344	
4,017			17	
229			190	
	(312,472)			(423,897)
	(358,061)	Total Reserves		(470,900)

Group Cash Flow Statement

The Cash Flow Statement shows the Group's changes in cash and cash equivalents during the reporting period. The statement shows how the Group 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 Group are funded by council tax and grant income or from the users of services provided by the Group. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the Group's future service delivery.

2021/22 Re-stated £'000	2022/23 £'000
(3,734) Net (surplus) or deficit on the provision of services	10,947
(9,765) Depreciation and impairment	(11,195)
(5,631) Impairment and downward revaluations	(16,722)
(154) Amortisation	(290)
(170) Change in impairment for bad debts	(96)
(20,150) (Increase)/decrease in creditors	18,424
(18,068) Increase/(decrease) in debtors	(420)
118 Increase/(decrease) in inventories	(4)
(5,137) Movement in pension liability	(3,822)
0 Movement in investment property values	(2,005)
(4,420) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(8,490)
28 Other non-cash items charged to the net surplus or deficit on the provision of services	31
(63,349) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(24,590)
1,621 Capital grants credited to the surplus or deficit on the provision of services	3,495
5,907 Proceeds from the sale of property, plant and equipment	10,353
(59,555) Net Cash flows from operating activities	205
24,619 Purchase of property, plant & equipment, investment property and intangible assets	14,874
204,496 Purchase of short-term and long-term investments	205,396
0 Other payments for investing activities	0
(5,907) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(10,353)
(175,979) Proceeds from investments	(222,700)
(1,689) Other receipts from investing activities	(3,860)
45,540 Net Cash flows from Investing Activities	(16,642)
(13,000) Cash receipts of short- and long-term borrowing	(15,000)
34,145 Repayments of short- and long-term borrowing	21,913
(6,173) Other payments for financing activities	7,418
14,972 Net Cash flows from Financing Activities	14,331
957 Net (increase) or decrease in cash and cash equivalents	(2,106)
(1,281) Cash and cash equivalents at the beginning of the reporting period	(324)
(324) Cash and cash equivalents at the end of the reporting period	(2,430)

NOTES TO THE GROUP ACCOUNTS

1. Explanation of the Group Balance Sheet

The Group Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Group. The group comprises Canterbury City Council and Canterbury Environment Company, a wholly owned subsidiary. The net assets of the Group (assets less liabilities) are matched by reserves held by the Group. Reserves are reported in two categories, usable and unusable reserves. Usable reserves can be used to provide services, subject to any statutory limitation on their use (for example, Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt). Unusable reserves are those that the Group is not able to use to provide services and includes reserves that hold unrealised gains and losses (for example, gains held in the Revaluation Reserve can only be used towards service provision if the assets are sold).

2. Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Canterbury Environment Company Ltd. This company is a wholly owned subsidiary of the Council. Consequently any gains or losses arising from this company are fully reflected in the Group CIES, the Group Balance Sheet, Group Movement in Reserves Statement and Group Cashflow Statement.

Any intra-group charges and transactions are eliminated via the consolidation, such as contract payments, support service charges and loan interest payments.

The 2022/23 accounts of Canterbury Environment Company Ltd remain subject to audit.

3. Accounting Policies and Notes to the Group Financial Statements

For the Group Financial Statements, there are no material differences, compared to the Council's own notes to its accounts (including its accounting policies), that require further disclosure.

4. Re-statement of 2021/22 Group Financial Statements

The Group accounts for 2021/22 have been re-stated to reflect some audit adjustments that were required to be made to Canterbury Environment Company Ltd's own accounts. The adjustments resulted in an additional £33k being charged to the company's profit and loss account in 2021/22.

- Impact on Group Total Comprehensive Income and Expenditure Account – net expenditure re-stated from £495k to £528k.
- Impact on Group Reserves – re-stated from £358,094k to £358,061k.
- Impact on Net Assets – re-stated from £358,094k to £358,061k.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities:

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Chief Financial Officer has:

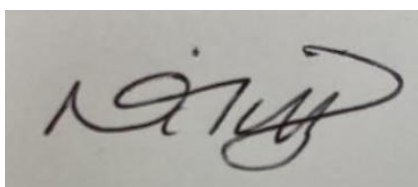
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Chief Financial Officer has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Council and of the Group at the accounting date and its income and expenditure for the year ended 31 March 2023.

Signed



Nicci Mills
Date 13 March 2024
Chief Financial Officer



Cllr Alister Brady
Date 13 March 2024
Chair Audit Committee