



# **Annual Financial Report**

**for the  
year ended**

**31 March 2023**

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Director of Resources**



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### The Council

Swale Borough Council is located on the county of Kent's north coast between Medway, Maidstone and Canterbury, around 45 miles from London, but set in rolling Kentish countryside, and less than 30 miles from the Channel Tunnel. With an area of 373 square kilometres and a population of 152,000, Swale includes the towns of Sittingbourne and Faversham, the Isle of Sheppey, and an extensive rural hinterland.

The Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, housing benefit, public conveniences and environmental health.

The Council has 47 councillors (also known as 'Members') covering 24 wards. Each Councillor is elected for a term of four years, with the last election on 4 May 2023. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. Swale continues to be controlled by a Coalition under a Committee System implemented from May 2022. The Leader of the Council for the 2022/23 financial year was Councillor Baldock. Following the elections on 4 May Councillor Gibson is now the Leader of the Council. The Council's services are organised into Directorates and Departments.

The Council's Corporate Plan "Working Together for a Better Borough" can be found here: <https://swale.gov.uk/news-and-your-council/publications/council/corporate-plan>

The Council's priorities are:

- building the right homes in the right places and supporting quality jobs for all;
- investing in our environment and responding positively to global challenges;
- tackling deprivation and creating equal opportunities for everyone;
- renewing local democracy and making the council fit for the future.



### **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 the Annual Financial Report, and each of the main financial statements;
- A look back at financial performance in 2022/23;
- Any major events or changes in presentation and accounting that impact on the accounts; and
- A look at the future financial position and challenges.

#### **Annual Financial Report**

Swale Borough Council's Annual Financial Report for 2022/23 provides a record of how the Council has used its financial resources during the year.

The Annual Financial Report has the following sections:

- the Narrative Report, which will cover financial and non-financial performance;
- an Annual Governance Statement showing how the Council meets set standards when carrying out its responsibilities;
- a report from Grant Thornton, after they have reviewed the Council's accounts;
- the Statement of Accounts – see below; and,
- a glossary to explain any technical terms used in the report.

#### **The Annual Governance Statement**

This statement is not part of the Statement of Accounts, but is an accompanying report, and is therefore included within the Annual Financial Report.

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

#### **Auditors report**

The Council's accounts and all relevant documents are subject to review by Grant Thornton UK LLP – the Council's external auditors. At the conclusion of their work, the 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 of 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.

### The main financial statements

The Statement of Accounts, through the main statements and accompanying notes, provides a record of the Council's financial position and performance for the year ended 31 March 2023. It has been prepared in accordance with the Accounts and Audit Regulations 2015 which require the accounts to be prepared and signed by the responsible officer by 31 May 2023.

The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).

The local authority accounting year runs from 1 April to 31 March. Throughout the Accounts figures in brackets represent income or negative figures. The statements are produced using figures rounded to the nearest thousand. This can lead to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts appears on pages 30 to 90. The Expenditure and Funding Analysis is not a core financial statement but has been included at this stage of the Statement of Accounts to assist readers with a logical path through the detailed financial reporting.

**Expenditure and Funding Analysis** page 30 – this shows the final net spend for each service for the year and their impact on the Council's resources and then converts these figures in accordance with accounting regulations so that they match those in the Comprehensive Income & Expenditure Statement.

The Council's core financial statements are listed below along with a brief explanation of their purpose.

**Comprehensive Income & Expenditure Statement** page 32 – shows all of the Council's spending, income and changes in value in providing its services during the year in accordance with generally accepted accounting practice.

**Movement in Reserves Statement** page 33 – shows the movement on all the Council's reserves (funds set aside) due to the increase or decrease in the Council's net worth as a result of its spending, the income it received, and changes in the value of its assets.

**Balance Sheet** page 34 – summarises the Council's financial position at 31 March each year. It shows the assets (what the Council owns) that the Council holds and its liabilities (what the Council owes) to other parties, and the Council's reserves, separated into those that can be used for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

**Cash Flow Statement** page 36 – summarises the cash movements in and out of the Council's bank accounts over the year.

**Notes to the Core Financial Statements** on pages 37 to 85 – present information about the basis of preparation of the financial statements and the 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.

**Collection Fund** on pages 86 to 90 – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement, and accompanying notes, show 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.

### **Financial Performance in 2022/23**

This section gives an overview of the financial performance of the Council in 2022/23, including reasons for significant variances from planned expenditure.

The finances of the Council were less impacted by Covid-19 in 2022/23, as activity levels largely recovered to expected levels. However, the year was instead impacted by hyper-inflation and the cost of living crisis in the UK. With these events, and the war in Ukraine, happening so closely together, it's extremely difficult to differentiate the impact between these events.

There was no financial support from the government to the Council this year in relation to Covid-19 recovery, but the Council has continued to receive grant funding to pay over to residents in the form of the Housing Support Fund and various energy grant schemes, to help households manage increasing costs.

There were regular reports to Policy and Resources committee and senior management on the monitoring of spend against budget. In 2022/23 there was an underspend against the budget of £29,000 after contributions to and from reserves. This includes the planned use of £1.65m from the budget contingency reserve that was required to support the delivery of a balanced budget position for the year. The major variances against budget were an overspend on temporary accommodation, offset by savings on salaries and additional income, including much higher investment income earned in the latter part of the financial year as a result of increasing interest rates. A report will go to Policy and Resources Committee on 12 July 2023 which details how the Council spent its money against its budget and how this expenditure was financed.

The employment market remains buoyant, although is now showing signs of loosening. This strength in the employment market has resulted in difficulties recruiting to some vacancies, so although staff vacancies have led to financial savings in 2022/23 this is not an ongoing saving. The vacancies do need to be filled in order for the Council to deliver the required services.

## Reviewing the Council's Performance

### Revenue Expenditure and Income for 2022/23

The table below shows spend against budget for the Council's service departments:

	Budget 2022/23 £'000	Spend 2022/23 £'000	Over/ (Under) Spend 2022/23 £'000
Chief Executive	247	232	(15)
Policy, Governance, Transformation & Customer Services	1,784	1,706	(78)
Director of Regeneration	172	178	6
Director of Resources	133	131	(2)
Housing & Community	4,563	5,660	1,097
Planning	965	1,182	217
Environment & Leisure	7,130	6,662	(467)
Regeneration & Economic Development	668	681	13
Finance & Procurement	811	846	35
Revenues & Benefits	1,060	1,099	40
Environmental Health	642	658	17
Information Technology	1,377	1,318	(59)
Internal Audit	194	135	(59)
Human Resources	491	404	(87)
Legal	550	430	(120)
Net contributions to / (from) reserves	(2,735)	(2,791)	(57)
Corporate Items	3,948	3,451	(497)
<b>Cost of Services</b>	<b>22,000</b>	<b>21,983</b>	<b>(17)</b>
<b>Financed by:</b>			
Budget Contingency Reserve	(1,651)	(1,651)	0
Council Tax	(9,263)	(9,263)	0
Other Grants	0	(8)	(8)
Services Grant	(488)	(492)	(4)
Business Rates	(9,072)	(9,071)	1
New Homes Bonus Grant	(1,407)	(1,407)	(0)
Revenue Support Grant	(119)	(120)	(1)
<b>(Surplus) in Year</b>	<b>(0)</b>	<b>(29)</b>	<b>(29)</b>
	<b>Budget 2022/23 £'000</b>	<b>Actual 2022/23 £'000</b>	<b>Variance 2022/23 £'000</b>
General Fund Balance 1 April 2022	(3,074)	(3,074)	0
Surplus in year	0	(29)	(29)
<b>General Fund Balance 31 March 2023</b>	<b>(3,074)</b>	<b>(3,103)</b>	<b>(29)</b>

The above table shows that there was an increase in the General Fund of £29,000. The Council's policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £3.103 million at 31 March 2023 represents 11.5% of the Cost of Services for 2022/23 and is therefore deemed to be at an adequate level by the Head of Finance and Procurement.



## Reviewing the Council's Performance

In addition, the Council:

- collected £99m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£93m in 2021/22);
- collected £51m of Business Rates for the Government, Fire, KCC, and itself (£48m in 2021/22);
- paid out £31m on benefits and received £31m in grant (£32m paid, £32m received in 2021/22).

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

Activity	Variance (£000) ( )=underspend +ve = overspend	Explanation of variance
Policy, Governance, Transformation and Customer Services	(78)	The variance is a result of underspends on staff costs and members allowances.
Housing and Community	1,097	The variance is largely due to an increase in the cost of temporary accommodation. This was a mixture of an increase in demand, as well as an increase in the cost of placements.
Planning	217	The variance is due to increased costs of staffing due to difficulties in recruiting permanent staff, this is a net position as additional income was also achieved during the year.
Environment and Leisure	(468)	Parking activity has recovered well from the recent setbacks, and the final position was therefore better than anticipated. The introduction of charges for replacement wheeled bins also resulted in an underspend on the purchase of replacement bins.
Shared Services	(309)	There were a number of staff vacancies across the shared services that created savings within the year.
Corporate Items	(497)	The main reason for the variance was higher than anticipated investment income due to the increased bank rate. This was slightly reduced by additional insurance costs that were above the budget level.

## Reviewing the Council's Performance

### Capital Spending for 2022/23

Where spending is on an asset which will benefit the Council over a number of years, it is called capital. It is funded mainly by Government grants, borrowing, reserves and capital receipts (money from selling land and other assets). The revenue impact of implementing the capital programme is reflected in the revenue budget.

The Council's spend on capital schemes in 2022/23 was £6.967 million. The outturn position of the capital programme is detailed in the table below, along with a breakdown of how it was funded.

	<b>Revised Budget 2022/23 £'000</b>	<b>Actual Spending 2022/23 £'000</b>	<b>Slippage 2022/23 £'000</b>	<b>Variance to Budget £'000</b>
Disabled Facilities Grants	5,720	1,679	4,041	0
Swale House Refurbishment	1,955	1,673	282	0
Redevelopment of Masters House, Sheerness	1,383	1,383	0	0
Queenborough & Rushenden Klondyke Land Improvement	1,253	1,253	0	0
Open Spaces Play Equipment	580	240	340	0
New Parking Meters	112	112	0	0
Local Housing Company - Business Planning Work	360	97	263	0
Coronation Clock Tower Sheerness	144	83	61	0
St Micheal's Church Boundary Wall	120	70	50	0
Play Improvements	214	33	181	0
ICT Infrastructure & Equipment Replacement	219	27	192	0
Leisure Centres	305	17	288	0
Public Toilets	392	0	392	0
High Streets	248	0	248	0
Other Services	1,225	300	925	0
<b>Total</b>	<b>14,230</b>	<b>6,967</b>	<b>7,263</b>	<b>0</b>
<b>Sources of Funding</b>				
Capital grants and other contributions		3,338		
Earmarked reserves		1,812		
Borrowing		1,660		
Capital receipts		28		
Direct revenue funding		129		
<b>Total Capital Funding</b>		<b>6,967</b>		

The main capital expenditure items in 2022/23 were Disabled Facilities Grants, Swale House refurbishment, and the redevelopment of Master's House, Sheerness.

There are currently no anticipated under or overspends within the capital programme, and unspent budget in the year of £7.26 million will therefore be slipped into 2023/24. The reason for the slippage is mainly due to the spend on disabled facilities grants being dependent on applications received.

### How the Council Manages its Surplus Funds

The Council's total investment averaged £30 million during 2022/23 (£38 million for 2021/22) and closed at £9.4 million at 31 March 2023 (see Note 42, Table 4) (£27 million at 31 March 2022). The Council achieved a return of 1.88% for 2022/23, amounting to £704,000 (£114,600 in 2021/22).

The Council meets Government and accounting requirements on treasury management which emphasise the security of funds. The policy is to avoid unnecessary risk, so the Council only puts money with the safest and most secure financial institutions and a number of very large, wide-ranging money market funds (these are well rated, highly diversified pooled investment vehicles).

At 31 March 2023, the Council had two loans of £5 million each, from other local authorities at an average rate of 0.90%.

### How the Council Collects Tax

The Council collects Council Tax on behalf of Kent County Council (KCC), Police, Fire, and Parishes, and Business Rates for the Government, KCC, and Fire, which is recorded in the Collection Fund which can be seen on page 86. At the year-end, this account had a surplus balance of £0.5 million (deficit balance of £10.3m at 31 March 2022).

### Transparency of the Council's Spending

By law, all Councillors must fill in a Declaration of Members' Interest form to register their financial or other interests. The Monitoring Officer maintains the full Register. The public can see it on the Council's website at <http://www.swale.gov.uk/register-of-interests/>.

The Government has promoted how local authorities make information on senior staff salaries and payments to the Council's suppliers available to the public. This information can be found on the Council's website at: <http://www.swale.gov.uk/transparency/>.

### Pensions

The Council is a member of the Local Government Pension Scheme (LGPS), which KCC administers on the Council's behalf. Every three years the value of this fund is valued by a firm of actuaries (professionally qualified independent consultants). This valuation estimates how much money will be needed to pay pensions in the future and compares this to the expected income. A valuation is carried out every three years and this sets the amount that the Council has to pay to the Kent Pension Fund.

However, the pensions note in the accounts (Note 9) is based upon a different method of valuing the Pension Fund from the one described above. Instead, the value of pensions in the accounts is based on an International Accounting Standard (IAS 19) using different assumptions from the approach described above. In the accounts, the pension deficit according to IAS 19 has decreased from £63 million at 31 March 2022 to £14 million at 31 March 2023. However, this IAS 19 approach does not affect the amount that the Council has to pay to the Kent Pension Fund which is set by the results of the three year valuation described above.

## Reviewing the Council's Performance

The table below compares these two differing methods of valuation for the past few years.

Year	IAS 19 Review Pension Deficit £'000	3 Year Review Pension Deficit £'000
2020/21	66,646	15,453
2021/22	62,604	15,453
2022/23	13,924	8,460

The reduction of the IAS 19 deficit is in line with our expectations based on our maturity level and the increase in discount rates.

The reasons for the contrast in the valuations between the two methods are the different methods and assumptions underlying their calculations.

Reports on the Kent Pension Fund are available from: KCC, Treasury and Investments, County Hall, Maidstone, Kent ME14 1XQ or by using the following link:  
<https://www.kentpensionfund.co.uk/>

### **Significant changes to the local authority financial regime**

#### **New Accounting Policies in 2022/23**

There were no new significant accounting changes or policies that were adopted for the 2022/23 Accounts.

#### **Future Accounting Policies**

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) have decided to defer the implementation of International Financial Reporting Standard (IFRS) 16 on Leases until 1 April 2024. However, the Council will consider whether it wishes to adopt this standard for 2023/24 as this will require a review of the Council's existing lease arrangements to determine what effect the new standard will have on their value in future accounts.

### **Future financial position and challenges**

The future of local government funding remains very uncertain, with little to no information available on funding for district councils from April 2024 onwards.

Fundamental changes planned to the funding basis of councils have been deferred yet again, with expectation being that there will be no changes made before the next general election. No announcement has been made about the baseline reset or any of the other business rates reforms. There was no announcement on the Fair Funding Review and the growing sense that it too will be delayed until at least 2025/26.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement the key priorities.

### Medium Term Financial Plan

The Medium Term Financial Plan presented to Council on 22 February 2023 forecast a revenue budget gap of £2.0 million in 2023/24, growing to a gap of £4.3 million in 2024/25 and therefore this will need to be addressed in future budget rounds. It is not sustainable to rely on significant transfers from reserves to support the base budget position.

Future budgetary issues include: inflation, new waste contract, potential changes to central Government funding of local authorities, impact of the local and UK economy on business rates income, increasing costs of temporary accommodation and supporting homeless applications, and reducing reliance on reserves.

The Council seeks to maintain a minimum of £1.5m as its General Fund balance and there is no reason to change this - the balance at 31 March 2023 was £3.1m. The Council holds earmarked reserves for specific purposes. The Director of Resources' view is that the level of reserves and balances held by the Council are at a reasonable level.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2023/24 which was approved by Council meeting on 22 February 2023 which can be found on the Council's website here: [Agenda for Council on Wednesday, 22 February 2023, 7.00 pm \(swale.gov.uk\)](https://www.swale.gov.uk/agenda-for-council-on-wednesday-22-february-2023-7-00-pm)

### Capital Strategy

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

Looking ahead to 2023/24 there will be four major capital projects which are reflected in the Capital Budget:

- Housing company - in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23 million of funding through loans to support the delivery of new homes. The exact arrangements for the drawdown of this funding will follow the detailed planning and procurement phases. The cost of the borrowing will be wholly met by the company.
- Purchase of temporary accommodation – the Housing and Health Committee on 17 January 2023 agreed a budget of £11 million to purchase up to 50 properties within the borough to accommodate households in need of housing. The funding for this project will be a reallocation of temporary accommodation spend to cover the capital financing costs.
- Levelling Up Scheme – the council has been successful in its bid for funding from the Levelling Up scheme. This project will use funding to improve health, education, leisure and employment opportunities in Sheerness through the Sheerness Revival project. This is expected to be a two-year capital project, with the budget profiled across 2023/24 and 2024/25.
- Purchase of waste vehicle fleet – as agreed by Council on 4 January 2023, £7m of council funding will be used to purchase a fleet of vehicles for the new waste collection and street cleansing contract. This is the most economically advantageous method for securing the vehicles and provides resilience in the delivery of the contract.

## Reviewing the Council's Performance

The Director of Resources believes that the Capital Strategy and Capital Programme proposed are sustainable. The capital strategy and programme are detailed in the Council's report on setting the Budget and Council Tax for 2023/24 which was approved by Council meeting on 22 February 2023 which can be found on the Council's website here: [Agenda for Council on Wednesday, 22 February 2023, 7.00 pm \(swale.gov.uk\)](https://www.swale.gov.uk/agenda-for-council-on-wednesday-22-february-2023-7.00-pm)

### **Conclusions**

It has been a challenging year for the Council, but financial plans have been substantially delivered and plans are in place to help identify and deliver savings in future years whilst continuing to strive to minimise any negative impact on services.

I would like to thank all staff within the Council for their efforts in delivery quality services largely within the Council's financial plans. The hard work of all staff puts the Council in the best possible position to deal with the serious financial challenges that we continue to face, and I have faith that staff will strive to meet these challenges.

