



# **Annual Financial Report**

**for the  
year ended**

**31 March 2025**

**Lisa Fillery CPFA  
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 156,000, 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.

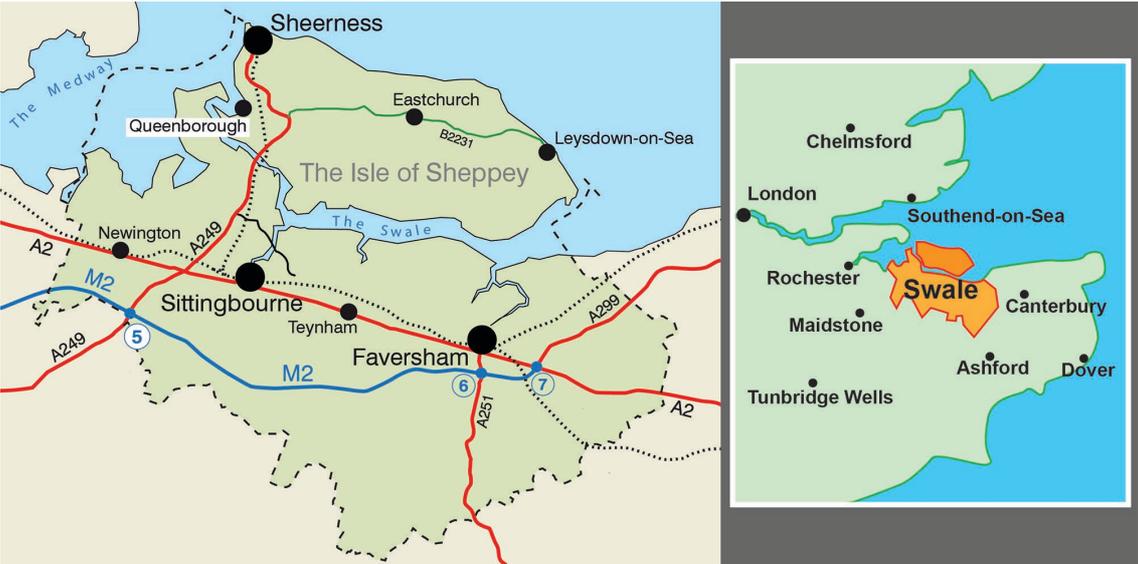
The Council has 47 councillors (also known as 'Members') covering 24 wards. Each Councillor is elected for a term of four years, with the last election on 4 May 2023. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. The Swale Council administration is now a Labour Party minority, following the dissolution of the previous coalition during the 2024/25 year. At the start of the 2024/25 financial year, the Leader of the Council was Councillor T Gibson, and Councillor Baldock was the Deputy Leader. Following the dissolution of the coalition Councillor Wise became the Deputy Leader of the Council, with Councillor T Gibson remaining as the Leader. The Council's services are organised into Directorates and Service areas.

The Council's Corporate Plan can be found here: <https://swale.gov.uk/news-and-your-council/publications/council/corporate-plan>

The Council's priorities are:

- Community – To enable our residents to live, work and enjoy their leisure time safely in our borough and to support community resilience.
- Economy – Working with the businesses and community organisations to work towards a sustainable economy which delivers for local people.
- Environment – To provide a cleaner, healthier, more sustainable and enjoyable environment, and to prepare our borough for the challenges ahead.
- Health & Housing – To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing.
- Running the Council – Working within our resources to proactively engage with communities and outside bodies to deliver in a transparent and efficient way.

Overview



### **Narrative Report**

#### **Introduction**

This narrative report provides a guide to the Council's accounts and financial position as of 31 March 2025. It includes:

- An explanation of the Annual Financial Report, and each of the main financial statements;
- A look back at financial performance in 2024/25;
- 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 2024/25 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 2025. It has been prepared in accordance with the Accounts and Audit Regulations 2015 (as amended) which require the accounts to be prepared and signed by the responsible officer by 30 June 2025.

The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 34 to 100. 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 34 – 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 36 – 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 37 – 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 38 – 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 40 – summarises the cash movements in and out of the Council's bank accounts over the year.