Particular thanks are due to the finance team for their work in producing this Statement of Accounts in a very short timescale, in a period when their workload substantially exceeded their available work hours.

Claire Stanbury CPFA

Date: 31 May 2023

Head of Finance and Procurement



### Reviewing Performance

#### The Council's Performance

The Council continues to monitor its performance against a range of performance indicators and, where possible, to benchmark its performance with those of other local authorities. In addition to numerous indicators in use within specialist teams, Members, through Policy and Resources Committee, and Management monitored a set of 49 'corporate' indicators on a regular basis. The Council publishes a summary performance report each month on its website at <http://www.swale.gov.uk/managing-performance/>.

#### The Council's People

The Council has developed its values to describe clearly how the Council does things and all employees should be aware how the Council expects them to work. The Council has an engagement plan to ensure that staff know where they fit in and the importance of their role in delivering the priorities of the Council. An important part of the engagement plan is the approach to staff communications which are regular and made through a variety of communication channels.

The Workforce Strategy that was developed and implemented in 2019 includes four key themes to reflect the Council's revised priorities and the possible opportunities and challenges in the future. This is available from the Council website at <https://www.swale.gov.uk/workforce-strategy-2019-to-2022/>. The strategy is due to be reviewed and updated during 2023/24.

The monitoring of workforce information by SMT ensured a focus on sickness absence. During 2022/23, the amount of time lost to sickness was an average of 8.63 days per employee (2021/22 7.5 days per employee), which is slightly above the average for public sector organisations of 7.7 days. The Council has continued to provide a proactive approach to sickness management and has continually enhanced an active programme of well-being initiatives to encourage staff to take responsibility for their own health.

#### How the Council Manages Data

The Council has a responsibility to securely keep the personal data it holds. In 2022/23 there were 32 reported incidents which amounted to breaches of the Data Protection Act and 11 near misses. Each case is investigated fully before the Council's Data Protection Officer decides on the appropriate response. In 2022/23 it was not necessary to report any incidents to the Information Commissioner. The decision in all cases was based on conclusions reached by the Information Commissioner in previous years and demonstrated that it had taken effective and efficient action in minimising the impact of the breaches reported.

#### How the Council Manages Risk

The Council has a well embedded approach to risk management, and this is reflected in the Risk Management Framework. The framework was reviewed and updated in 2022/23 and approved by Audit Committee in July 2022. The framework details the Council's approach to the management of corporate and operational risks and is available to all officers and Members.

The risk management process is coordinated by Mid Kent Audit and regularly reported to SMT and Policy and Resources Committee. Audit Committee also maintain an oversight of the process.



## Reviewing the Council's Performance

The last annual report on the Council's risk management arrangements was taken to Audit Committee on 17 April 2023 and can be found here: [SBC Annual Risk Report 2022-23](#).

Mid Kent Audit continues to provide guidance, advice and works across the Council to improve risk culture and understanding of effective risk management.

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## **1. Scope of Responsibility**

- 1.1 Swale Borough Council is responsible for ensuring that:
- (i) its business is conducted in accordance with the law and proper standards;
  - (ii) public money is safeguarded and properly accounted for; and
  - (iii) public money is used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council works to an updated Local Code of Corporate Governance based upon the 2016 Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'. There are no changes to the Code for this year but it notes that it is important that the Annual Governance Statement is kept up to date at time of publication. In March 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) Practice Oversight Panel issued an advisory note on governance. The note emphasises that all local authorities should reflect upon any weaknesses in governance identified and identify learning points to mitigate the risk of similar issues arising. In addition, CIPFA requires councils to disclose compliance with the CIPFA Financial Management Code and identify any outstanding areas for improvement or change.
- 1.5 This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 (Amended).
- 1.6 The May 2019 elections resulted in control of the Council passing to a five party coalition comprising the Labour, Swale Independent Alliance, Liberal Democrats, Green and Independent groups. The administration has a very well defined programme which they are implementing. There was a planned change in the leadership of the administration in May 2022 with Councillor Mike Baldock, who was previously the Deputy Leader, replacing Councillor Roger Truelove as Leader of the Council.
- 1.7 This year has seen a change in the deputy section 151 officer for the Council. The post holder left the Councils employment in July 2022, the role was covered by an interim between August and December 2022, and a permanent replacement started in late November 2022.

## **2. Impact of external factors on the Council**

- 2.1 The last three years has seen external factors have a significant impact on the activity and finances of the Council. The main issues have been Covid-19, the war in Ukraine, and a cost of living crisis in the UK.

- 2.2 Covid-19 was the most significant event this country has dealt with since the end of the Second World War. Government looked to councils to take a major role in the response primarily in supporting the most vulnerable in the local community. Activity has largely recovered to an expected level, the war in Ukraine and the cost of living crisis are now having an impact, and it is difficult to differentiate the impact between all of these global events.
- 2.3 Whilst activity has largely returned to normal from Covid-19, there are impacts of these events being felt in 2022/23, with council tax rebates being issued early in 2022/23 and the energy support grants now being processed for those customers without a direct relationship with their energy supplier.
- 2.4 Post Covid lockdown, staff continue to work from home on an average of three days a week. IT technology of the Council continues to support the hybrid approach to home and office based work and the previous decision to move all staff to work on laptops was highly beneficial. All councillors were also allocated a Swale laptop. In general staff adapted very well to working from home. This also proved beneficial during the autumn of 2022 when staff were required to work from home again whilst some of the refurbishment work was carried out on Swale House.
- 2.5 Council committee meetings are now operating to a normal calendar of meetings, with the ability for officers and members to join remotely, albeit without voting rights of in person attendance. Whilst the offices were closed in the autumn of 2022, meetings were held at a local alternative venue.
- 2.6 Reflecting on the experience with Covid a new delegation to the Chief Executive was agreed in January 2022, enabling her in emergencies or other circumstances in which the council or a committee cannot meet, to take decisions which would otherwise be taken by members. The decisions will have regard as fully as possible to the views of the members who would otherwise have made the decision. This delegation remains in place.
- 2.7 The council is having to manage the cost of living crisis and the uncertainty of the high inflation levels. This has implications for both the cost of council services and cost of living for our residents. Budget provision has been made for a significant increase in inflation but the uncertainty around inflation levels is a significant risk to the budget.

### **3. The Purpose of the Governance Framework**

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

## Annual Governance Statement

- (ii) evaluate the likelihood of those risks being realised and the impact should they be realised; and,
- (iii) manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Council for the year ended 31 March 2023, and up to the date of approval of the Statement of Accounts.

### 4. The Council's Governance Framework

4.1 A brief description of the key elements of the Council's governance framework is described below.

#### ***Communicating the Council's Vision***

4.2 In October 2020 Council agreed a new Corporate Plan "Working together for a better borough". The plan is structured around four high level priorities, each containing a number of specific objectives. The four priorities are:

- (i) Building the right homes in the right places and supporting quality jobs for all.
- (ii) Investing in our environment and responding positively to global challenges.
- (iii) Tackling deprivation and creating equal opportunities for everyone.
- (iv) Renewing local democracy and making the council fit for the future.

4.3 Area Committee meetings continued in 2022/23. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly.

#### ***Management of Resources***

4.4 The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

- (i) A medium term financial plan and annual budget process that ensures that financial resources are directed to the Council's priorities.
- (ii) A financial monitoring process which closely monitors expenditure and income with detailed quarterly reporting to SMT and Policy & Resources Committee.
- (iii) The Special Project Fund created by the new administration to fund public realm projects and support the delivery of other administration priorities. This is now supplemented by the Improvement & Resilience Fund linked to the delivery of administration priorities.
- (iv) A capital strategy again directed at administration priorities in particular increasing the supply of affordable housing.
- (v) An annual review of fees and charges.

#### ***Member and Officer Working Arrangements***

4.5 Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. In May 2022 the Council moved to a committee system, replacing the Cabinet system that was previously in place. There are five service committees, each chaired by a member

## Annual Governance Statement

of the administration and supported by a vice chair. The transition was informed by the work of a cross-party constitution review working group, who developed proposals for the detailed working of the new system.

- 4.6 The Council also appoints a number of committees to discharge the Council's regulatory responsibilities. These arrangements, and the delegated responsibilities of officers, are fully set out in the Council's Constitution.
- 4.7 The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together.
- 4.8 During 2022/23 the Council adopted a new councillor code of conduct. We are now operating the Local Government Association model.
- 4.9 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work, and management's implementation of audit recommendations.
- 4.10 A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer.
- 4.11 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, the work of the Council's employees, and the work undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council and is currently held by Larissa Reed.
- 4.12 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 to the Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. During 2022/23 the Head of Policy, Communications and Customer Services David Clifford was responsible for:
- (i) Ensuring that the Council acts and operates within the law. He has a duty to report to the whole Council if he believes any action or proposal has been or is likely to be contrary to the rule of law.
  - (ii) Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution.
  - (iii) Dealing with complaints against members under the Code of Conduct, supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors.
  - (iv) Establishing and maintaining registers of interests, gifts and hospitality for members and officers.
  - (v) Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- 4.13 The Director of Resources, as the Section 151 Officer appointed under the 1972 Local Government Act, carried overall responsibility for the financial administration of

the Council. This role is held by Lisa Fillery. The Council's governance arrangements relating to this role comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

- 4.14 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership - an arrangement covering the three Mid Kent Services Councils (Swale, Maidstone and Tunbridge Wells Borough Councils) and Ashford Borough Council. Between January and December 2022, the position was covered by an interim Head of Audit. The role was filled on a permanent basis from December 2022. This role is responsible for the Council's internal audit service, including drawing up the Internal Audit Strategy and related annual plan, and giving the annual Audit Opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by CIPFA. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2015 (Amended). The Head of Audit Partnership's operational responsibilities are set out in the Internal Audit Charter and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA Statement on the Role of Head of Internal Audit (2019).
- 4.15 The Council has clearly set out terms and conditions for the remuneration of members and officers, and there is an effective structure for managing the process of review. A Scheme of Members' Allowances has been set by the Council, having regard to a report of an Independent Panel made up of non-Councillors. The Council sets and publishes a 'Pay Policy Statement' which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.
- 4.16 All employees should have clear conditions of employment, and job descriptions which set out their roles and responsibilities.

### ***Promoting Values and Upholding High Standards of Conduct and Behaviour***

- 4.17 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. As referred to above, a new code of conduct was approved and members are now working to the LGA model.
- 4.18 Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- 4.19 The Council takes fraud, corruption and maladministration seriously, and as such has established policies and processes which aim to prevent or deal with such occurrences. These include:
- (i) An Anti-Fraud and Anti-Corruption Strategy.
  - (ii) A Whistleblowing Policy.
  - (iii) Various HR policies regarding discipline of staff involved in such incidents.
  - (iv) Various procurement policies.

- (v) A corporate complaints procedure exists to receive and respond to any complaints received.

- 4.20 Arrangements exist to ensure that members and employees are not influenced in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- (i) Registers of disclosable pecuniary and non-pecuniary interests;
  - (ii) Declarations of disclosable pecuniary and non-pecuniary interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
  - (iii) Register of interests for officers;
  - (iv) Registers of gifts and hospitality for members and officers;
  - (v) An Equalities Scheme and Equal Opportunities Policies; and,
  - (vi) Member induction and ongoing member training.

### ***Taking Informed and Transparent Decisions and Managing Risk***

- 4.21 The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making which is now operated under a committee system. Agendas and minutes of all meetings are published on the Council's website.
- 4.22 The Council provides decision-makers with full and timely access to relevant information. The committee report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as inter alia implications for the corporate priorities, and any equality and diversity implications.
- 4.23 The Council has a well embedded approach to the management of risk and this is reflected in the Risk Management Framework which was reviewed, updated and approved by Audit Committee in July 2022. Policy and Resources committee receives regular reports on the Council's key risks, and the Audit Committee maintains an oversight of the process.

### ***Developing the Capacity and Capability of Officers and Members***

- 4.24 The Council recognises that the success of its business is built upon the knowledge, expertise, and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. The use of the Check-In system for staff performance and well-being management is reported to SMT on a quarterly basis, to ensure that the use has been embedded since its introduction in 2021/22.
- 4.25 In October 2021, the Council held a staff survey using the B-Heard Survey facilitated by Best Companies Ltd. The results ranked Swale within the top 100 companies to work for across the UK within our sector. Whilst the results were positive, there are areas for improvement. A plan of action was devised by the staff engagement panel and a member working group, and management are working towards the implementation of those actions.
- 4.26 In response to the B-Heard survey a Leadership Development Programme was initiated from September 2022. The initial training programme ran until March 2023

with the Council senior officer leadership team embarking on a programme of development leadership training to make a Council fit for the future.

- 4.27 The Council engaged an external company to work with the Planning Team through a process of cultural transformation. The Council wanted to look at ways to improve the service in order to deliver at the speed, consistency and service level expected from stakeholders and members, to change the service perception and ensure there was confidence in the planning process. They also worked with the team to reduce the work in progress, and increase morale and well-being. The work focused on developing a shared understanding and leadership at all levels so that the team are empowered to lead the change. Whilst the external support has now ceased, the team are continuing to make changes to improve the service, with new personnel at a senior level leading that change.
- 4.28 The cross-party Member Development Working Group takes an overview of the approach to member development.

***Engagement with Local People and Other Stakeholders to Ensure Robust Public Accountability***

- 4.29 The Council engages with partners and stakeholders through various partnerships to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.
- 4.30 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through appropriate networks. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups.
- 4.31 In addition, the Council uses a variety of corporate communications channels to engage with and inform local people about the work of the Council and its decisions including:
- (i) Ensuring the Council provides an accessible website for delivering online services, providing a comprehensive information source and easy access to transparency data.
  - (ii) Transparent processes for undertaking consultations, public meetings, Council and Committee meetings with free public access to consultation documents and responses, meeting agendas, reports and minutes via the Council website.
  - (iii) Publishing and distributing 'Inside Swale' magazine to 64,000 households twice a year to provide a trusted source of Council news and information.
  - (iv) Comprehensive use of official social media and email bulletins to promote the Council services and engage with stakeholders, responding to local peoples' comments, questions and concerns online.
  - (v) Providing an 'Ask the leader' channel to enable any stakeholder the opportunity to engage directly with the leadership, with all questions and responses openly published on the Council website.

***Outcomes and value for money***

- 4.32 Much of this document is concerned with processes for governance and promoting internal control. But it is essential to consider to what extent do the organisation's governance arrangements support the achievement of outcomes and delivery of value for money.
- 4.33 From a financial perspective the 2022/23 outturn is an underspend of £29,000. The low level of Revenue Support Grant is highly disadvantageous to a Council such as Swale with both a low absolute level of Council tax, a relatively low Council tax base and high levels of need. Given the highly constrained revenue budget the administration has continued to use one off funds to pump-prime the achievement of their priorities. The savings proposals agreed for the 2022/23 budget have been delivered, and the reported overspends for the year are not related to the agreed budget reductions.
- 4.34 Despite external factors previously discussed the Council's work in the year once again good progress has been made across a range of administration priorities:
- (i) Constitutional reform – Committee system introduced from May 2022 with service committees now being the decision makers for their areas of responsibility. Area Committees continued during the year with a more local focus.
  - (ii) Local housing company - Rainbow Homes has been established to build affordable homes. Work is ongoing to revise the initial business plans that were produced pre Covid.
  - (iii) Homelessness and rough sleeping - more resources for prevention of homelessness and rough sleeping, with a project having started to improve the provision of temporary accommodation in the district.
  - (iv) Climate change emergency action plan.
  - (v) Improvements to town centres, coastal amenities, open spaces, visitor attractions and heritage public realm in the borough.
  - (vi) Support to community projects across the borough.
  - (vii) Spirit of Sittingbourne project for Sittingbourne delivered, with work ongoing to let the remaining vacant units within the site.
  - (viii) Refurbishment work largely completed for Masters House and Swale House.
  - (ix) Successful in our bid for £20m of Levelling Up Funding for the Sheerness Revival project, with the project now underway.
- 4.35 Progress on the new Local Plan has been paused awaiting further clarity and direction from central government in anticipation of further changes being introduced to policy, guidance and legislation as a result of the Environment Act and the Levelling Up and Regeneration Bill and changes to the National Planning Policy Framework.



- 4.36 During 2022/23 an extension was granted to the current waste contract to enable the smooth transition to a new waste contract. This was required due to external factors impacting upon the acquisition of the new fleet required. After 18 months of planning and procurement the new contract was also awarded during the year, which will result in a change in supplier in March 2024.
- 4.37 The 2023/24 budget position had looked extremely difficult with significant pressures in service provision arising from the extension to the existing waste contract, tendering and procurement of a new waste contract, increased costs for homelessness temporary accommodation and continuing high levels of inflation. Early engagement with the member budget working group helped focus the areas for Heads of Service to propose savings that helped to offset some of these pressures. Once again, when final notification of government funding was received a lower than initially planned use of Reserves meant that a balanced budget was achieved. The Council still faces a very significant funding gap for 2024/25 and is unlikely to benefit from significant extra Government financial support, the uncertainty of which for district councils threatens both the delivery of core business and administration priorities. A savings plan will be included in the budget preparation and Medium Term Financial Plan (MTFP) work for 2024/25 as agreed by the administration during the last budget round.

### ***CIPFA Financial Management Code***

- 4.38 In October 2019 CIPFA published their Financial Management (FM) Code which “is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities”.
- 4.39 For the 2022/23 accounts the Council is required to disclose its compliance with the FM Code and identify any outstanding areas for improvement or change. Given the financial crisis all councils have faced due to the external factors referenced above there has been less attention paid to the Code. However, Swale compares well against the Code as most standards are built into our business as usual processes. As in previous years the Chief Executive and Director of Resources will be leading on ensuring that the financial sustainability of the authority in the longer term is addressed in the future budget and medium term financial planning.

## **5. Review of Effectiveness**

- 5.1 The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, through the work of internal audit, and by comments made by the external auditors and other inspection agencies.
- 5.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
- (i) The work of the Audit Committee.
  - (ii) The work of the Standards Committee.
  - (iii) The operation of the Council’s performance management frameworks, including an Annual Report and the wider approach to risk management.

## Annual Governance Statement

- (iv) The work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment.
- (v) The external auditor's opinion report on the Council's financial statements, and his conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- (vi) The roles of the Council's Statutory Officers.
- (vii) The corporate complaints procedure.
- (viii) The anti-fraud and corruption and whistleblowing framework.

5.3 To further support the review of its effectiveness, the council engaged in a LGA corporate peer review in 2023. The aims of the review were as follows:

- (i) Assess the general health of the council.
- (ii) Request specific feedback on the following:
  - a) The number, input levels and scrutiny function of the new committee structure.
  - b) Whether we are doing the right things to ensure members and officers work well together.
  - c) How can we achieve the savings required whilst still delivering member priorities.
- (iii) Positive recommendations for a new administration.
- (iv) Provide constructive challenge where required.

5.4 The feedback from the Peer Review is scheduled to be reported to the Council following the May 2023 election in order to inform the new administration, who will take forward any agreed actions.

5.5 In the 2021/22 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Delivery of a smooth transition from Cabinet to Committee system.	In May 2022 the Council moved to the Committee system, with the creation of five service committees, plus full council, and the statutory committees.
Produce a robust savings plan to support the delivery of a balanced budget.	The 2023/24 balanced budget included savings proposals of £2.8m plus a further £2m contribution from reserves. Ongoing pressures for 2024/25 including uncertainty over local government funding mean that further savings plans need to be developed to deliver a balanced position for the future.
Develop a member-officer protocol to support good governance.	The member code of conduct was reviewed and a new code, in line with the LGA model, was adopted in February 2023.

## **6. Significant Governance Issues**

6.1 There were no significant governance weaknesses in 2022/23.

6.2 The main areas for member and senior management attention in the coming year are:

- (i) Produce a robust savings plan to support the delivery of a balanced budget.
- (ii) Develop a member-officer protocol to support good governance.
- (iii) Delivery of the new senior management structure including the appointment of a new Monitoring Officer.
- (iv) Delivery of the Sheerness Revival LUF project in line with agreed timescales and government reporting requirements.
- (v) Planning and implementation of the new waste contract in March 2024.
- (vi) Develop an action plan to deliver on findings received from the Peer Review.

**Agreed:**

**Leader of the Council**

**Chief Executive**

<b>Auditor's Report</b>
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**Independent auditor's report to the members of Swale Borough Council**

Grant Thornton will be carrying out an audit on these accounts and reporting to the Audit Committee in due course.

## Statement of Responsibilities

### **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 Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Resources' Responsibilities**

As the Director of Resources, I am the S151 Officer and am responsible for the preparation of the Council's 2022/23 Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the accounts present a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2023.

**Lisa Fillery CPFA**  
**Director of Resources**

**Date: 31 May 2023**

### **Certification of the Chairman of the Audit Committee**

I confirm that the adoption process for the 2022/23 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2023 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee.

**Date:**

**Chair of the Audit Committee**

**Explanatory Note to the Accounts: Expenditure and Funding Analysis –  
Change in Spend Per Department from Reported Basis to Accounting Basis**

2021/22					2022/23					
Net exp charged to the General Fund	Adjustments for:			Net exp in the CIES		Net exp charged to the General Fund	Adjustments for:			Net exp in the CIES
£'000	Capital	Pensions	Other	£'000		£'000	Capital	Pensions	Other	£'000
229	0	47	0	276	Chief Executive	232	0	25	0	257
2,172	4	307	77	2,560	Policy, Governance, Transformation & Customer Services	1,706	3	102	32	1,843
485	0	41	0	526	Director of Regeneration	178	0	21	0	199
64	0	15	0	79	Director of Resources	131	0	15	0	146
3,994	52	574	48	4,668	Housing & Community Services	5,660	182	345	59	6,246
1,038	0	368	125	1,531	Planning	1,182	0	172	52	1,406
6,467	1,235	382	91	8,175	Environment & Leisure	6,662	1,171	191	35	8,059
(44)	(1,195)	210	3,119	2,090	Regeneration & Economic Development	681	2,365	97	272	3,415
917	21	174	1,085	2,197	Finance & Procurement	846	(70)	74	678	1,528
(549)	0	311	138	(100)	Revenues & Benefits	1,099	0	151	89	1,339
545	9	0	2	556	Environmental Health	658	9	0	(81)	586
1,211	131	0	(375)	967	Information Technology	1,318	27	0	(484)	861
171	0	0	0	171	Internal Audit	135	0	0	0	135
372	0	5	22	399	Human Resources	404	0	3	22	429
437	0	262	(98)	601	Legal	430	0	127	(41)	516
2,736	0	0	(2,772)	(36)	Corporate Items	661	0	0	(676)	(14)
20,245	257	2,696	1,462	24,660	Cost of Services	21,983	3,687	1,323	(43)	26,951
(20,349)					Financed by Council Tax, Business Rates & Grants	(22,012)				
(104)					(Surplus) in Year	(29)				
(4,484)					General Fund Balance:					
(104)					As at 1 April	(3,074)				
1,515					Deficit/(surplus) in Year	(29)				
(3,074)					Approved Rollovers	0				
					As at 31 March	(3,103)				

**Explanatory Note to the Accounts: Expenditure and Funding Analysis –  
Change in Spend Per Department from Reported Basis to Accounting Basis**

The left hand column for each year shows the final spend for the year as reported to Policy and Resources Committee. The middle columns show changes that have to be made in order to report the Council's expenditure on an accounting basis, which is shown in the column on the right, which then appears in the next statement – the Comprehensive Income & Expenditure Statement as the Cost of Services.

**Column Explanations**

**Capital** – includes the accounting cost of depreciation of assets or the change in valuation of assets as these are not charged to the taxpayer;

**Pension** – shows the cost of pensions based on the accounting standard IAS 19 rather than the actual payments made to the Kent Pension Fund;

**Other** – reporting differences between outturn and the Comprehensive Income and Expenditure statement, plus taking out Corporate Items which are not in Comprehensive Income & Expenditure Statement Cost of Services, e.g. movement to/from reserves.

The table below reconciles the Cost of Services to the Deficit on the Provision of Services on the Comprehensive Income & Expenditure Statement:

2021/22						2021/22					
Net exp charged to the General Fund	Adjustments for:			Net exp in the CIES		Net exp charged to the General Fund	Adjustments for:			Net exp in the CIES	
£'000	Capital	Pensions	Other	£'000		£'000	Capital	Pensions	Other	£'000	
20,245	257	2,696	1,462	24,660	Cost of Services	21,983	3,687	1,323	(42)	26,951	
(31,508)	(1,434)	1,302	6,109	(25,531)	Other (Income) & Expenditure	(69,330)	(317)	1,032	48,101	(20,514)	
(11,263)	(1,177)	3,998	7,571	(871)	(Surplus)/Deficit on the Provision of Services	(47,347)	3,370	2,355	48,059	6,437	
11,159	1,177	(3,998)	(7,571)	767	Adjustments from Accounting Basis	47,318	(3,370)	(2,355)	(48,059)	(6,466)	
(104)	0	0	0	(104)	(Surplus) in Year	(29)	0	0	0	(29)	

### Comprehensive Income & Expenditure Statement – Why the Council's Resources Changed

2021/22				2022/23			
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000
276	0	276	Chief Executive		257	0	257
			Policy, Governance, Transformation &				
2,601	(41)	2,560	Customer Services		1,846	(3)	1,843
240	286	526	Director of Regeneration		199	0	199
79	0	79	Director of Resources		147	0	147
13,864	(9,196)	4,668	Housing & Community Services		13,404	(7,158)	6,246
3,388	(1,857)	1,531	Planning		3,252	(1,846)	1,406
13,102	(4,927)	8,175	Environment & Leisure		13,923	(5,863)	8,060
5,213	(3,123)	2,090	Regeneration & Economic Development		4,859	(1,444)	3,415
2,216	(19)	2,197	Finance & Procurement		1,528	0	1,528
34,895	(34,995)	(100)	Revenues & Benefits		34,677	(33,337)	1,340
604	(48)	556	Environmental Health		625	(39)	586
967	0	967	Information Technology		865	(4)	861
171	0	171	Internal Audit		135	0	135
404	(5)	399	Human Resources		437	(8)	429
1,884	(1,283)	601	Legal		1,793	(1,278)	515
0	(36)	(36)	Corporate Items		0	(16)	(16)
<b>79,904</b>	<b>(55,244)</b>	<b>24,660</b>	<b>Sub Total Cost of Services</b>		<b>77,947</b>	<b>(50,996)</b>	<b>26,951</b>
			<b>Other Operating Expenditure</b>				
876	0	876	Drainage Board levy		906	0	906
1,575	0	1,575	Parish and Town Council precepts		1,661	0	1,661
54	(138)	(84)	(Gain)/loss on disposal of assets	14	505	(130)	375
2,066	(4,972)	(2,906)	<b>Financing &amp; Investment</b>	11	4,500	(4,044)	456
			<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
0	(10,441)	(10,441)	Council Tax		0	(10,868)	(10,868)
0	(22,271)	(22,271)	Business Rates income		0	(21,781)	(21,781)
0	(2,632)	(2,632)	S31 Retail Relief Grant		0	(3,448)	(3,448)
12,409	0	12,409	Tariff & levy Business Rates		12,912	0	12,912
3,059	(1,934)	1,125	Business Rates Kent Pool		4,485	(2,582)	1,903
171	0	171	Tax Income Guarantee (S31)		0	0	0
0	(116)	(116)	Revenue Support Grant		0	(120)	(120)
0	(1,659)	(1,659)	Coronavirus LA Support Grants		0	0	0
0	(1,028)	(1,028)	New Homes Bonus		0	(1,407)	(1,407)
0	(550)	(550)	Other grants and contributions		0	(1,103)	(1,103)
<b>100,114</b>	<b>(100,985)</b>	<b>(871)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>102,916</b>	<b>(96,479)</b>	<b>6,437</b>
			Net surplus on revaluation of non-current				
		(3,882)	assets	18			(4,465)
			Re-measurement of net defined pension				
		(6,604)	liability	9			(49,554)
		94	Receipts from long-term debtors	19			235
		<b>(11,263)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(47,347)</b>

This shows the cost of providing services on an accounting basis resulting in net income of £47.347 million, which increases the value of the Council's assets. The cost of providing services funded from taxation is shown in the Movement in Reserves Statement.



## Movement in Reserves Statement – The Change in the Council's Resources

	General Fund Balance £'000	Revenue Earmarked Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>2022/23</b>								
<b>Balance at 31 March 2022</b>	(3,074)	(23,741)	(26,814)	(2,843)	(511)	(30,169)	19,641	(10,528)
Total Comprehensive Expenditure & (Income) 2022/23	6,437	0	6,437	0	0	6,437	(53,784)	(47,347)
Adjustments between accounting basis and fund basis (note 46)	2,145	0	2,145	(103)	(202)	1,840	(1,840)	0
Transfers (to)/from earmarked reserves (note 17)	(8,611)	8,611	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>(29)</b>	<b>8,611</b>	<b>8,582</b>	<b>(103)</b>	<b>(202)</b>	<b>8,276</b>	<b>(55,624)</b>	<b>(47,347)</b>
<b>Balance at 31 March 2023</b>	<b>(3,103)</b>	<b>(15,130)</b>	<b>(18,233)</b>	<b>(2,946)</b>	<b>(713)</b>	<b>(21,892)</b>	<b>(35,983)</b>	<b>(57,875)</b>
<b>2021/22</b>								
<b>Balance at 31 March 2021</b>	(4,484)	(25,009)	(29,494)	(2,884)	(458)	(32,836)	33,571	735
Total Comprehensive Expenditure & (Income) 2021/22	(872)	0	(872)	0	0	(872)	(10,392)	(11,264)
Adjustments between accounting basis and fund basis (note 46)	3,551	0	3,551	41	(53)	3,539	(3,539)	(0)
Transfers (to)/from earmarked reserves (note 17)	(1,268)	1,269	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>1,411</b>	<b>1,269</b>	<b>2,679</b>	<b>41</b>	<b>(53)</b>	<b>2,667</b>	<b>(13,931)</b>	<b>(11,264)</b>
<b>Balance at 31 March 2022</b>	<b>(3,074)</b>	<b>(23,741)</b>	<b>(26,814)</b>	<b>(2,843)</b>	<b>(511)</b>	<b>(30,169)</b>	<b>19,641</b>	<b>(10,528)</b>

The Movement in Reserves Statement (MIRS) shows the movements in the year for the Council's usable reserves, (those that can be used for future funding of services), and unusable reserves (there to deal with accounting entries only). It begins by showing the effect of the previous statement – the Comprehensive Income & Expenditure Statement, and then reverses out accounting entries to show the balance on each of the reserves at the end of the financial year. In summary, there was a reduction in the Council's usable reserves of £8.278 million resulting in a balance of £21.892 million. However, this balance includes £1.3 million on reserves which are already committed to fund the Council's share of the deficit of the Collection Fund.

## Balance Sheet – The Council's Resources

31 March 2022				31 March 2023
£'000	£'000		Note	£'000
	85,925	<b>Total Property, Plant and Equipment</b>	24	89,953
100		Assets Held for Sale	29	100
2,190		Heritage Assets	27	2,330
4,030		Investment Properties	28	4,173
60		Intangible Assets		41
3,428		Long-Term Investments	42	2,863
2,806		Long-Term Debtors	39	2,007
	<b>12,614</b>			<b>11,513</b>
	<b>98,539</b>	<b>Total Long-Term Assets</b>		<b>101,466</b>
		<b>Current Assets</b>		
1		Inventories		1
7,600		Short-Term Investments	42	0
19,689		Short-Term Debtors	40	19,889
15,602		Cash and Cash Equivalents	41	5,166
	<b>42,892</b>	<b>Total Current Assets</b>		<b>25,055</b>
	<b>141,431</b>	<b>Total Assets</b>		<b>126,521</b>
		<b>Current Liabilities</b>		
(39,548)		Short-Term Creditors	34	(24,941)
(10,000)		Short-Term Loans	42	(10,000)
(66)		S106 Deferred Revenue Receipts	35	(46)
(1,412)		Revenue Grant Receipts in Advance	12	(1,971)
(2,484)		Provisions	37	(3,162)
	<b>(53,510)</b>	<b>Total Current Liabilities</b>		<b>(40,121)</b>
	<b>87,921</b>	<b>Total Assets less Current Liabilities</b>		<b>86,401</b>
		<b>Long-Term Liabilities</b>		
(60)		Long-Term Creditors	33	(60)
(62,604)		Liability Related to Defined Benefit Pension Scheme	9(f)	(13,924)
(12,662)		Capital Grants and Contributions	36	(12,753)
(137)		S106 Deferred Revenue Receipts	35	(90)
(1,930)		Provisions	37	(1,698)
	<b>(77,393)</b>	<b>Total Long-Term Liabilities</b>		<b>(28,526)</b>
	<b>10,528</b>	<b>Net Assets</b>		<b>57,875</b>
		<b>Financing:</b>		
		<b>Unusable Reserves</b>		
(27,899)		Revaluation Reserve	18	(31,944)
(6)		Deferred Capital Receipts Reserve		(6)
(18,769)		Capital Adjustment Account	19	(18,173)
3,810		Collection Fund Adjustment Account	20	(190)
330		Accumulated Absences Account	22	270
62,604		Pensions Reserve	23	13,924
(429)		Pooled Fund Adjustment Account	21	137
	<b>19,641</b>	<b>Total Unusable Reserves</b>		<b>(35,983)</b>
	<b>(30,169)</b>	<b>Total Usable Reserves</b>	MIRS	<b>(21,892)</b>
	<b>(10,528)</b>	<b>Total Reserves</b>		<b>(57,875)</b>

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.

<b>Balance Sheet – The Council's Resources</b>
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There was a significant increase in the value of the Council's net assets in 2022/23 which was mainly due to the decrease in the pension liability.

The usable reserves are detailed on the Movement in Reserves Statement and can be used to fund expenditure or reduce local taxation.

The movement in cash that has resulted in the Cash and Cash Equivalents balance of £5.166m shown above is detailed in the Cash Flow Statement.

As the Responsible Financial Officer for Swale Borough Council, I hereby certify that these accounts give a true and fair view of the Council's financial position and financial performance in advance of approval.

**Lisa Fillery CPFA**

**Date: 31 May 2023**

**Director of Resources**

## Cash Flow Statement – Movement in Council's Resources in Cash

2021/22 £'000	Note	2022/23 £'000
871 Net surplus/(deficit) on the provision of services		(6,437)
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
1,457 Depreciation		1,518
(1,652) Impairments & downward valuations		1,892
(431) Investment property valuation movements & upward revaluations		(143)
13,037 Movement in creditors		(17,220)
(654) Movement in debtors		(1,689)
32 Movement in debt impairment		10
(901) Movement in provisions		1,011
2,562 Movement in pension liability		874
76 Carrying amount of assets held for sale, sold or derecognised		506
26 Other movements		24
<b>13,552</b>		<b>(13,217)</b>
(5,033) Adjustment for items that are investing or financing activities		(3,785)
<b>9,390 Net cash inflow/(outflow) from Operating Activities</b>		<b>(23,439)</b>
<b>Investing Activities</b>		
(1,532) Purchase of property, plant & equipment, investment property & intangible assets		(3,659)
(148,375) Purchase of short-term investments		(146,434)
(158) Other payments for investing activities		(745)
51 Proceeds from the sale of property, plant & equipment, investment property & intangible assets		0
140,775 Proceeds from short-term investments		154,034
3,504 Other receipts from investing activities		4,219
<b>(5,735) Net cash inflow/(outflow) from Investing Activities</b>		<b>7,415</b>
<b>Financing Activities</b>		
5,000 Movement on short and long-term borrowing		10,000
(739) Council Tax and Business Rates adjustments		5,588
(10,000) Repayment of short-term borrowing		(10,000)
<b>(5,739) Net cash inflow/(outflow) from Financing Activities</b>		<b>5,588</b>
<b>(2,084) Net increase/(decrease) in Cash and Cash Equivalents</b>		<b>(10,436)</b>
17,686 Cash and cash equivalents at 1 April	41	15,602
15,602 Cash and cash equivalents at 31 March	41	5,166
<b>(2,084)</b>		<b>(10,436)</b>

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period and how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The figures for 2021/22 have been restated to account for the full value of short term investments that were made and redeemed within the year.