**Notes to the Core Financial Statements** on pages 41 to 95 – 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 96 to 100 – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement,

## Reviewing the Council's Performance

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 2024/25**

This section gives an overview of the financial performance of the Council in 2024/25, including reasons for significant variances from planned expenditure.

The UK is still impacted by a cost of living crisis, with people feeling the impact of high levels of inflation. Volatility remains, with interest rates being carefully managed by the Bank of England. The high levels of inflation impact on the cost of council contracts, as well as seeing an increase in demand for certain council services, all of which impacts on the council's financial position.

As in recent years, the Council has continued to receive grant funding to pay over to residents in the form of the Housing Support Fund, 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 2024/25 the final outturn position was balanced, with the use of £416k from the budget contingency reserve. The budget for 2024/25 included the use of £733k from the budget contingency reserve, so the final position was an improvement of £317k. The major variances against budget were an overspend on Planning services, offset by savings on salaries and insurance, and additional investment income earned throughout the year as a result of interest rates remaining high, and delays in spend on capital projects. A report will go to Policy and Resources Committee on 12 June 2025 which details how the Council spent its money against its budget and how this expenditure was financed.

There have remained difficulties recruiting to some vacancies during 2024/25. In some areas this has led to financial savings within the year whilst posts remained vacant, but in others it has led to financial overspends as the posts have been filled by the use of agency staff. The savings are not ongoing, as the posts are being filled, and where agency staff are being used the Council is continuing to attempt recruitment to ensure that services can be delivered within the financial resources available.

## Reviewing the Council's Performance

### Revenue Expenditure and Income for 2024/25

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

	Budget 2024/25 £'000	Spend 2024/25 £'000	Over/ (Under) Spend 2024/25 £'000
Chief Executive	778	759	(19)
Communications	358	339	(18)
Elections, Democratic Services & Information Governance	1,143	1,119	(25)
Housing & Community	5,300	4,857	(442)
Planning	337	1,239	902
Environment & Leisure	9,219	9,416	197
Regeneration & Economic Development	(294)	(221)	73
Finance & Procurement	753	705	(48)
Revenues & Benefits	154	195	42
Environmental Health	614	617	3
Information Technology	1,339	1,348	9
Internal Audit	158	133	(26)
Human Resources	472	463	(8)
Legal	678	607	(71)
Drainage Board Levy	1,000	1,000	0
Corporate Overheads and Capital Financing	3,698	2,827	(871)
<b>Cost of Services</b>	<b>25,706</b>	<b>25,403</b>	<b>(303)</b>
<b>Financed by:</b>			
Budget Contingency Reserve	(1,588)	(1,271)	317
Revenue Support Grant	(338)	(338)	0
Funding Guarantee Grant	(1,276)	(1,276)	0
Services Grant	(30)	(30)	0
Business Rates	(11,736)	(11,736)	0
New Homes Bonus	(674)	(674)	0
Collection Fund Surplus	45	31	(14)
Council Tax	(10,109)	(10,109)	0
<b>(Surplus) in Year</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>2024/25</b>	<b>2024/25</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund Balance 1 April 2024	(3,103)	(3,103)	0
Surplus in year	0	0	0
<b>General Fund Balance 31 March 2025</b>	<b>(3,103)</b>	<b>(3,103)</b>	<b>0</b>

The above table shows that the General Fund balance has remained at £3.103m for 2024/25. 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 2025 represents 12.2% of the Cost of Services for 2024/25 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 £112m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£105m in 2023/24);
- collected £65m of Business Rates for the Government, Fire, KCC, and itself (£53m in 2023/24);
- paid out £28.5m on benefits and received £27.9m in grant (£31m paid, £30m received in 2023/24).