The cash flow for operating activities includes £705,000 for interest received (£113,000 in 2021/22) and £90,000 for interest paid (£49,000 in 2021/22) due to increasing interest rates combined with a low level of loans.

## **Accounting Policies**

### **1. Accounting Policies – 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 as amended by the Accounts and Audit (Amendment) Regulations 2022, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code, supported by IFRS and other guidance. The appropriate note details the critical judgements and estimations about the future made when applying the Accounting Policies.

#### **(a) Accounting Convention**

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

The accounts are prepared on a going concern basis reflecting the economic and statutory environment in which local authorities operate. These provisions confirm that as authorities cannot be created or dissolved without statutory prescription it is only appropriate for their financial statements to be prepared on a going concern basis. The going concern assumption under the Code is therefore drawn up to assume that a local authority's services will continue to operate for the foreseeable future.

The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts. The Code only requires local authority financial statements to disclose information which is material.

#### **(b) Accruals and Revenue Recognition**

In accordance with IFRS 15, activity is accounted for in the year that it takes place, not simply when cash payments are made or received and relates to activity on all of the Council's functions including non-exchange transactions e.g. Council Tax and Business Rates. In particular:

- the Council recognises income when or as control over the goods or services is transferred to the customer or service recipient and the income reflects the consideration expected for those goods or services;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed;
- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;

## Notes to the Core Financial Statements

- revenue relating to such things as council tax, business rates, etc. are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;
- 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;
- accruals are recognised where the value exceeds £1,000;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to Cost of Services for the income that might not be collected;
- exceptions are utility bills, insurance premiums and income from car parking, which are, in the main, charged or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy also covers larger payments credited to the year in which they were billed and not apportioned between years; and,
- the annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate.

## 2. Accounting Policies

### (a) Capital Receipts

When an asset is disposed of or de-commissioned, the carrying amount and the receipt from the sale are charged to the Comprehensive Income & Expenditure Statement. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure or set aside to reduce the Council's borrowing requirement.

### (b) Cash and Cash Equivalents

Cash and Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value. The Council has defined cash equivalents as investments that do not require notice for withdrawal.

(c) Employee Benefits – Costs

Termination benefits are amounts payable due to 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. They are charged on an accruals basis to the appropriate service or, where applicable, to the Comprehensive Income & Expenditure Statement 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 that the General Fund is charged with the amount payable by the Council to the Kent 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 Kent Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

(d) Employee Benefits – Post-Employment Benefits

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, and projections of projected earnings for current employees. The value of the Kent Pension Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. The discount rate is calculated using the annualised Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

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

The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund's Actuary determines employers' contributions to the Pension Fund on a triennial basis. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation take effect from 1 April 2023.

(e) Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

(f) Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument. However, "other debtors" are an exception as they are not recognised when the Council becomes committed to supply the

## Notes to the Core Financial Statements

goods or service but when the ordered goods or services have been delivered or rendered. Similarly, "other creditors" are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- fair value through profit and loss – this category includes:
  - Money Market Funds (MMFs) and are initially measured and carried in the Balance Sheet at fair value; and
  - Investment in Church, Charities and Local Authorities (CCLA) Property Fund carried at fair value at 31 March 2023.
- amortised cost – this category includes debtors and are initially measured at fair value and carried in the Balance Sheet at their amortised cost.

The fair value of a financial instrument on initial recognition is generally the market price. Financial liabilities are measured in the Balance Sheet at amortised cost.

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. No impairment is calculated for assets which are classified as fair value through profit and loss as the risk is reflected in the movement in their fair value.

The reconciliation of amounts based on accounting regulations charged to the Comprehensive Income & Expenditure Statement to the net charge required by statute against the General Fund balance, is accounted for by a transfer to or from the Pooled Fund Adjustment Account in the Movement in Reserves Statement.

### (g) Government Grants and Other External Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

Receipts defined as grants and contributions for which conditions have not been satisfied are included on the Balance Sheet as creditors. When conditions are satisfied, grants specific to a service will be credited against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council's share of business rates from the Collection Fund are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under Taxation and Non-Specific Grant Income. Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.



#### (h) Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture. Heritage assets are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.

#### (i) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights. An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation over its 'useful' life, which for computer software has been assessed as up to a maximum of seven years.

#### (j) Investment Property

Investment properties are those that are used primarily to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between parties at arm's length (i.e. market value, the amount that would be paid for the asset in its highest and best use). Properties are not depreciated but are revalued annually according to market conditions at the year-end and any gains or losses on revaluation or disposal are taken to the Comprehensive Income & Expenditure Statement and are reversed out of the General Fund balance via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

#### (k) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period). The 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 Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

## The Council as Lessor

### 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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.

32 Lease rentals receivable are apportioned between:

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

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

## (l) Long-Term Liabilities

Long-Term Liabilities are those due beyond the next 12 months. The current portion of any long-term liabilities due to be settled within 12 months after the Balance Sheet date are included within current liabilities.

## (m) Material Items of Income and Expense

Material items of income and expense are required by the Code to be shown separately within the Statement of Accounts. The Council has decided that for this purpose an item is judged to be financially material if it is in excess of £1.3m.

## (n) Non-Current Assets – Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as PPE. Assets which are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for Sale, are recorded as Surplus Assets.

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council operates a de-minimis level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Each of the PPE asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS), as follows:

- infrastructure, assets under construction and community assets are valued at historic cost, net of depreciation (where applicable), and
- other land and buildings, vehicles, plant, furniture, equipment and surplus assets are valued at current value.

For assets that are carried in the Balance Sheet at current value, the measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. The current value measurement bases include:

- Existing Use Value defined in accordance with RICS Valuation – Professional Standards for assets providing service potential to the Council where an active market

exists;

- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised; and
- Fair Value, for surplus assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for Sale.

The value of any surplus property is measured at its fair value with the purpose being to return the highest possible valuation, the estimated use of the property being taken as that which best supports this highest value. Surplus property valuations are based on using pricing information derived from an accessible market with the highest volume and level of activity for property transactions available. The valuer will use one or several measurements and/or factors to determine the value of the property, some of which may be more significant in assessing the valuation than others. Many of these inputs are observable, e.g. they can be seen, measured or found from existing data and records. Other inputs however may not be observable, e.g. an input based solely on the judgement of the valuer or where data is not available and assumptions are made. The inputs used in valuations are classified into separate hierarchies, which are a guide in assessing the risk of the valuation being more based on subjective interpretation than fact. For building and land valuations, observable inputs are classed as Level 2 and unobservable inputs are classed as Level 3.

The Council's approach to revaluation is to have a rolling programme of revaluations over five years. Assets that have a significant value are revalued annually, even if they are not scheduled to be so according to the five-year programme.

The Council's principal assets are revalued regularly and any gains arising from revaluations are reflected in the Revaluation Reserve or, where previous losses have occurred, are credited to the Comprehensive Income & Expenditure Statement to the limit of the previous loss. A loss on valuation is charged to the Revaluation Reserve to the limit of that fund and thereafter is charged to the Comprehensive Income & Expenditure Statement. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim periods, as they occur. Where assets are valued at depreciated replacement cost, this has only been undertaken where there is no active market for that asset.

The Council applies the principles of component accounting where an asset has a gross book value in excess of £1m and a residual life of over 25 years.

Impairment – assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified, they are charged against the Revaluation Reserve up to the amount attributable to each specific asset held in that reserve. Any excess of this amount is then chargeable to the Comprehensive Income & Expenditure Statement. Any charges to the Comprehensive Income & Expenditure Statement are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

Depreciation – depreciation is provided for on all PPE with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts, and
- depreciation is calculated using the straight-line method.

The standard useful lives for each category of asset are as follows:

## Notes to the Core Financial Statements

Asset	Depreciation Methodology
Operational buildings	Usually 50, although this can vary according to the individual asset
Operational land	30 to 50 years (usually relating to car parks)
Land	Depreciation is not normally provided for freehold land
Non-operational buildings	40 to 60 years depending on the individual asset
Community assets	According to whether it is land, building or equipment as above
Infrastructure assets	20 to 50 years
IT equipment	3 to 7 years depending on the nature of the asset
Non-IT furniture and equipment	10 to 20 years
Vehicles	Up to 10 years depending on the type of vehicle

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets, as fairly as possible over their useful lives.

Where an asset has major components with different estimated useful lives, the components are depreciated separately. If there is a change in the depreciation charge because of an impairment which is material, full year depreciation is charged in the year of impairment.

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 historic cost. The value of the depreciated revaluation gain is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – when an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

When infrastructure assets are replaced, the underlying assumption will be that the part replaced was worn out and fully depreciated. As such, there will be no accounting transactions for the derecognition of the replaced or renewed part of the infrastructure asset. The exception to this will be where the asset renewed or replaced is distinctly recognisable and valued, or where an infrastructure asset is fully removed from use (not replaced or renewed).

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 transferred to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds.

The concept of materiality is fundamental to the preparation of the financial statements. In the public sector, as entities tend to be primarily 'spending' to provide public services rather than profit making or asset holding, it is common practice to use gross revenue expenditure as the appropriate financial reporting metric to apply materiality. However, for the purposes of disclosure requirements and adherence to relevant accounting principles and statutory requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2022/23 is £1.8 million (2021/22 £1.7m).

<b>Notes to the Core Financial Statements</b>
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(o) Non-Current Assets – Charges to Revenue

Service revenue accounts and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the non-current assets used by the relevant service;
- revaluation and impairment losses, where they are in excess of the sum available in the Revaluation Reserve; and,
- amortisation of intangible non-current assets attributable to the service.

These charges are reversed out of the Comprehensive Income & Expenditure Statement via the Movement in Reserves Statement to the Capital Adjustment Account.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, the Minimum Revenue Provision (MRP) (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance) and approved each year by Council.

(p) 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

(q) Reserves

Expenditure is not charged directly to a reserve, but to the service revenue account within the Comprehensive Income & Expenditure Statement. This is then offset by a reserve appropriation within the Movement in Reserves Statement.

## Notes to the Core Financial Statements

### (r) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be capitalised under statutory provisions but which does not result in the creation of a non-current asset has been charged to the relevant service in the Comprehensive Income & Expenditure Statement. If the Council has decided to finance this expenditure from existing capital resources or by borrowing, then the cost is reversed out of the General Fund so there is no impact on the level of Council Tax, by a transfer in the Movement in Reserves Statement.

### (s) Shared Services

The Council maintains 'shared service' operations for a number of services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the Mid Kent Services (MKS) Board is a non-decision making body (decisions to enter into a shared service and the level of involvement and consequent cost lie with each council via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. Accordingly, all expenditure and income of these services is included within the Comprehensive Income & Expenditure Statement.

### (t) Value Added Tax (VAT)

VAT is accounted for separately and is included in income and expenditure accounts to the extent that it is not recoverable. The Council's partial exemption status is reviewed on an annual basis.

### (u) 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 principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

### (v) 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 & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, Kent County Council 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 (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities 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 Comprehensive Income and Expenditure Statement (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.

(w) 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.

### **3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

Accounting standards that have been issued but not yet adopted are:

- IFRS 16 Leases, which has been deferred until 2024/25;
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard;
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material; and,
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

None of the above are expected to have a material effect on the Council's finances in 2023/24.

### **4. Accounting Estimates**

In order to prepare the accounts, the Council makes accounting estimates for the value of pensions, property, plant and equipment, financial instruments, and the impairment allowance for debtors. These are supported by professional advice from Barnett Waddingham (actuaries on pensions), Arlingclose (treasury advisors on financial instruments), and Wilks, Head & Eve (valuers for property, plant and equipment). Their professional advice is reviewed and challenged by Council officers, including comments made by Grant Thornton, the external auditors, in previous audits. For these items, the accounts include a forecast of the financial impact of a change (typically 1%) in the accounting estimate made.



## Notes to the Core Financial Statements

The effects on the estimation uncertainty in the Statement of Accounts are as follows:

### (a) Pension Scheme

Swale Council did not consider it appropriate to make an allowance for their actual member mortality experience over the accounting year as this would require a full valuation of updated membership data and would incur additional fees. Therefore, the accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete.

As a result of Russia's invasion of Ukraine, there has been volatility in the market for various asset classes globally. Therefore, the accounts reflect the actual return earned by the fund assets over the accounting period. Fundamentally, this approach will see assets as at 31 March 2023 based on actual investment return earned by the Fund without any estimation being required. Although some of these data items have been estimated, they are not likely to have a material effect on the accounts.

From an accounting perspective, the current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market. This approach is in line with the current FRS102/IAS19 accounting standard.

### (b) Financial Instruments

The fair values used in the preparation of the Council accounts have not been affected by any material uncertainty.

### (c) Impairment Allowance for Non-Payment of Debt

It is prudent to establish a provision (impairment allowance) for non-payment of debt. The aftermath of the Covid-19 pandemic coupled with the cost of living crisis could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review. Therefore, due to the uncertainty about collecting any outstanding monies from taxpayers, a prudent approach has been taken when setting the rates for bad debt provisions, which are reflected in these financial statements.

### (d) Non-Current Assets

To reduce estimation uncertainty, the valuation date for investment and high value assets of the Council were as at 31 March 2023.

In preparing the accounts the Council was not aware of any specific impact to the value of the assets within its portfolio because of the ongoing conflict in Ukraine.

The economic climate has created uncertainty about the ability to maintain assets to the usual level. More details of the impact of this uncertainty can be found in Note 24.

## 5. Events after the Reporting Period

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

## Notes to the Core Financial Statements

### 6. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by Lisa Fillery, the Director of Resources, on 31 May 2023.

### Pay and Pensions

### 7. Officers' Remuneration and Termination Benefits

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was:

2021/22		2022/23
Number of Employees	Remuneration Band	Number of Employees
8	£50,000 - £54,999	12
8	£55,000 - £59,999	2
5	£60,000 - £64,999	8
3	£65,000 - £69,999	1
0	£70,000 - £74,999	1
2	£75,000 - £79,999	1
0	£80,000 - £84,999	1
3	£85,000 - £89,999	4
0	£95,000 - £99,999	2
1	£105,000 - £109,999	1
1	£125,000 - £129,999	0
0	£130,000 - £134,999	1
<b>31</b>	<b>Total</b>	<b>34</b>

This has been applied consistently to both years. Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- the monetary value of any other benefits.

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

2021/22			2022/23		
<i>Number of Compulsory Redundancies</i>	<i>Number of Other Departures Agreed</i>	<i>Total Cost of Exit Packages £</i>	<i>Number of Compulsory Redundancies</i>	<i>Number of Other Departures Agreed</i>	<i>Total Cost of Exit Packages £</i>
0	3	9,444	6	0	79,043
0	0	0	1	1	48,214
1	0	52,228	0	1	40,953
0	0	0	0	1	75,158
<b>1</b>	<b>3</b>	<b>61,672</b>	<b>7</b>	<b>3</b>	<b>243,368</b>
Total paid to employees					

## Notes to the Core Financial Statements

The table below reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive.

2021/22				2022/23			
Salary, Fees & Allowances	Pension Contribution	Total		Salary, Fees & Allowances	Pension Contribution	Total	
£'000	£'000	£'000	Point	£'000	£'000	£'000	
125	23	148	Chief Executive	132	25	157	
48	9	57	Director of Resources	99	18	117	1
			Director of Regeneration & Neighbourhoods				
105	19	124	Head of Policy, Governance & Customer Services	107	20	127	
79	15	94	Head of Legal Partnership	87	16	103	
38	7	45		84	15	99	2
<b>395</b>	<b>73</b>	<b>468</b>	<b>Total</b>	<b>509</b>	<b>94</b>	<b>603</b>	

**Point 1:** Post holder was appointed October 2021.

**Point 2:** Post holder was internally promoted to temporarily act up to the role of Head of Legal Services in October 2021. Includes market supplement and mileage allowance.

Pension contributions in 2021/22 have been restated to remove the allocation of secondary rate payments.

### 8. Members' Allowances

2021/22	2022/23
£'000	£'000
259 Basic allowance	306
180 Special responsibility allowance	90
11 Members' travel, subsistence & IT allowance	5
<b>450 Total</b>	<b>401</b>

The Members' Allowances Scheme can be inspected on the Council website <http://www.swale.gov.uk/members-allowances/>.

### 9. Defined Benefit Pension Scheme

#### a) Nature of Benefits of Defined Benefit Pension Schemes

The Council is a member of the Local Government Pension Scheme (LGPS) which is a national scheme that is administered locally on its behalf by KCC – all employees have the right to join the scheme. This is a funded defined benefit career average salary scheme, so that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' pay and length of service and these benefits are determined independently from investments

## Notes to the Core Financial Statements

of the scheme. Although these benefits will not actually 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 entitlement. Employee contribution rates are set by Government and range from 5.5% to 12.5%. The fund actuary, Barnett Waddingham, sets the employer contribution rate, and for 2022/23 the rate was 18.5%, plus an annual fixed sum.

### b) Regulatory Framework of Defined Benefit Pension Schemes

The Kent Pension Fund is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This committee is responsible for setting investment strategy, appointing professional fund managers, carrying out regular reviews, monitoring of investments, monitoring the administration of the Pension Fund and determining Pension Fund policy with regard to employer admission arrangements. Policy is determined in accordance with the Pensions Fund Regulations.

### c) Risks of Defined Benefit Pension Schemes

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### d) Other Factors Affecting Pension Payments

The Council has arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### e) Revenue Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the accounting based 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 Comprehensive Income & Expenditure Statement and the General Fund balance via the Movement in Reserves Statement:

## Notes to the Core Financial Statements

2021/22 Comprehensive Income & Expenditure Statement £'000	2022/23 £'000
Cost of services comprising:	
4,238 Current service cost	2,833
56 Administration expenses	59
1,302 Net interest on the net defined benefit liability	1,032
<b>5,596 Total post-employment benefits charged to the provision of services</b>	<b>3,924</b>
Post-employment benefits charged to Other Comprehensive Income & Expenditure:	
(92) Return on plan assets in excess of interest	2,093
0 Other actuarial gains/(losses) on assets	(138)
0 Change in demographic assumptions	(4,006)
375 Experience loss on defined benefit obligation	9,408
(6,887) Change in financial assumptions	(56,911)
<b>(6,604) Total remeasurements recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>(49,554)</b>
<b>(1,008) Total post-employment benefits credited to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(45,630)</b>

  

2021/22 Movement in Reserves Statement £'000	2022/23 £'000
(2,562) Reduction of charges made to the deficit on the Provision of Services for post-employment benefits to equal actual payments in accordance with the Code (see Note 46)	(874)
<b>3,034 Employers' contributions payable to the scheme</b>	<b>3,050</b>
<b>92 Actual return on scheme assets less interest</b>	<b>(2,093)</b>

f) Pension Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans are as follows:

2021/22 £'000	2022/23 £'000
155,977 Present value of the defined benefit obligation	108,098
(95,815) Fair value of plan assets	(96,090)
<b>60,162</b>	<b>12,008</b>
2,442 Present value of unfunded obligation	1,916
<b>62,604 Net liability in the balance sheet</b>	<b>13,924</b>

g) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets and Liabilities (Defined Benefit Obligation)

The Pensions Reserve figure in the Balance Sheet consists of the total assets plus liabilities detailed below:

## Notes to the Core Financial Statements

2021/22 £'000	Reconciliation of present value of the scheme liabilities	2022/23 £'000
<b>(161,223)</b>	<b>Opening balance as at 1 April - defined benefit obligation</b>	<b>(158,419)</b>
(4,238)	Current service cost	(2,792)
0	Past service cost	(41)
(3,188)	Interest cost	(4,366)
(609)	Contributions by scheme participants	(601)
6,887	Changes in financial assumptions	56,911
(375)	Experience loss on defined benefit obligation	(9,408)
0	Changes in demographic assumptions	4,006
4,327	Benefits paid including unfunded pension payments	4,696
<b>(158,419)</b>	<b>Closing balance as at 31 March - defined benefit obligation</b>	<b>(110,014)</b>

2021/22		2022/23
£'000		£'000
94,577	Opening balance as at 1 April - fair value of scheme assets	95,815
1,886	Interest on assets	3,334
92	Return on assets less interest	(2,093)
(56)	Administration expenses	(59)
3,034	Employer contributions	3,050
609	Contributions by scheme participants	601
0	Other actuarial gains/(losses)	138
(4,327)	Benefits paid including unfunded pension payments	(4,696)
95,815	Closing balance as at 31 March - fair value of scheme assets	96,090

### h) Pension Fund Assets

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

31 March 2022			31 March 2023		
£'000	%		£'000	%	
61,712	64	Equity investments	61,381	64	
585	1	Gilts	527	1	
13,237	14	Bonds	12,633	13	
11,261	12	Property	9,601	10	
1,927	2	Cash	1,625	2	
7,093	7	Absolute return fund	7,046	7	
0	0	Infrastructure	3,277	3	
<b>95,815</b>	<b>100</b>	<b>Total</b>	<b>96,090</b>	<b>100</b>	

### i) Basis for Estimating Assets and Liabilities

Estimates of the liability are based on the rolled forward value of the employer's liabilities calculated for latest full funding valuation, allowing for the different assumptions required under IAS 19. These values were updated this year to be based on the triennial valuation carried out at 31 March 2022.

## Notes to the Core Financial Statements

31 March 2022		31 March 2023
<b>Mortality assumptions</b>		
Longevity at 65 if retiring today:		
21.6 years	Men	21.1 years
23.7 years	Women	23.5 years
Longevity at 65 if retiring in 20 years:		
23.0 years	Men	22.3 years
25.1 years	Women	25.0 years
3.45%	Rate of inflation (Retail Price Index (RPI) increases)	3.20% to 3.40%
3.15%	Rate of inflation (Consumer Price Index (CPI) increases)	2.85% to 2.95%
4.20%	Rate of increase in salaries	3.95%
3.20%	Rate of increase in pensions	2.95%
2.60%	Rate of discounting scheme liabilities	4.80%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is estimated to be 1.30% (2.10% for the year 31 March 2022).

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

Uncertainty	Sensitivity Analysis				
	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	+0.5%	+1%	0.0%	-1%	-0.5%
Present value of total obligation	102,281	95,418	110,014	128,710	118,764
Projected service cost	1,369	1,154	1,622	2,273	1,919
Adjustment to long-term salary increase	+0.5%	+1%	0.0%	-1%	-0.5%
Present value of total obligation	110,804	111,624	110,014	108,521	109,253
Projected service cost	1,627	1,632	1,622	1,611	1,616
Adjustment to pension increases and deferred revaluation	+0.5%	+1%	0.0%	-1%	-0.5%
Present value of total obligation	118,096	127,274	110,014	96,551	102,876
Projected service cost	1,918	2,280	1,622	1,149	1,372
Adjustment to life expectancy assumptions		+1 Year	0.0%	-1 Year	
Present value of total obligation		114,458	110,014	105,764	
Projected service cost		1,680	1,622	1,565	

### j) Funding and Investment Strategy

KCC as administering authority for the Kent Pension Fund maintains a Funding and Investment Strategy as required by the pensions and (where relevant) investment regulations. The funding objectives are to ensure the long-term solvency of the Fund, ensure that sufficient funds are available to meet all benefits as they fall due for payment and enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers. The aim of its investment strategy is to minimise the risk of an overall reduction in the Fund's value and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to

## Notes to the Core Financial Statements

an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Funding and Investment Strategy is reviewed annually or more frequently if necessary.

### k) Impact of Pension Fund on Council's Cash Flows

An objective of the scheme is to keep employers' contributions at as constant a rate as possible and funding levels are monitored on an annual basis. The Fund is valued once every three years and the valuation as at 31 March 2022 disclosed a net deficit of £8.5m on Swale Borough Council's share of the fund, a reduction of £7m from the 2019 valuation deficit of £15.5m. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation will take effect from 1 April 2023. The primary rate will increase from 18.5% to 20.5%, but the secondary rate will fall to a fixed annual amount of £850,000 per year for the next 3 years (secondary rate payments of £1,290,000 were made in 2022/23).

The movement in financial assumptions is due to the change in the discount rate and inflation forecasts.

The total contributions (not including unfunded) expected to be made to the Kent Pension Fund by the Council in 2023/24 is £2.73m (£2.858m in 2022/23).

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2022/23 (2021/22 average was 19 years).

### l) Accounting for the McCloud and Sargeant Judgements

An allowance was made in the 2020/21 Annual Accounts shown as a past service cost and therefore no explicit adjustments have been made in the valuation results this year. The estimated cost of the McCloud judgement has been updated as part of the 2022 valuation update and will reflect the approach adopted at the valuation in estimated the cost of the remedy. Any difference between this cost and the cost previously incorporated into the employer's accounting liabilities are not expected to be material.



## Notes to the Core Financial Statements

### Day to Day Spending – Revenue

#### 10. Expenditure and Income Analysed by Nature

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

2021/22 Net Expenditure £'000	2022/23 Net Expenditure £'000
32,676 Benefit payments	32,123
17,371 Employee costs	14,647
15,468 Business rates paid to Government and pool	17,397
23,455 Other service expenses	23,664
7,704 Major contracts	8,545
1,575 Parish precepts	1,661
876 Drainage board levy	906
667 Trading undertakings losses	2,743
47 Investment properties	67
275 Other items	1,163
<b>100,114 Total expenditure</b>	<b>102,916</b>
(32,152) Benefit income (Note 12)	(30,944)
(24,205) Business rates income	(24,363)
(2,632) s31 retail relief grant	(3,448)
(11,041) Fees, charges and other service income	(12,617)
(10,441) Council tax	(10,868)
(1,028) New homes bonus	(1,407)
(3,658) Trading undertakings gains	(2,883)
(116) Revenue support grant	(120)
(1,659) Coronavirus LA support grant	0
(12,050) Grant income credited to cost of services (Note 12)	(7,436)
(550) Other grants and contributions	(1,103)
(1,453) Other items	(1,290)
<b>(100,985) Total income</b>	<b>(96,479)</b>
<b>(871) Deficit/(Surplus) on provision of services</b>	<b>6,437</b>

#### 11. Financing and Investment Income and Expenditure

2021/22 Net Expenditure £'000	Note	2022/23 Net Expenditure £'000
49 Interest payable & similar charges		90
1,302 Net interest on net defined pension liability	9	1,032
(113) Interest receivable & similar income		(705)
(2,992) Gains on trading undertakings		(140)
(209) (Income) & expenditure on investment properties	28	(243)
(431) Change in fair value of investment properties	28	(143)
(512) Net (gains)/losses on financial assets through profit & loss	42	565
<b>(2,906) Total</b>		<b>456</b>

## 12. Grant Income

### a) Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the Comprehensive Income & Expenditure Statement.

### b) Revenue Grants – Receipts in Advance

The revenue grants receipts in advance at 31 March 2023 were £1,971,000 (£1,412,000 at 31 March 2022).

The reason for the increase is due to a number of grants that have not yet been fully used as well as receipt of new grants from government for local investment.

### c) Capital Grants and Contributions

Please see Note 36 for a breakdown of Capital Grants and Contributions.

### d) Grants Credited to Services

2021/22 £'000	Grant Area	Provider	2022/23 £'000
(32,152)	Housing benefit grant	DWP	(30,944)
(2,856)	Coronavirus Additional Restrictions Business Grants	BEIS	0
(2,808)	Queenborough & Rushenden Klondyke land improvement funded by Housing Infrastructure Fund	HCA	(1,253)
(1,599)	Housing repair grants - disabled facilities	DLUHC	(1,753)
(1,069)	Homelessness grant	DLUHC	(876)
0	Household Support Fund	KCC	(648)
0	Energy Rebate Scheme	DLUHC	(351)
(716)	Coronavirus revenue grants - other	Various	(36)
(618)	Coronavirus S13A Council Tax hardship grant	DLUHC	0
(453)	Rough sleeper initiative	DLUHC	(581)
(409)	Housing benefit admin subsidy	DWP	(411)
0	Council Tax Support Scheme Admin Grant	KCC	(134)
(369)	Discretionary housing payment	DWP	(260)
(326)	Coronavirus - Contain outbreak management fund	Various	(78)
(170)	Localising Council Tax support administration subsidy grant	DLUHC	(169)
(104)	Implementing welfare reform changes	DWP	(113)
(101)	Council Tax & Business Rates grants	BEIS	(29)
(96)	Open spaces & play areas - commuted sums	Various	(66)
(356)	Other grants	Various	(678)
<b>(44,202)</b>			<b>(38,380)</b>

### 13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

<b>2021/22</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>
71 Fees payable for external audit service	73
26 Fees payable for the certification of grant claims and returns	28
<b>97 Total</b>	<b>100</b>

### 14. Gains and Losses on Disposal of Non-Current Assets

A review of the Council's infrastructure assets was carried out in 2022/23 resulting in the derecognition of assets that are no longer owned by the Council, and that therefore should no longer be included in the balance sheet.

Total assets valued at £505,000 were written out in 2022/23, including £443,000 of highway related infrastructure assets resulting from the review. A total net loss of £375,000 was incurred for 2022/23 for all derecognised assets after repayment of Disabled Facilities Grants of £121,000 (net gain from disposals of £84,000 in 2021/22).

No investment assets were disposed of in 2022/23 or 2021/22. Gains and losses on investment properties are shown within Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement.

### Council Resources – Reserves

#### 15. Usable Capital Receipts Reserve

This reserve holds the income from the disposal of land and other assets, which can only be used to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied at year-end.

In 2022/23 the Council did not sell any assets, so no capital receipts were received, other than through the repayment of grants.

<b>2021/22</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>
<b>(2,884) Balance as at 1 April</b>	<b>(2,843)</b>
(52) Capital receipts in year from sale of assets	0
(108) Capital receipts in year from repayment of grants	(130)
201 Capital receipts applied during the year - financing long-term assets	27
<b>(2,843)</b>	<b>(2,946)</b>

#### 16. Capital Grants Unapplied Account

This 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 at 31 March 2023 of £713,000 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.

## Notes to the Core Financial Statements

### 17. Revenue Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22 and 2022/23.

The table has been streamlined to aid the reader of the accounts. Balances remain the same, but have been amalgamated into relevant groups.

	Balance 31 March 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Balance 31 March 2022 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Balance 31 March 2023 £'000
Budget Contingency Reserve	0	225	(3,043)	(2,818)	1,714	(1,816)	(2,920)
Kent Pool Economic Development Business Rates	(1,094)	286	(931)	(1,739)	1,170	(1,318)	(1,887)
North Kent Housing & Commercial Growth Business Rates	(1,673)	93	0	(1,580)	246	0	(1,334)
Special Project Fund	(1,055)	648	(1,000)	(1,407)	742	0	(665)
Business Rates Volatility	(2,827)	2,048	(616)	(1,395)	537	(147)	(1,005)
Improvement & Resilience	(1,000)	206	0	(794)	467	0	(328)
Building and Asset Maintenance	(563)	0	(118)	(681)	20	(80)	(741)
Service Reserves	(2,908)	1,928	(536)	(1,516)	225	0	(1,291)
Waste and Environment	(392)	2	(80)	(470)	14	0	(456)
ICT Equipment Reserve	(379)	161	(198)	(416)	27	(105)	(494)
Town Centre/High Streets	(758)	334	0	(424)	202	0	(222)
Repairs and Renewals	(497)	231	(77)	(342)	90	(53)	(305)
Miscellaneous	(3,672)	996	(918)	(3,594)	1,926	(408)	(2,075)
<b>Total Earmarked (Excl General Fund)</b>	<b>(16,817)</b>	<b>7,158</b>	<b>(7,516)</b>	<b>(17,176)</b>	<b>7,380</b>	<b>(3,927)</b>	<b>(13,722)</b>
<b>Ring Fenced / Accounting / Collection Fund</b>							
Collection Fund & Grants In Advance	(7,390)	6,371	(4,613)	(5,632)	4,368	(60)	(1,325)
Accounting Adjustments	(803)	39	(169)	(933)	851	0	(82)
	<b>(25,010)</b>	<b>13,568</b>	<b>(12,299)</b>	<b>(23,741)</b>	<b>12,598</b>	<b>(3,987)</b>	<b>(15,130)</b>
Net transfer (to) / from reserves			<b>1,270</b>			<b>8,611</b>	

## Notes to the Core Financial Statements

Budget Contingency Reserve	Cabinet 16 March 2022 approved the creation of this reserve. The purpose of the reserve is to support the revenue budget over future years, smoothing the impact of unexpected events, and providing a level of resilience.
Kent Pool Economic Development Business Rates	This fund was established as a result of the Council joining the Kent Business Rates Pool. It is to fund economic development as agreed by the Council and KCC. As agreed by Cabinet on 16/12/2020 the balance on this reserve is to be retained for potential top ups and for new initiatives or pressures.
North Kent Housing & Commercial Growth Business Rates	Under the Kent Business Rates 2018/19 Pilot there was to be an allocation of funds called the Housing & Commercial Growth Business Rates which was allocated among "clusters" of authorities for each cluster to determine the final allocation. SBC is in the "North Kent" cluster. Cabinet on 16/12/2020 agreed that this fund was to be used to fund the Local Housing Company, for set up costs and future investment, including possible investment in Sheppey.
Special Project Fund	This was agreed by Cabinet on 10 July 2019, to deliver tangible projects for the residents of the borough. The balance on this reserve has been fully committed and is expected to be utilised by the end of 2023/24.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
Improvement and Resilience	The Cabinet meeting on 16 December 2020 agreed the creation of this fund for improvement and resilience projects across the borough. The balance on this reserve has been fully committed and is expected to be utilised by the end of 2023/24.
Building and Asset Maintenance	To meet items of backlog building maintenance as well as urgent or unexpected items. Each year the reserve is topped up by any underspend on the building maintenance revenue budget.
Service Reserves	Savings made in a number of services have been transferred to reserve over time. These reserves are then used to cover future additional costs, shortfalls in government grants, or required system developments.
Waste & Environment	This is used for work relating to the collection of waste, including service improvements. It also contains income from Fixed Penalty Notices that can be used to support environmental initiatives, ensuring this income is used to create a cleaner and greener environment.
ICT Equipment Reserve	This funds future IT expenditure. Underspends on ICT expenditure are transferred to this reserve, allowing the cost of replacement equipment to be smoothed.
Town Centres/ High Street.	The Cabinet meeting 16 December 2020 agreed funding for Town Centre and High Street Projects. The balance on this reserve has been fully committed and is expected to be utilised by the end of 2023/24.
Repairs and Renewals	Regular contributions are made to this fund for a number of services to fund the future cost of significant items of expenditure.
Miscellaneous	This consists of a number of smaller reserves, some of which have been fully committed. They have been earmarked for a number of different purposes such as election costs and car park investment.
Collection Fund and Grants In Advance	These reserves are fully committed to offset the business rate collection fund deficit arising from timing differences due to the receipt of Government awarded rate relief and the collection fund accounting requirements.
Accounting adjustments	These are reserves created by accounting entries but are not available to support general Council expenditure.

### 18. Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets, heritage assets and frozen gains re investment assets (incurred prior to the assets being classified as investment assets).

## Notes to the Core Financial Statements

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 gains and losses greater than £100,000 in 2022/23 are shown below.

<b>(Gains) or losses on revaluation</b>		<b>2022/23</b>
		<b>£'000</b>
Swallows Leisure Centre, Sittingbourne	Gain	(1,302)
Sheerness Swimming Pool	Gain	(351)
Faversham Swimming Pool	Gain	(269)
Sheerness Leisure Centre	Gain	(297)
Pavilion at Faversham Recreation Ground	Gain	(243)
Land at Brielle Way, West Minster	Gain	(778)
Cinema Building, Sittingbourne	Gain	(610)
Hotel Building, Sittingbourne	Gain	(149)
Central Park Stadium, Murston	Gain	(108)
Central House, Sittingbourne	Gain	(175)
Master's House, Sheerness	Loss	138

Some of the large worth properties are split between their components e.g. roof, structure, electrics, heating etc. which are all separately valued. The gains and losses shown above are the net change in value of the whole asset.