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

Activity	Variance (£000) <b>( )=underspend</b> <b>+ve = overspend</b>	Explanation of variance
Elections, Democratic Services & Information Governance	<b>(25)</b>	There was an overspend as a result of multiple local by-elections and their set up costs. The overspend was offset by Special Responsibility allowances and National Insurance on allowances being underspent and retirement created a vacancy for part of the year.
Housing and Community	<b>(442)</b>	The variance is made up of many factors. Implementation of the Housing Options improvement programme brought reduction in costs. The underspend is made up of an increase in grants received and a reduction on the spend of nightly let accommodation. There have also been some staff vacancies while the new structure has been introduced. Additional taxi licensing income and additional CCTV income from third party contracts increased the variance.
Planning	902	The overspend is due to the cost of the agency staff outstripping the savings from the vacancies, a number of appeals that happened throughout 2024/25, and court costs awarded against the council. The service continues to use agency staff to fill vacant posts, with ongoing recruitment plans to attract permanent staff. Planning fee income has significantly reduced as a result of fewer planning applications received than anticipated.
Environment and Leisure	197	The variance is largely due to increased costs of utility charges affecting mainly leisure services and car parks. Grounds maintenance contract costs also increased in 2024/25 and maintenance of car park surfaces created an overspend. These overspends are offset by underspend in salaries and a reduction in vehicle leases. Additional

## Reviewing the Council's Performance

		income from garden waste, parking vouchers and car park income decrease the overspend.
Regeneration & Economic Development	73	An overspend within the Asset Management team due to the use of external support as a result of recruitment difficulties, and additional costs incurred for demolition of the building at Fountain Street, work at Faversham Pool, and a water leak at Queenborough push this into an overspend position. These were partially offset from savings at Swale House operations for additional rental income and a temporary reduction in cleaning staff.
Finance & Procurement	(48)	This underspend is due to salary savings as a result of staff vacancies following a restructure, and maternity leave. This underspend is not expected to be a permanent position.
Revenues & Benefits	42	There is a overspend due to an increase in Housing Benefits claims for non-charity supported accommodation placements, which are not fully funded by subsidy, and a reduction in recovery of overpaid Housing Benefit, due to the ongoing transition of the case load moving to Universal Credit. Offset by underspend from additional Incentive Funding grants from KCC and additional income from increased recovery action.
Other Shared Services	(93)	There were a number of staff vacancies across the shared services that created savings within the year. Legal Services underspend is due to recharges to capital projects for 2024/25. The additional costs of agency staff required due to recruitment difficulties are shared across the shared service partners.
Corporate Items	(871)	Variance arising due to increased investments income as interest rates remained higher than originally forecast, savings on pensions costs and savings arising from the retender of the insurance contract. Ongoing savings have been reflected in the budget for 2025/26.

## Reviewing the Council's Performance

### Capital Spending for 2024/25

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 2024/25 was £16.827 million. The outturn position of the capital programme is detailed in the table below, along with a breakdown of how it was funded.

	Budget		Spend		Slippage £'000	Variance to Budget £'000
	Gross	Net	Gross	Net		
	£'000	£'000	£'000	£'000		
Levelling up - Sheerness Revival	19,416	0	3,900	0	0	0
Waste vehicle fleet	789	789	674	674	115	0
Disabled facilities grants	7,283	0	1,392	0	0	0
Local authority housing	13,263	12,544	0	0	12,544	0
Housing temporary accommodation	10,365	9,603	9,724	8,234	1,370	0
ICT replacement programme	182	0	123	0	0	0
Beach huts	143	143	0	0	143	0
UK Shared & Rural Prosperity grants	560	0	751	0	0	0
Other capital projects	1,055	560	263	24	539	3
<b>Total</b>	<b>53,056</b>	<b>23,639</b>	<b>16,827</b>	<b>8,932</b>	<b>14,711</b>	<b>3</b>
<b>Sources of funding</b>						
Capital grants and other contributions			7,765			
Earmarked reserves			130			
Borrowing			8,932			
<b>Total capital funding</b>			<b>16,827</b>			

The main capital expenditure items in 2024/25 were disabled facilities grants, the Levelling Up Sheerness Revival project and the purchase of housing for temporary accommodation.

There is a small overspend of £3k within the capital programme, and unspent budget in the year of £14.711m will therefore be slipped into 2025/26. The reason for the slippage is mainly due to delay to the affordable homes scheme. There is slippage to the Levelling Up project in line with the revised programme timetable, although this spend is funded by government grants.