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

<b>2021/22</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>
<b>(24,394) Balance as at 1 April</b>	<b>(27,899)</b>
(4,814) (Upward) revaluation of assets	(6,197)
932 Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	1,732
<b>(3,882) Sub Total</b>	<b>(4,465)</b>
363 Write down re gains derived from depreciation differences, between historic costs and current value	420
14 Write down of accumulated gains on disposed assets	0
<b>(27,899) Balance as at 31 March</b>	<b>(31,944)</b>

### 19. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. It is debited with the cost of acquisition/enhancement as depreciation, revaluation and impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement. It is credited with the amounts set aside to finance the costs of acquisition/enhancement. The account also contains accumulated gains/losses on assets pre-dating 1 April 2007.

## Notes to the Core Financial Statements

2021/22 £'000		Note	2022/23 £'000
(16,180)	<b>Balance as at 1 April</b>		(18,769)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>		
1,457	Depreciation of tangible non-current assets		1,518
26	Amortisation of intangible assets		24
4,900	Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	30	3,319
943	Revaluation losses taken to Comprehensive & Expenditure Statement - other assets		3,556
0	Revaluation losses taken to Comprehensive & Expenditure Statement - investment assets		23
(2,595)	Revaluation gains and reversal of prior losses taken to Comprehensive Income & Expenditure Statement - other assets		(1,664)
(431)	Revaluation gains taken to Comprehensive Income & Expenditure Statement - investment assets		(166)
0	Impairment losses/reversal of prior impairment losses taken to Comprehensive Income & Expenditure Statement - other assets		0
76	Disposal & derecognition of assets - write out of notional net book value		506
	<b>Write down of Revaluation Reserve:</b>		
(363)	Write down of Revaluation Reserve depreciation (gains)	18	(420)
(14)	Write down of Revaluation Reserve accumulated gains on disposed assets	18	0
	<b>Capital financing applied in the year:</b>		
(201)	Capital financing - capital receipts	32/15	(27)
(4,829)	Capital financing - Government grants and external contributions	32	(3,462)
(573)	Capital financing - capital reserves	32	(1,812)
(29)	Capital financing - direct revenue funding	32	(6)
(1,050)	Minimum revenue provision	32	(1,028)
94	Write down of financing long-term debtors		235
(18,769)	<b>Balance as at 31 March</b>		(18,173)

### 20. Collection Fund Adjustment Account

This manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income & Expenditure Statement as it falls due from council taxpayers and business ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the Council's share of the overall Collection Fund surplus, and the deficit for renewable energy income retained by the Council. The balance at 31 March 2023 was a net surplus of £190,000 (£3,810,000 deficit at 31 March 2022).

### 21. Pooled Fund Adjustment Account

The movement in year of £565,000 represents the decrease in value of the CCLA Property Fund. The fair value is based on public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## **22. Accumulated Absences Account**

This absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave due carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this Account. The movement on this reserve in 2022/23 was a decrease of £60,000. Following a decision of Executive Management Team any roll forward of surplus leave at 31 March 2023 was limited to one week's worth for most employees.

## **23. Pensions Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for these benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Kent Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve of £13,924,000 (reduced from £62,604,000 in 2021/22) therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them under accounting regulations. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Details on the movement in 2022/23 are shown in Note 9(f).



## Notes to the Core Financial Statements

### Long-Term Spending – Capital

#### 24. Property, Plant and Equipment (PPE) Assets

Movements in 2022/23:

	Operational Assets					Non-Operational Assets		Total Assets
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Leased	Assets Under Construction	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>As at 1 April 2022</b>	<b>74,191</b>	<b>5,638</b>	<b>2,282</b>	<b>7,845</b>	<b>646</b>	<b>2,085</b>	<b>1,063</b>	<b>93,750</b>
Additions	3,080	441	16	3	0	0	0	<b>3,540</b>
Revaluations	553	0	0	0	0	0	868	<b>1,421</b>
Disposals	0	(229)	(854)	0	(69)	0	0	<b>(1,152)</b>
Reclassified	0	0	0	0	0	0	0	<b>0</b>
<b>As at 31 March 2023</b>	<b>77,824</b>	<b>5,850</b>	<b>1,444</b>	<b>7,848</b>	<b>577</b>	<b>2,085</b>	<b>1,931</b>	<b>97,559</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>As at 1 April 2022</b>	<b>(1,269)</b>	<b>(4,051)</b>	<b>(914)</b>	<b>(945)</b>	<b>(646)</b>	<b>0</b>	<b>0</b>	<b>(7,825)</b>
Depreciation charge	(1,180)	(202)	(39)	(96)	0	0	0	<b>(1,517)</b>
Depreciation written out on revaluations	1,090	0	0	0	0	0	0	<b>1,090</b>
Disposals	0	167	410	0	69	0	0	<b>646</b>
<b>As at 31 March 2023</b>	<b>(1,359)</b>	<b>(4,086)</b>	<b>(543)</b>	<b>(1,041)</b>	<b>(577)</b>	<b>0</b>	<b>0</b>	<b>(7,606)</b>
<b>Net Book Value</b>								
<b>As at 31 March 2023</b>	<b>76,465</b>	<b>1,764</b>	<b>901</b>	<b>6,807</b>	<b>0</b>	<b>2,085</b>	<b>1,931</b>	<b>89,953</b>
<b>Net Book Value</b>								
<b>As at 31 March 2022</b>	<b>72,922</b>	<b>1,587</b>	<b>1,368</b>	<b>6,900</b>	<b>0</b>	<b>2,085</b>	<b>1,063</b>	<b>85,925</b>

## Notes to the Core Financial Statements

Comparative movements in 2021/22:

	Operational Assets					Non-Operational Assets		Total Assets
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Leased	Assets Under Construction	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Cost or Valuation</b>	<b>68,223</b>	<b>5,502</b>	<b>2,249</b>	<b>7,761</b>	<b>649</b>	<b>3,028</b>	<b>1,047</b>	<b>88,459</b>
<b>As at 1 April 2021</b>								
Additions	742	207	33	65	0	0	0	<b>1,047</b>
Revaluations	4,407	(50)	0	0	0	2	3	<b>4,362</b>
Disposals	(22)	(61)	0	0	(3)	(32)	0	<b>(118)</b>
Reclassified	841	40	0	19	0	(913)	13	<b>0</b>
<b>As at 31 March 2022</b>	<b>74,191</b>	<b>5,638</b>	<b>2,282</b>	<b>7,845</b>	<b>646</b>	<b>2,085</b>	<b>1,063</b>	<b>93,750</b>
<b>Accumulated Depreciation &amp; Impairments</b>								
<b>As at 1 April 2021</b>	<b>(1,273)</b>	<b>(3,938)</b>	<b>(875)</b>	<b>(850)</b>	<b>(649)</b>	<b>0</b>	<b>0</b>	<b>(7,585)</b>
Depreciation charge	(1,121)	(201)	(39)	(95)	0	0	0	<b>(1,456)</b>
Depreciation written out on revaluations	1,123	50	0	0	0	0	0	<b>1,173</b>
Disposals	2	38	0	0	3	0	0	<b>43</b>
<b>As at 31 March 2022</b>	<b>(1,269)</b>	<b>(4,051)</b>	<b>(914)</b>	<b>(945)</b>	<b>(646)</b>	<b>0</b>	<b>0</b>	<b>(7,825)</b>
<b>Net Book Value</b>								
<b>As at 31 March 2022</b>	<b>72,922</b>	<b>1,587</b>	<b>1,368</b>	<b>6,900</b>	<b>0</b>	<b>2,085</b>	<b>1,063</b>	<b>85,925</b>
<b>Net Book Value</b>								
<b>As at 31 March 2021</b>	<b>66,950</b>	<b>1,564</b>	<b>1,374</b>	<b>6,911</b>	<b>0</b>	<b>3,028</b>	<b>1,047</b>	<b>80,874</b>

## Notes to the Core Financial Statements

The main additions in the year came from the expenditure for redevelopment works at the Master's House, Sheerness (£1,383,000) and window replacements at Swale House, Sittingbourne (£1,673,000). Other works undertaken included new equipment at Millfield play area, Faversham (£155,000) and replacement car park ticket machines throughout the borough (£112,000).

Asset 'disposals' included the derecognition of multiple Infrastructure assets for areas of land lying below non-SBC highways. As the Council is not responsible for the highways it is not appropriate to retain the historic cost of this land in the Council's asset register so the records of these assets have been removed. Other disposals included removal of the previous car park ticket machines and replaced play equipment (including two play areas which had been subject to malicious fire damage).

The economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for operational buildings would increase by £31,000 should the useful life of each property be reduced by one year.

### Surplus Land & Buildings

The Council's surplus assets have been revalued this year and the inputs used to measure their fair value have been assessed as being within hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels).

This confirms that no significant unobservable inputs have been used in the valuation of the Council's surplus assets and that they are all valued to their highest and best value.

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's surplus assets were to reduce by 10% this would result in £193,000 being charged to the Comprehensive Income & Expenditure Statement.

## **25. Non-Current Asset Valuation**

The Council carries out a rolling programme that ensures that all property, plant and equipment which is required to be measured at current value is revalued at least every five years. The freehold and leasehold properties which comprise the Council's property portfolio have, for this and past years, been valued by Wilks, Head and Eve Chartered Surveyors.

In 2022/23 Wilks, Head and Eve valued Property, Plant and Equipment assets, and also Investment and Held for Sale assets, to a total value of £69,830,000. This total value comprises of valuations carried out on 1 January 2023 totalling £1,550,000 and 31 March 2023 totalling £68,280,000. Any increase in valuation of the Held for Sale asset must be restricted so this valuation was reduced by £82,000. Additional valuations were obtained from Canterbury Auction Galleries for three Heritage assets (public sculptures), valued at £165,000.

An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. The impairment review considered if there were material differences to the valuations performed at 1 January 2023 which would require these to be updated at 31 March 2023, but the result was that there were no material changes to the valuations advised. David Johnson MRICS, a member of the Royal Institution of Chartered Surveyors and an employee of the Council, reviewed both tasks.

## Notes to the Core Financial Statements

The table below shows the progress of the rolling programme of revaluation of the Council's non-current PPE assets:

	Land & Buildings £'000	Vehicles & Equipment £'000	Infrastructure £'000	Community £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment £'000
Carried at historical cost	0	0	901	6,807	0	2,085	0	9,793
Carried at depreciated historical cost	0	1,764	0	0	0	0	0	1,764
Valued at current value as at:								
2017/18	0	0	0	0	0	0	0	0
2018/19	1,221	0	0	0	0	0	0	1,221
2019/20	1,900	0	0	0	0	0	0	1,900
2020/21	8,452	0	0	0	0	0	0	8,452
2021/22	2,448	0	0	0	0	0	0	2,448
2022/23	62,444	0	0	0	0	0	1,931	64,375
<b>Total Cost/Valuation as at 31 March 2023</b>	<b>76,465</b>	<b>1,764</b>	<b>901</b>	<b>6,807</b>	<b>0</b>	<b>2,085</b>	<b>1,931</b>	<b>89,953</b>

Using Wilks, Head and Eve market data, the Council has undertaken a review of all assets that were valued before 2022/23 to ensure that their carrying value does not differ materially from current value.

As previously advised, each of the PPE asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by RICS. In order to ensure consistency in the valuation of the varying types of property within the different asset classifications, all assets of the same type are valued at the same time, using the same valuation technique.

The above table shows that Infrastructure and Community Assets are held at historical cost. There is a reducing usefulness to the reader of the accounts of the historical cost of long-lived assets and as a local authority, the Council's capital financing is not dependent on the outstanding historical value of these assets. The historical value of these assets could not be reliably used to inform any decision considered by a reader of the Accounts.

## Notes to the Core Financial Statements

### 26. Losses and Impairments on Non-Current Assets

The Code requires disclosure by class of assets of the amounts for losses and impairments, and subsequent reversals, charged to the Provision of Services and to Other Comprehensive Income & Expenditure (net total reversals being credited to these CIES items). These disclosures are consolidated in Notes 24 and 28, reconciling the movement over the year in the asset balances for property, plant and equipment and investment properties.

During 2022/23 the Council has recognised a net loss of £1,749,000 in respect of its non-current assets (recognising a net gain/reversal of prior loss of £2,083,000 in 2021/22).

2021/22 Total £'000		Note	PPE Assets £'000	Investment Assets £'000	Heritage Assets £'000	2022/23 Total £'000
2,391	Revaluation - increase recognised in the Provision of Services [due to gain or reversal of prior loss]		1,440	0	3	1,443
204	Depreciation written out to the Provision of Services (gain or reversal of prior loss)		221	0	0	221
<b>2,595</b>	<b>Total Reversal Prior Loss (credit to deficit)</b>	19	<b>1,661</b>	<b>0</b>	<b>3</b>	<b>1,664</b>
431	Revaluation - increase recognised in the Provision of Services [gain or reversal of prior loss]	19	0	166	0	166
<b>3,026</b>	<b>Total Gain (credit to deficit)</b>		<b>1,661</b>	<b>166</b>	<b>3</b>	<b>1,830</b>
(1,102)	Revaluation - decrease recognised in the Provision of Services (loss)		(3,885)	0	0	(3,885)
159	Depreciation written out to the Provision of Services (loss)		329	0	0	329
0	Revaluation - decrease recognised in the Provision of Services (loss)		0	(23)	0	(23)
<b>(943)</b>	<b>Total Losses (debit to deficit)</b>	19	<b>(3,556)</b>	<b>(23)</b>	<b>0</b>	<b>(3,579)</b>
<b>2,083</b>	<b>Net Total (Loss)/Reversal-Gain Debited/ Credited to the Provision of Services</b>		<b>(1,895)</b>	<b>143</b>	<b>3</b>	<b>(1,749)</b>

The greatest revaluation gains, reversals of previous losses, were incurred on five properties, being the cinema building, Bourne Place, Sittingbourne £969,000, land and external components of the hotel building Bourne Place, Sittingbourne £273,000, Central House, Sittingbourne £136,000, land at Brielle Way, West Minster £85,000, and Swale House council offices, Sittingbourne £58,000. Ten other properties incurred reversed losses, averaging £14,000 per property.

One investment property, the West Lane Trading Estate, Sittingbourne, incurred gains totalling £166,000.

The greatest revaluation losses on PPE assets were incurred on five properties, the losses being Swale House council offices, Sittingbourne £1,700,000, the Master's House, Sheerness £1,486,000, Swallows Leisure Centre, Sittingbourne £120,000, Princes Street Retail Park, Sittingbourne £118,000 and the roof and electrical components of the hotel building Bourne Place, Sittingbourne £112,000. Two other properties incurred losses, averaging £10,000 per property.

Minimal revaluation losses were incurred on three investment properties totalling £23,000.

## Notes to the Core Financial Statements

### 27. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council:

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Civic Clocks £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
As at 1 April 2022	107	401	115	1,568	<b>2,191</b>
Additions	0	0	0	83	<b>83</b>
Revaluations	58	0	0	0	<b>58</b>
<b>As at 31 March 2023</b>	<b>165</b>	<b>401</b>	<b>115</b>	<b>1,651</b>	<b>2,332</b>
<b>Accumulated Depreciation &amp; Impairments</b>					
As at 1 April 2022	0	0	0	(1)	<b>(1)</b>
Depreciation charge	0	0	0	(1)	<b>(1)</b>
<b>As at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>(2)</b>
<b>Net Book ValueAs at 31 March 2023</b>	<b>165</b>	<b>401</b>	<b>115</b>	<b>1,649</b>	<b>2,330</b>
<b>Net Book ValueAs at 31 March 2022</b>	<b>107</b>	<b>401</b>	<b>115</b>	<b>1,567</b>	<b>2,190</b>

The War Memorials and Public Statues include the Rushenden Hill stone sculpture “Shoalstone”, the bronze wreath and stone plinth war memorial at Central Avenue, Sittingbourne and ‘The Bargee’ sculpture in Sittingbourne High Street. These three assets were revalued this year as no revaluation had been made of the items since first being added to the Asset Register.

The Civic Regalia includes the Great Mace of the Borough of Queenborough and other multiple items of regalia.

The Historical Items includes the Battle of Britain commemorative lace panel, collections of furniture, silverware and paintings and multiple other items of historic and cultural interest.

The civic clocks include six clocks located at Faversham, Sittingbourne (2), Milton, Queenborough and Sheerness. The highest clock value of £1.25 million is for the clock and tower in Sheerness High Street, a grade II listed structure of cast iron construction, built in 1902 to commemorate the coronation of King Edward VII.

### 28. Investment Properties

The following items of income and expenditure in relation to investment properties have been included within Financing and Investment in the Comprehensive Income & Expenditure Statement (Note 11):

2021/22 £'000	2022/23 £'000
(256) Rental income	(310)
47 Direct operating expenses	67
<b>(209) Net gain</b>	<b>(243)</b>

The net gain on revaluation for investment properties in the year was £143,000 (£431,000 gain in 2021/22). The Council's investment property portfolio has been assessed as input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair

## Notes to the Core Financial Statements

value valuation input levels).

<b>2021/22</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>
3,599 Balance as at 1 April	4,030
431 Gains from revaluations	166
0 Losses from revaluations	<span style="color: red;">(23)</span>
<b>4,030 Balance as at 31 March</b>	<b>4,173</b>

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. Market conditions for these assets are such that the level of observable inputs are significant with no significant Level 3 inputs used, leading to the properties being categorised as Level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties has been applied.

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's investment assets were to reduce by 10% this would result in £417,000 being charged to the Comprehensive Income & Expenditure Statement.

### **29. Assets Held for Sale**

The sole asset has a current net book value of £100,000. The value of the property was assessed to its highest and best use, input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels); however, the value is restricted to no greater than its original net book value as an asset Held for Sale in accordance with accounting requirements (any higher assessed value may only be recognised when actual gain is achieved upon its disposal).

### **30. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

REFCUS relates to capital expenditure for which the Council does not hold any non-current assets (for example, grants paid to external organisations). As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income & Expenditure Statement in the same year that it was incurred.

## Notes to the Core Financial Statements

2021/22			2022/23
£'000	Grant Area	Funding Provider	£'000
1,572	Disabled Facilities Grants Mandatory Grants	DLUHC	1,679
2,808	Queenborough & Rushenden Klondyke Land	HCA	1,253
57	Rainbow Homes (SBC Housing Company)	SBC	97
25	Winter Warmth Grants	DLUHC	72
	St. Michael's Church boundary wall,		
0	Sittingbourne	SBC	70
50	Coastal Monitoring	EA	54
0	Painters Forstall new community hall grant	SBC	45
131	Shared Information Technology Service	SBC	27
0	Bartons Point Drainage project	SBC	20
2	Housing Repair Grants (over 60)	SBC	2
60	Sheerness War Memorial	SBC	0
60	Faversham Creek Footpath	SBC	0
47	Kemsley Community Facilities - SBC Grant	SBC	0
20	Murston Old Church	SBC	0
	Thistle Hill Community Centre, Solar PV		
20	Installation	SBC	0
16	Play Improvements, Diligent Drive	SBC	0
		Sheerness War	
16	Sheerness War Memorial	Memorial Trust	0
15	Sheppey Sea Cadets Building Works	SBC	0
1	Sittingbourne High Street Footpath	Spirit of Sittingbourne	0
<b>4,900</b>			<b>3,319</b>

### 31. Commitments under Capital Contracts

The contractual commitments and commitment to spend at 31 March 2023 totalled £7,731,000 (£531,000 at 31 March 2022). The major commitments were:

- £ 7,035,000 Waste Vehicle fleet
- £ 568,910 Housing Repair Grants – Disabled Facilities Grants

A Letter of Intent has been signed with partners re the Waste Vehicle fleet. These vehicles will be used for the new Waste and Street cleansing contract which starts on 24 March 2024 and is an 8 year contract.



## Notes to the Core Financial Statements

### 32. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year, together with the resources that have been used to finance it. The actual Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2021/22 £'000		2022/23 £'000
<b>48,373</b>	<b>Opening Capital Financing Requirement</b>	<b>47,774</b>
6,051	Total capital investment	6,942
32	Long-term loans	25
<u>6,083</u>		<u>6,967</u>
	<b>Sources of Finance:</b>	
(201)	Capital receipts	(27)
(4,829)	Government grants & external contributions	(3,462)
	Sums set aside from revenue:	
(573)	Capital reserves	(1,812)
(29)	Direct revenue funding	(6)
(1,050)	Minimum revenue provision (MRP)	(1,028)
<b>(6,682)</b>	<b>Total Sources of Finance</b>	<b>(6,335)</b>
<b>47,774</b>	<b>Closing Capital Financing Requirement</b>	<b>48,406</b>
	<b>Explanation of Movements in Capital Financing Requirement in Year:</b>	
	Capital expenditure to be funded from future MRP when assets are	
451	operational	1,660
(1,050)	Reduction in underlying need to borrow (MRP)	(1,028)
<b>(599)</b>	<b>Total increase/(decrease) in Capital Financing Requirement</b>	<b>632</b>

## Notes to the Core Financial Statements

### Creditors and Debtors

#### 33. Long-Term Creditors

As consideration for the extension of a current lease of 99 years, tenants have paid the Council a premium of £60,000.

#### 34. Short-Term Creditors

31 March 2022	31 March 2023
£'000	£'000
(4,210) Business rates - pool share	(7,498)
(1,782) Business rates - central government share	(6,452)
(168) Capital grants - receipts in advance	(2,216)
(6,821) Business rates relief grant funding - Department for Levelling Up, Housing and Communities	(2,214)
(356) Business rates - KCC and Kent Fire and Rescue Service shares	(1,290)
0 Energy Bill Support scheme grant - Department for Levelling Up, Housing and Communities	(960)
(1,963) Business rates and council taxpayers	(674)
(8,297) Receipts in advance	(218)
(7,109) Coronavirus business support grants	(50)
(1,636) Renewable energy - KCC	0
(1,425) S106 payments - KCC	0
(5,781) Other	(3,369)
<b>(39,548)</b>	<b>(24,941)</b>

The increase in central Government and major precepting authorities shares for business rates is due to the Collection Fund returning to a surplus position for 2022/23 (deficit in 2021/22).

The increase in the business rates pool share reflects two years settlements currently outstanding. This is down to an audit backlog, which means the business rates pool has not been able to be closed for 2021/22 as well as 2022/23.

Other creditors include all other creditors at year end with balances below £0.5m.

#### 35. S106 Deferred Revenue Receipts

Section 106 (S106) of the Town and Country Planning Act 1990 and Section 278 of The Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised. These sums represent monies received from developers as part of an agreement to maintain a designated piece of land, typically for leisure/recreation purposes, split between short and long-term use.

#### 36. Capital Grants and Contributions

The Capital Grants and Contributions account is a creditor account used for grants and contributions where conditions are outstanding. It is used for the funding of future capital expenditure. This includes monies received for S106 purposes (see Note 35) to fund new facilities provided as part of an agreement with developers.

## Notes to the Core Financial Statements

1 April 2022	Expenditure	Income	31 March 2022
£'000	£'000	£'000	£'000
(4,554) S106 held for Third Parties	2,701	(3,773)	(5,625)
(4,010) Disabled Facilities Grants	2,103	(2,471)	(4,377)
(118) Levelling Up Fund	85	(46)	(78)
(51) Klondyke land at Queenborough & Rushenden, Homes England grant	1,253	(1,202)	(0)
(18) Redevelopment of Master's House, Sheerness, decarbonisation grant	83	(64)	0
(283) Other	499	(876)	(659)
<b>S106 Capital Funding:</b>			
(643) Housing	0	(383)	(1,026)
(606) Open Spaces	96	(100)	(610)
(327) Play Areas	10	(80)	(397)
(239) Air Quality & Ecology	0	(81)	(319)
(1,988) Other	21	(31)	(1,998)
<b>(12,838) Total</b>	<b>6,852</b>	<b>(9,105)</b>	<b>(15,091)</b>

  

31 March 2022	31 March 2023
£'000	£'000
(176) Due to spend within one year (short-term creditors)	(2,338)
(12,662) Due to spend in more than one year (long-term liabilities)	(12,753)
<b>(12,838) Total</b>	<b>(15,091)</b>

In 2022/23 nothing was repaid. The S106 monies held for third parties is largely due to developments (£5.625m) where the S106 monies being held are to fund services such as education, social care, health care and highways to be provided by other public bodies and not Swale Borough Council.

### 37. Provisions

	NNDR Appeals	Other	Total
	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	<b>(4,355)</b>	<b>(59)</b>	<b>(4,414)</b>
Additional provisions made	(1,182)	(80)	(1,262)
Amounts used	817	0	817
<b>Balance at 31 March 2023</b>	<b>(4,721)</b>	<b>(139)</b>	<b>(4,860)</b>
Long term	(1,639)	(59)	(1,698)
Short term	(3,082)	(80)	(3,162)
	<b>(4,721)</b>	<b>(139)</b>	<b>(4,860)</b>

#### NNDR Appeals

This provision is the Council's share of the provision for appeals against NNDR ratings, based on estimates of the actual liability at 31 March 2023. An estimation is also made about how much is likely to be settled within 12 months (short term), and how much may take longer to agree and settle. Further information is provided in Note 51.

## **Other Provisions**

Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company (MMI), as well as a provision for staff exit payments.

In 1992 MMI declared that it would be going into “run off” (similar to a company going into administration) and control was passed to a scheme administrator, who has implemented a “Scheme of Arrangement”.

## **38. Contingent Liabilities**

The Council is aware of an ongoing enforcement case that is currently being appealed. If the enforcement notice is upheld but the appellant does not comply, the Council may need to address the issue directly and incur significant costs in doing so. At this time, the potential cost cannot be reliably measured.

## **39. Long-Term Debtors – Other**

Long-term debtors are those that fall due after a period of at least one year.

<b>31 March 2022</b>	<b>31 March 2023</b>
<b>£'000</b>	<b>£'000</b>
1,949 Housing repair loans	1,748
497 Council tax - KCC, Kent Fire and Rescue Service, and Kent Police & Crime Commissioner shares	0
46 Business rates - central government share	0
Business rates - KCC and Kent Fire and Rescue Service	0
10 shares	0
103 Rent deposit scheme	114
90 Assisted car purchase loans	51
118 Opportunities for Sittingbourne Limited	118
81 Other long-term loans	72
<b>2,894 Total debtors</b>	<b>2,103</b>
<b>Impairment for doubtful debt</b>	
(78) Rent deposit scheme	(88)
(10) Assisted car purchase loans	(9)
<b>(88) Total impairment for doubtful debt</b>	<b>(97)</b>
<b>2,806 Net long-term debtors</b>	<b>2,007</b>

The 31 March 2022 comparatives have been restated for other long-term loans to include loans to Faversham Town Football Club Limited, Queenborough Harbour Trust Community Interest Company and Borden Sport Limited, which were previously shown separately. Impairments for doubtful debt has also been separated out from the list of debtors.

#### 40. Short-Term Debtors

31 March 2022 £'000	31 March 2023 £'000
Council tax - KCC, Kent Fire and Rescue Service and Kent Police & Crime	
4,877 Commissioner shares	5,445
1,981 Business rates - pool share	4,563
4,617 Housing benefits - Department for Work & Pensions	3,606
4,215 Business rates and council taxpayers	3,174
2,052 Housing benefits overpayments	1,891
1,311 Sundry debtors	1,904
458 Rental income	806
497 VAT - HM Revenue and Customs	552
589 Legal services income - TWBC and MBC	0
229 Additional coronavirus funding (DLUHC)	0
2,393 Other	1,006
<b>23,219 Total debtors</b>	<b>22,947</b>
<b>Impairment for doubtful debt</b>	
(1,296) Housing benefit overpayments	(1,209)
(2,234) Other	(1,849)
<b>(3,530) Total impairment for doubtful debt</b>	<b>(3,058)</b>
<b>19,689 Net short-term debtors</b>	<b>19,889</b>

There are no non-financial assets (e.g. housing benefit overpayments, council tax or business rate payers) that are outstanding debt as at the reporting date that have not been impaired. Housing benefit overpayments provision for debt impairment is based on the recovery action, the percentage of debt paid to date and the age of the debt. Further details for council tax and business rate payers can be found within the Collection Fund Note 50.

As at 31 March 2023 the Council has a gross balance for sundry debtors of £5.1m. A review of significant balances suggested that an impairment for doubtful debts of 36% (£1.8m) was appropriate. However, if collection rates were to fall, the cost of covering the impairment of doubtful debts would require an additional £18,000 to be set aside for every 1% reduction in collection rates.

The increase in the business rates pool share reflects two years settlements currently outstanding. This is down to an audit backlog, which means the business rates pool has not been able to be closed for 2021/22 as well as 2022/23.

#### 41. Cash and Cash Equivalents

31 March 2022 £'000	31 March 2023 £'000
(133) Cash (overdrawn) by the Council	(1,384)
15,735 Money market funds (Note 42 table 4)	6,550
<b>15,602</b>	<b>5,166</b>

The Council's bank balance had a surplus of £7,000 at 31 March 2023, but cash is shown as overdrawn in the above note because it includes payments which had been put through as expenditure in the Council's accounts, but which had not yet been cleared as payments to the bank account.

## **Financial Instruments**

### **42. Financial Instruments**

The use of these notes are primarily for those with whom the Council invests and from whom the Council borrows, rather than the lay reader and therefore if you require further details please contact the Finance Department directly on [finance@swale.gov.uk](mailto:finance@swale.gov.uk)

#### a) Financial Instruments – Classifications

A financial instrument is: “Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”.

#### b) Financial Instruments – Balances

Financial instruments have a specific definition and exclude some items which are included on the Balance Sheet and therefore the figures below differ from those shown on the Balance Sheet. For reconciliation to cash and cash equivalents please see Table 4 below and Note 41. A reconciliation is available on request to the Finance Department on [finance@swale.gov.uk](mailto:finance@swale.gov.uk).

**Table 1 – Financial Liabilities**

Long-Term 2021/22	Current 2021/22		Long-Term 2022/23	Current 2022/23
£'000	£'000	Amortised cost	£'000	£'000
0	(133)	Cash and cash equivalents	0	(1,384)
0	(10,000)	Loans from other local authorities	0	(10,000)
0	(7,697)	Other creditors	0	(6,039)
<b>0</b>	<b>(17,830)</b>	<b>Total financial liabilities</b>	<b>0</b>	<b>(17,423)</b>

**Table 2 – Financial Assets**

Long-Term 2021/22	Current 2021/22		Long-Term 2022/23	Current 2022/23
£'000	£'000	Amortised cost	£'000	£'000
1,949	0	Housing interest free loans	1,748	0
90	0	Employee car loans	51	0
0	7,600	Short-term investments	0	0
225	3,815	Other debtors	304	2,732
		<b>Fair value through profit and loss</b>		
0	15,735	Money market funds	0	6,550
3,428	0	CCLA property fund (long-term investment)	2,863	0
<b>5,692</b>	<b>27,150</b>	<b>Total financial assets</b>	<b>4,966</b>	<b>9,282</b>

The value of employee car loans for 2021/22 has been restated, as it had previously included a loss allowance.

The amortised cost assets are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council of £178,000 (£0.2m in 2021/22). The loss allowance has been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions. Amortised cost assets that have not been impaired are £3.5m (£12.3m in 2021/22).

## Notes to the Core Financial Statements

### c) Employee Car Loans

The Council had outstanding loans for car purchases to 10 employees at 31 March 2023 (17 at 31 March 2022). The interest charged on new loans as at 31 March 2023 is 5.25%.

### d) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income & Expenditure Statement under Financing and Investment Income and Expenditure are as follows:

**Table 3 – Gains and Losses**

2021/22 £'000	2022/23 £'000
<b>Financial liabilities</b>	
49 Interest costs on loans	90
<b>Financial assets - interest income:</b>	
(2) Amortised cost: fixed term deposits and call accounts	(150)
(111) Fair value through profit and loss: money market funds and CCLA	(555)
(512) (Gains)/losses from change in fair value (note 11)	565
<b>(576) Net (gain)/loss for the year</b>	<b>(49)</b>

### e) Fair Value of Assets and Liabilities

Financial instruments assets which are classified at amortised cost and financial instruments liabilities are carried in the Balance Sheet at amortised cost. Financial instruments which are not classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and the Church, Charities and Local Authorities (CCLA) Property Fund, their fair value is taken from the market price. The Council has invested £3m in the CCLA Property Fund which is carried in the Balance Sheet at its fair value as at 31 March 2023 of £2.863m the difference being posted to the Pooled Fund Adjustment Account. When comparing the Balance Sheet value of financial instruments valued at amortised cost to what their value would be at fair value, the only difference is for the two external loans whose fair value at 31 March 2023 is £9.997m (£9.982m at 31 March 2022).

### f) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's overall risk management programme takes account of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out under policies approved by the Council in the annual Treasury Management Strategy.

The Treasury Management Strategy requires frequent review of interest rate exposure that feeds into the setting and monitoring of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise as to whether new borrowing taken out should be at fixed or variable rates. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments but, in the case of investments, protection of the capital sum must take precedence over the rate of return.

## Notes to the Core Financial Statements

The 2022/23 Treasury Management Strategy was approved by Council on 23 February 2022 and can be obtained from the Council's website using the following link: [Agenda for Council on Wednesday, 23 February 2022, 7.00 pm \(swale.gov.uk\)](https://www.swale.gov.uk/agenda-for-council-on-wednesday-23-february-2022-7-00-pm)

The Council provides written principles for overall risk management as well as written policies within its Treasury Management Strategy covering the following risks and the investment of surplus cash balances:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have the funds available to meet its payment commitments; and,
- Market Risk – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc. The Council's investment in the CCLA is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3m. A 5% fall in commercial property prices would result in a £150,000 charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

### Credit Risk

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities.

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers. The Council protects the security of the cash it deposits with counterparties using a number of risk management techniques. Principal among these is the evaluation of counterparty risk, which uses a combination of credit ratings and limits on the term and maximum value of any deposits.

The Council seeks to reduce counterparty risk by adjusting the maximum amounts that may be invested with institutions. The details can be found in the Council's Treasury Management Strategy.

The CCLA Property Fund is a long term investment and is not likely to be surrendered in the near future and where the expectation is that values will return to or exceed the original sum insured over the medium to long-term.

The table below summarises the Council's investment and borrowing portfolio at 31 March 2023. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria at 31 March 2023.



## Notes to the Core Financial Statements

**Table 4 – Investments and Borrowing**

Balance Invested at 31 March 2022 £'000	Counterparty (MMF = Money Market Funds)	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2023			
				Up to 1 month £'000	Up to 3 months £'000	Greater than 3 months £'000	Total £'000
735	Invesco MMF	AAAmmf	1				0
0	JPM Liquidity MMF	AAAmmf	1				0
3,000	SSgA MMF	AAAmmf	1				0
3,000	Goldman Sachs MMF	AAAmmf	1				0
3,000	Morgan Stanley MMF	AAAmmf	1	2,130			2,130
3,000	Black Rock MMF	AAAmmf	1	3,000			3,000
3,000	Aberdeen MMF	AAAmmf	1				0
0	Deutsche MMF	AAAmmf	1	1,420			1,420
<b>15,735</b>	<b>Total cash &amp; cash equivalents</b>			<b>6,550</b>	<b>0</b>	<b>0</b>	<b>6,550</b>
7,600	Debt Management Office	AA-	1				0
<b>7,600</b>	<b>Total short-term investments</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3,428	CCLA property fund		1			2,863	2,863
<b>3,428</b>	<b>Total long-term investments</b>			<b>0</b>	<b>0</b>	<b>2,863</b>	<b>2,863</b>
							0
<b>26,763</b>	<b>Total investments</b>			<b>6,550</b>	<b>0</b>	<b>2,863</b>	<b>9,413</b>
(5,000)	Derbyshire Council Council		2				0
(5,000)	London Borough of Islington		2				0
0	West Midlands Combined Authority		2			(5,000)	(5,000)
0	North Northamptonshire Council		2			(5,000)	(5,000)
<b>(10,000)</b>	<b>Total external borrowing</b>			<b>0</b>	<b>0</b>	<b>(10,000)</b>	<b>(10,000)</b>

The long-term rating is the benchmark measure of probability of default. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2023 (nil as at 31 March 2022).

The rating above is from the Fitch credit rating agency. A description of the grading is provided below:

- **AAAmmf** Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.
- **AA-** Expectations of very low default risk.

Descriptions of the fair value level ratings are given below:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – measurements other than quoted prices included within Level 1 that are observable (e.g. they can be measured or found from existing data and records) for the asset, either directly or indirectly.