### How the Council Manages its Surplus Funds

The Council's total investment averaged £21 million during 2024/25 (£23 million for 2023/24) and closed at £11 million at 31 March 2025 (see Note 42, Table 4) (£15 million at 31 March 2024). The Council achieved a return of 4.20% for 2024/25, amounting to £1,133,000 (£1,171,000 in 2023/24).

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).

## Reviewing the Council's Performance

At 31 March 2025, the Council had four loans, totalling £13million, each ranging in value from £2 million to £5 million, from local authorities and the PWLB, at an average interest rate of 5.41%.

### 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 service, which is recorded in the Collection Fund which can be seen on page 94. At the year-end, this account had a surplus balance of £0.1 million (deficit balance of £0.3m at 31 March 2024).

### 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 £11 million at 31 March 2024 to £8 million at 31 March 2025 after the impact of the asset ceiling. 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.

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
2022/23	13,924	8,460
2023/24	10,749	8,460
2024/25	7,728	8,460

The 3 year review pension deficit is set by a triennial review, the last of which was carried out as at 31 March 2022. A funding update report in March 2024 estimated that the deficit at that point in time was £20.2m. The next review will be as at 31 March 2025, and the report for that will be produced in the autumn of 2025.

## Reviewing the Council's Performance

The IAS 19 deficit became a surplus during 2024/25 due to an increase in discount rates. As asset ceiling calculation was therefore prepared by the fund actuaries, and once applied a deficit of £7.728m was returned.

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 2024/25**

International Financial Reporting Standard (IFRS) 16 has been adopted for 2024/25, and accounting policies updated accordingly.

#### **Future Accounting Policies**

Changes are expected in the 2025/26 Code regarding the measurement of non-investment assets, introducing a requirement for indexation to be applied to assets that are not revalued within the year. This update will require a change to accounting policies for future years.

#### **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 2026 onwards. A spending review is expected in the summer of 2025 which is expected to impact the Local Government Settlement. A multi-year draft settlement is then expected later in the year, with the multi-year nature providing some level of certainty in the medium term.

Fundamental changes planned to the funding basis of councils have not yet been delivered, although consultation has started on the long awaited reset of business rates. Transitional arrangements are expected, but as yet the details of this are unknown.

As well as business rates reset, there are changes to the funding of waste collection and disposal services. Although the first grants for waste collection and disposal are part of the 2025/26 settlement, there are still many unknowns, which adds to uncertainty around future finances.

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 agreed by Council on 19 February 2025 forecast a revenue budget gap of £677,000 in 2025/26, growing to a gap of £5.1 million in 2028/29 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.

## Reviewing the Council's Performance

Future budgetary issues include: 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, increased service demand due to cost of living, and reducing reliance on reserves.

The Council seeks to maintain a minimum of £1.5m as its General Fund balance, but this minimum level will remain under review. At 31 March 2025 the balance 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, and as such there is no expectation of a request for Exceptional Financial Support or issuing of a Section 114 notice during the period of the Medium Term Financial Plan, subject to confirmation of the outcome of the business rates reset and subsequent transitional arrangements.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2025/26 which was approved by Council meeting on 19 February 2025 which can be found on the Council's website here:

<https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=4118>

### 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 2025/26 there will be three 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 purchase of properties has been happening over time, as properties have become available, so the spend has been profiled over several years, with 2025/26 being the third year, and the likely final year of this phase of purchases. The funding for this project is through a reallocation of temporary accommodation spend budgets 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 multi-year capital project, with the budget profiled accordingly.

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 2025/26 which was approved by Council meeting on 19 February 2025 and can be found on the Council's website here:

<https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=4118>

**Conclusions**

It has been another challenging year for the Council, but financial plans have been substantially delivered overall 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. Work is taking place within service areas to try to remove or minimise specific overspends.

I would like to thank all staff within the Council for their efforts in delivering 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 exceeded their available work hours.

Claire Stanbury CPFA

Date: 6 June 2025

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 'corporate' indicators on a regular basis. Full year performance for 2024/25 will be reported to Policy and Resources Committee on 12 June and will be published here:

<https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=353&MId=4386>

#### 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.

An updated Workforce Strategy was adopted in 2024/25.