## **Leases**

### **43. Operating Leases**

#### **Council as Lessee**

Plant and equipment – as at 31 March 2023 the Council had 14 vehicles on a contract hire-operating lease basis (three service vehicles, ten electric cars and one Mayor's electric car).

The expenditure charged to the Cost of Services in the Comprehensive Income & Expenditure Statement during 2022/23 in relation to these leases was £62,000 (£59,000 in 2021/22).

#### **Council as Lessor**

The Council owns property which is leased to third parties. These leases have been classed as operating leases as the risks and rewards of ownership remain with the Council as lessor. The 2021/22 figures have been restated within the category breakdown, but the total remains the same.

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

<b>2021/22 Period</b>	<b>2022/23</b>
<b>£'000</b>	<b>£'000</b>
<b>restated</b>	
293 Not later than 1 year	91
168 Later than 1 year and not later than 5 years	332
31,487 Later than 5 years	42,917
<b>31,947 Total</b>	<b>43,341</b>

## **The Council's Relationship with Other Organisations**

### **44. Related Parties**

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

#### **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, providing 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, business rates, housing benefits). Un-ringfenced grants received from Government departments are set out in the Comprehensive Income & Expenditure Statement and ring-fenced grants credited to services are shown in Note 12.

#### **Members and Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 8. The Council maintains a 'Register of Members' Interests' which can be found on the Council website at:

<https://swale.gov.uk/news-and-your-council/performance-and-transparency/councillors-and-elected-members/register-of-interests>

There has been an approach to elected Members and senior management seeking from them a declaration that neither they, nor their close family, nor anyone in the same household, have been involved in any material transactions with the Council. Returns were received in respect of the 2022/23 financial year from Members and senior officers and there were no transactions considered of material significance to warrant separate disclosure in the Annual Accounts. During 2022/23, no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 with the exception that two senior officers and two Members are the Directors of Swale Rainbow Homes, a senior officer and a member are Directors of Opportunities for Sittingbourne, and one senior officer is a Director of SBC Holding Company 1. These are all companies owned by the Council (see Note 45).

### **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 Service receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 86 – 90. Kent County Council also administers the Kent Pension Fund on behalf of Swale and other Kent districts (see pages 51 – 56).

### **45. Group Accounts**

The Code contains detailed requirements for the production of group accounts and a review was undertaken to identify any subsidiaries, associates, or joint ventures, which would establish whether a group relationship exists for the purposes of the Council's Statement of Accounts. Three interests were identified and details of these are set out below:

- Opportunities for Sittingbourne Limited (Company Number 09400214) – This company was incorporated in 2015 and is a joint venture between the Council and U&I, the lead partner in the Spirit of Sittingbourne consortium. The only transaction undertaken has been the purchase of 34 High Street Sittingbourne which is currently being let. The Council's interest in the entity has been assessed to be non-controlling but having a significant influence and so needs to be accounted for as an Associate. One senior officer and one member are Directors of the company.
- SBC Holding Company 1 Limited (Company Number 12417065) – This company was registered on 21 January 2020. The Council set-up this company as a nominee company to hold a property jointly with the Council to enter into and manage the lease arrangements. A Declaration of Trust has been executed by the Council and the Company whereby the Company stated that its interest is wholly under the Council's control. One senior officer is a Director of SBC Holding Company 1.
- Swale Rainbow Homes Ltd (Company Number 13338973) – This company was registered on 15 April 2021. The company is to deliver affordable homes. It is wholly owned by the Council. In 2022/23 the Council paid £246,000 in relation to this company to fund development and assessment costs. The Company will publish its own separate accounts for 2022/23. Two senior officers and two Members are the Directors of Swale Rainbow Homes.

Further information on all the above companies is available from the Companies House website <https://www.gov.uk/government/organisations/companies-house>. As at 31 March 2023 the total investment in these entities has been assessed as immaterial and the Council has decided that group accounts are not required.

## Notes to the Core Financial Statements

### Further Adjustments Between Accounting Basis and Funding Basis

#### 46. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure Statement recognised by the Council in the year in accordance with proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Accounting and funding basis adjustments 2022/23	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>				
Pension Costs	(874)	0	0	874
Pooled Fund Adjustment Account	(565)	0	0	565
Holiday Pay	60	0	0	(60)
Council Tax and Business Rates	3,999	0	0	(3,999)
Capital Grants moved to Capital Grants Unapplied	229	0	(229)	0
Reversal of entries for capital expenditure	(7,110)	0	0	7,110
<b>Total Adjustment to Revenue Resources</b>	<b>(4,261)</b>	<b>0</b>	<b>(229)</b>	<b>4,490</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>				
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve	130	(130)	0	0
Statutory provision for financing of capital investment (MRP)	1,028	0	0	(1,028)
Capital expenditure charged to the General Fund	1,813	0	0	(1,813)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>2,971</b>	<b>(130)</b>	<b>0</b>	<b>(2,841)</b>
Use of the CRR to finance capital expenditure	0	8	0	(8)
Capital grants used to finance capital expenditure	3,435	20	27	(3,482)
<b>Total Adjustments to Capital Resources</b>	<b>3,435</b>	<b>28</b>	<b>27</b>	<b>(3,490)</b>
<b>Total Adjustments</b>	<b>2,145</b>	<b>(103)</b>	<b>(202)</b>	<b>(1,841)</b>

## Notes to the Core Financial Statements

Accounting and funding basis adjustments 2021/22	Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments to Revenue Resources</b>				
Pension Costs	(2,562)	0	0	2,562
Pooled Fund Adjustment Account	512	0	0	(512)
Holiday Pay	(330)	0	0	330
Council Tax and Business Rates	3,613	0	0	(3,613)
Capital Grants moved to Capital Grants Unapplied	86	0	(86)	0
Reversal of entries for capital expenditure	(4,353)	0	0	4,353
<b>Total Adjustment to Revenue Resources</b>	<b>(3,034)</b>	<b>0</b>	<b>(86)</b>	<b>3,120</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>				
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve	139	(159)	0	20
Statutory provision for financing of capital investment (MRP)	1,050	0	0	(1,050)
Capital expenditure charged to the General Fund	600	0	0	(600)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>1,789</b>	<b>(159)</b>	<b>0</b>	<b>(1,630)</b>
Use of the CRR to finance capital expenditure	0	140	0	(140)
Capital grants used to finance capital expenditure	4,797	60	32	(4,889)
<b>Total Adjustments to Capital Resources</b>	<b>4,797</b>	<b>200</b>	<b>32</b>	<b>(5,029)</b>
<b>Total Adjustments</b>	<b>3,552</b>	<b>41</b>	<b>(54)</b>	<b>(3,539)</b>

## **Collection Fund**

As a billing authority, Swale Borough Council collects council tax and business rates from taxpayers and redistributes them to other local authorities and the Government. Because the Council is collecting these taxes on behalf of others, under statute, it has to hold these transactions in a separate account known as the Collection Fund.

The amount credited to the General Fund under statute is the Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

Surpluses and deficits declared by the Council as the billing authority in relation to the Collection Fund are apportioned to the Government and other local authorities as appropriate in the subsequent financial year in their respective proportions.

The council tax and business rate income included in the Comprehensive Income & Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Council collects council tax on behalf of the major precepting authorities – KCC, Kent Police & Crime Commissioner and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, KCC and Kent Fire and Rescue Service. Parish precepts are paid from the Council's General Fund and are disclosed on the face of the Comprehensive Income & Expenditure Statement.

## Notes to the Core Financial Statements

### Collection Fund Income and Expenditure Statement

2021/22				2022/23			
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000	Note	£'000	£'000	£'000	
Income							
0	(93,237)	(93,237)	Council tax receivable	48	0	(98,744)	(98,744)
0	(502)	(502)	Transfer for S13A(1)(C) Reliefs		0	(192)	(192)
(48,102)	0	(48,102)	Business rates receivable	49	(51,340)	0	(51,340)
0	0	0	Transitional protection payments receivable		(60)	0	(60)
(48,102)	(93,739)	(141,841)	Sub Total		(51,400)	(98,936)	(150,336)
Contribution towards previous year's Collection Fund forecast deficit							
(7,547)	0	(7,547)	Central Government		(4,586)	0	(4,586)
(6,037)	(113)	(6,150)	Swale Borough Council		(3,668)	(56)	(3,724)
(1,358)	(719)	(2,077)	Kent County Council		(825)	(353)	(1,178)
(151)	(42)	(193)	Kent Fire & Rescue Service		(92)	(21)	(113)
0	(108)	(108)	Kent Police & Crime Commissioner		0	(53)	(53)
(15,093)	(982)	(16,075)	Sub Total		(9,171)	(483)	(9,654)
(63,195)	(94,721)	(157,916)	Total Income		(60,571)	(99,419)	(159,990)
Expenditure							
Precepts, demands and shares:							
25,303	0	25,303	Central Government		23,603	0	23,603
20,242	10,430	30,672	Swale Borough Council		18,882	10,924	29,806
4,554	68,157	72,711	Kent County Council		4,248	71,512	75,760
506	3,883	4,389	Kent Fire & Rescue Service		472	4,030	4,502
0	10,480	10,480	Kent Police & Crime Commissioner		0	11,166	11,166
50,605	92,950	143,555	Sub Total		47,205	97,632	144,837
186	0	186	Cost of collection		186	0	186
3,406	0	3,406	Disregard amounts - renewable energy		3,336	0	3,336
167	0	167	Transitional protection payments		0	0	0
1,084	698	1,782	Allowance for debt impairment	50	(1,001)	863	(138)
(1,121)	0	(1,121)	Appeals charged to the Collection Fund		(2,042)	0	(2,042)
			Change in provision for check,				
150	0	150	challenge & appeal	51	2,956	0	2,956
3,872	698	4,570	Sub Total		3,435	863	4,298
54,477	93,648	148,125	Total Expenditure		50,640	98,495	149,135
(8,718)	(1,073)	(9,791)	Surplus Movement for the Year		(9,931)	(924)	(10,855)
17,922	2,213	20,135	Deficit as at 1 April		9,204	1,140	10,344
9,204	1,140	10,344	(Surplus)/Deficit as at 31 March	47	(727)	216	(511)

#### 47. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £266,000 as at 31 March 2023 (£3,811,000 deficit in 2021/22) and is shown in the Balance Sheet within the Collection Fund Adjustment Account (Note 20). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

## Notes to the Core Financial Statements

The collection fund balance at 31 March 2023 split into its attributable parts is shown below:

2021/22	2022/23	2022/23	2022/23
Total	Business Rates	Council Tax	Total
£'000	£'000	£'000	£'000
4,602 Central Government	(364)	0	(364)
3,811 Swale Borough Council	(291)	25	(266)
1,663 Kent County Council	(65)	158	93
140 Kent & Medway Fire & Rescue Service	(7)	9	2
128 Kent Police & Crime Commissioner	0	24	24
<b>10,344 Balance as at 31 March</b>	<b>(727)</b>	<b>216</b>	<b>(511)</b>

The business rates deficit moved to a surplus in 2022/23 mainly due to prior year business rates reliefs relating to the coronavirus pandemic being offset by government grants.

### 48. The Calculation of the Council Tax Base

The Council Tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of KCC, Kent Police & Crime Commissioner, Kent Fire and Rescue Service and Swale Borough Council by the tax base for Swale which is 48,939.46 (48,040.12 in 2021/22). This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The basic Council Tax payable for each band in 2022/23 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	126.18	6/9	4,208.43
B	147.21	7/9	9,608.66
C	168.24	8/9	12,716.48
D	189.27	9/9	10,222.38
E	231.33	11/9	6,456.80
F	273.39	13/9	3,571.94
G	315.45	15/9	1,951.34
H	378.54	18/9	203.42
<b>Total</b>			<b>48,939.46</b>

More detail on the calculation of the Council Tax base can be found here: [Dec 2021 Council Tax Base 2022-23 v2.pdf \(swale.gov.uk\)](#)

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

The level of non-payment provided for in the calculation of the tax base for 2022/23 was 1.01% (1.06% in 2021/22). The original anticipated income from the tax base of 48,939.46, (calculated on 10 December 2021), and Band D of £1,994.95 (Band D £1,961.01 plus average parish precept of £33.94) was £97,631,776. The actual income was £98,744,142.

### 49. Income Collectable from Business Ratepayers

The Council initially retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses, disregard amounts, and the cost of changes to rateable values. It is subject to a tariff that



## Notes to the Core Financial Statements

significantly reduces the actual amount retained by the Council.

The remaining amount for 2022/23 is paid to the Government (50%), KCC (9%), and Kent Fire and Rescue Service (1%). The business rate income after reliefs and deductions for 2022/23 was £47,965,000 (£44,231,000 in 2021/22).

The rateable value for the Council's area at the end of the financial year 2022/23 was £136,503,000 (£136,328,000 for 2021/22).

The business rate multiplier set for 2022/23 was 51.2p (2021/22 was 51.2p). Small businesses have a lower rate multiplier of 49.9p (2021/22 was 49.9p).

### 50. Debt Impairment

It is the policy of the Council that impairment for debt provisions for council tax and business rates are charged to the Collection Fund. The following provisions have been made against the possible non-collection of Collection Fund debt:

2021/22		2022/23	
Business Rates	Council Tax	Business Rates	Council Tax
£'000	£'000	£'000	£'000
(2,688)	(3,184)	(3,191)	(3,428)
581	454	149	103
(1,084)	(698)	1,001	(863)
<b>(3,191)</b>	<b>(3,428)</b>	<b>(2,041)</b>	<b>(4,188)</b>
(1,276)	(384)	(816)	(459)

Amounts written off are charged directly to the provision for debt impairment. Any amounts written off in excess of the provision will be a charge to the Collection Fund. Council tax provision for debt impairment is based on an analysis of the age of the debt and their recovery stage. At 31 March 2023, the total council tax outstanding debt was £11.862m (£9.566m in 2021/22) of which debt one year old was £4.594m, debt between two to five years old was £6.146m and debt over five years old was £1.122m.

The provision for business rate debt impairment is based on an assessment of the likelihood of recovery of debt in respect of each financial year since 2007/08. The provision takes into account the recovery action to date, the legal status of the debtor and potential absconders. At 31 March 2023, the total business rates outstanding debt was £2.883m (£6.039m in 2021/22) of which debt one year old was £0.902m, debt between two to five years old was £1.536m and debt over five years old was £0.445m.

### 51. Provision for Check, Challenge and Appeals for Business Rates

2021/22	2022/23
£'000	£'000
(11,859)	(10,888)
1,121	2,042
(150)	(2,956)
<b>(10,888)</b>	<b>(11,802)</b>
(4,355)	(4,721)

Amounts refunded as a result of appeals against the 2010 Rateable Valuations (RV) and the Check, Challenge Appeal (CCA) against the 2017 RV are charged directly to the provision for

<b>Notes to the Core Financial Statements</b>
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alteration of lists and appeals. Any amounts refunded in excess of the provision will be a charge to the Collection Fund.

There is a regular reassessment of the RV of businesses, carried out in 2010 and 2017. The provision for appeals for the 2010 RV list is based on outstanding and forecast future appeals for businesses. For the 2017 RV list, the provision is based on the assumption made at national level of potential appeals amended to reflect local circumstances and the likelihood of appeals.

Business rates appeals are particularly difficult to forecast and the outcome of appeals and their financial impact on the Council are monitored regularly. If the number of properties under appeal changes, the provision for appeals would require an additional £118,025 for every 1% increase in total rateable value, under appeal.

## Glossary

Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Amortised Cost	Amortised cost (in relation to financial instruments) is the amount on initial recognition plus the interest taken to income and expenditure less cash paid or received for both interest and principal.
Asset	An item having value measurable in monetary terms. A non-current asset has use and value for more than one year; a current asset is expected to be converted into cash within a year.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Receipts	The proceeds of the sale of capital assets.
Code of Practice on Local Authority Accounting in the UK 2022/23 (the Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Current Value	The value of a non-current asset which reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

## Glossary

Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Infrastructure Assets	Non-current assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.
Intangible Assets	These are non-financial assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. software).
Internal Borrowing	If capital expenditure is spent which is not immediately financed through capital receipts or grants, the Council's underlying need to borrow (its Capital Financing Requirement) increases, resulting in a Minimum Revenue Provision (MRP). When the Council reduces its cash balances to cover this expenditure then this is called 'internal borrowing'.
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board that companies and organisations can follow when compiling financial statements.
Investment Properties	Investment properties are those that are used primarily to earn rentals and/or for capital appreciation.
Liabilities	Amounts which will become payable by the Council in the short or long-term.
Materiality	Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.
Minimum Revenue Provision (MRP)	A charge to the Council's General Fund balance to make provision for the repayment of the Council's past unfunded capital expenditure.
Non-Operational Assets	Non-current assets which are not used or consumed in the delivery of services or for the service or strategic objective of the Council.
Operating Lease	A lease where the ownership of the long-term asset remains with the lessor.
Operational Assets	Non-current assets held and occupied, used or consumed by the local council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the Council.

## Glossary

Precept	The levy made by those authorities which do not run the local taxation system, e.g. KCC, Kent Fire and Rescue Service, Kent Police & Crime Commissioner, on Swale Borough Council which collects the required income from local taxpayers on their behalf.
Property, Plant and Equipment	An asset that has physical substance which is used in the provision of services and is expected to be in use for longer than one year. The value is depreciated over the estimated life of the asset.
Provision	A provision is made when the Council has a present obligation as a result of a past event and it is probable that the Council will be required to settle that obligation.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

### Acronyms Used:

BEIS	Department for Business, Energy & Industrial Strategy
CCA	Check, Challenge, Appeal
CCLA	Church, Charities and Local Authorities
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grants
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department of Works and Pensions
EA	Environment Agency
HCA	Homes and Communities Agency
HIF	Housing Infrastructure Fund

IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MBC	Maidstone Borough Council
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services
MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
PPE	Property, Plant and Equipment

## Glossary

PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RV	Rateable Value
S106	Section 106 – See Note 35
SBC	Swale Borough Council

SMT	Strategic Management Team
STC	Sittingbourne Town Centre
TWBC	Tunbridge Wells Borough Council
VAT	Value Added Tax
VPGA	Valuation Practice Guidance Applications
VPS	Valuation Technical and Performance Standards