The monitoring of workforce information by SMT continues to focus on sickness absence, as well as staff turnover and recruitment. Sickness absence for 2024/25 averaged 7.66 days per employee (2023/24 5.88 days per employee). Although this is higher than last year, it is still below 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 2024/25 there were 32 reported incidents which amounted to breaches of the Data Protection Act and four near misses. Each case is investigated fully before the Council's Data Protection Officer decides on the appropriate response. In 2024/25 no incidents were reported to the Information Commissioner.

#### 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.

The last annual report on the Council's risk management arrangements was taken to Audit Committee on 23 April 2025 and can be found here:

[https://services.swale.gov.uk/meetings/documents/s30022/Risk Management Annual Report - Cover Report.pdf](https://services.swale.gov.uk/meetings/documents/s30022/Risk%20Management%20Annual%20Report%20-%20Cover%20Report.pdf)

## **Reviewing the Council's Performance**

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

### 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 (as amended) 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 (as amended).
- 1.6 The May 2023 elections resulted in control of the Council being held by a three party coalition comprising the Labour, Swale Independent Alliance and Green groups. Councillor Tim Gibson took the role of Leader with Councillor Mike Baldock as the Deputy Leader. The coalition was disbanded during 2024/25, leaving the Council with a Labour minority administration. Councillor Tim Gibson remains the Leader, and Councillor Ashley Wise has taken the role of Deputy Leader. The administration has a very well defined programme which they are implementing.
- 1.7 Due to the administration being in a minority position, the groups are working more collaboratively, with group leaders working together to agree the budget for 2025/26.

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

- 2.1 The impact of inflation, high interest rates and high energy prices continues to impact the Council and its residents. The UK economy is also impacted by uncertainty created by the change of President in the USA, and ongoing wars and political tensions around the world.

## Annual Governance Statement

- 2.2 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.
- 2.3 Council committee meetings continue to operate with the ability for officers and members to join remotely, albeit without voting rights of in person attendance.
- 2.4 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.
- 2.5 The council is continuing to manage the cost of living crisis and inflation and interest rates. This has implications for both the cost of council services and cost of living for our residents.

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

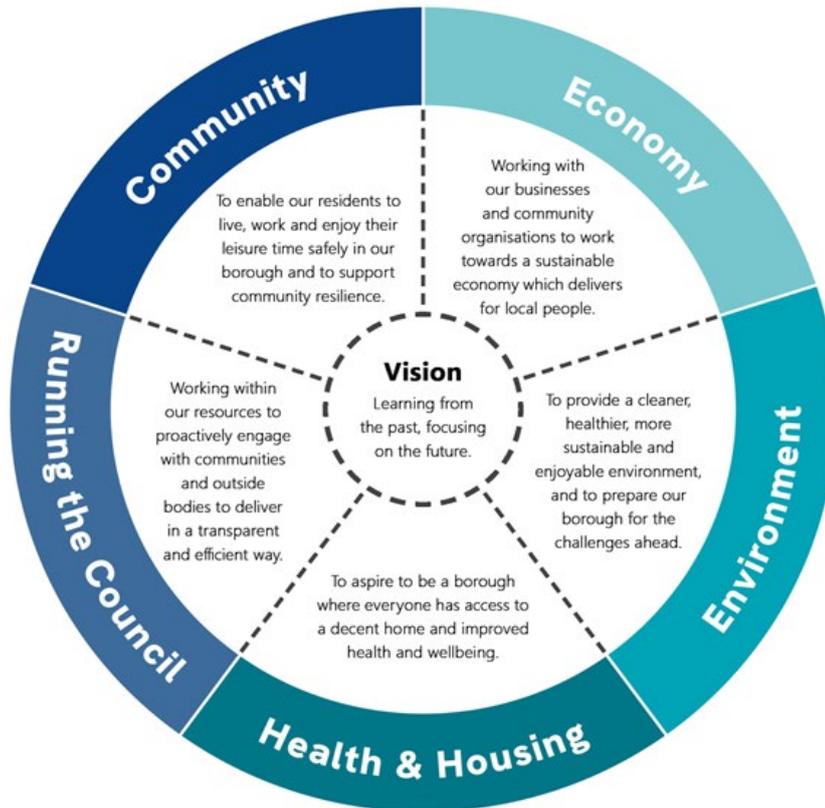
- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives, 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;
  - (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 2025, 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 March 2024 Council agreed a new Corporate Plan "Learning from the past, focusing on the future". The plan is structured around five high level priorities, each containing a number of specific objectives. The priorities are:



4.3 Area Committee meetings continued in 2024/25. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly. Members have requested that the Chief Executive undertakes a full review of the effectiveness of Area committee meetings in 2025/26.

**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 six monthly reporting to Policy & Resources Committee.
- (iii) Increasing the use of growth in Business Rate income achieved since Localisation in Business Rates was introduced in 2013/14.
- (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. During 2024/25 there were five service committees, each with its

## Annual Governance Statement

own chair and supported by a vice chair. Following the recommendation from the LGA Peer Review, at their meeting in April 2025, Full Council agreed to take a two stage approach to reduce the number of service committees from Policy and Resources plus 4 committees to Policy & Resources plus 3 service committees for the municipal year 2025/26 and Policy & Resources plus 2 service committees in 2026/27.

- 4.6 The position for 2025/26 will be to amalgamate the functions of Health and Housing Committee and the Community and Leisure Committee.
- 4.7 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.
- 4.8 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. Following on from the adoption of the LGA model for the Councillor Code of Conduct in 2022/23, the Member/Officer protocol was adopted at Full Council on 3 April 2024.
- 4.9 The results from the Council's LGA Peer Review that took place in 2023 were reported to the administration following the Election in May 2023. This was as a result of poor officer / member relations and a lack of trust of officers by members. The LGA Peer Review team identified that relationships had deteriorated during the 12 months since the initial Peer visit. One of the recommendations was to *Develop and embed joint values and behaviours for Swale BC members and officers*. The introduction of the joint protocol is the first step towards delivering this recommendation.
- 4.10 During 2024/25, senior officers and administration members attended facilitated sessions to address the relationship and lack of trust issues. Unfortunately the sessions did not deliver the intended outcomes and following the change in the coalition and administration position alternative solutions are being explored.
- 4.11 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. During 2023/24 the Committee agreed that it is not required to have an independent person appointed to the committee for the next 4 year cycle of committees. The committee 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.
- 4.12 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.
- 4.13 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.
- 4.14 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

## Annual Governance Statement

one of its senior officers as the Monitoring Officer. The role of Monitoring Officer is currently held by Robin Harris, and he is 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.

4.15 The Director of Resources, as the Section 151 Officer appointed under the 1972 Local Government Act (as amended), carries 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).

4.16 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. This role, held by Katherine Woodward, 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 (as 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).

4.17 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.

4.18 All employees 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***

4.19 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

## Annual Governance Statement

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.

- 4.20 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.
- 4.21 As referred to above, a new Member/Officer protocol was developed by the Standards Committee during 2023/24 with consultation taking place with members, staff and the Trade Unions. Council adopted the Member/Officer protocol in April 2024 and work will continue to embed the protocol and the code in the way Members and Officers undertake their duties.
- 4.22 During 2024/25 work continued to develop a joint set of values for members and officers. Lead by the Learning and Development manager, sessions have been held with staff to identify areas that are important to them with sessions scheduled for members to do the same. The outcomes from both sessions will inform the joint values to be adopted.
- 4.23 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 which exists to receive and respond to any complaints received.
- 4.24 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***

- 4.25 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.

- 4.26 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.
- 4.27 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***

- 4.28 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 the quarterly workforce report provides key information on employees including well-being of staff to ensure that the system and support being provided meets the requirements of the organisation.
- 4.29 The Leadership Development Programme that commenced in September 2022 continues to support the senior officer leadership team. The programme is scheduled for the next couple of years to focus on internal factors including strategy development and implementation, workforce leadership, member dynamics and external factors such as place changes, local government reorganisation, place making and system working.
- 4.30 The programme includes group work and facilitated sessions, 1 to 1 and group coaching.
- 4.31 Following on from the work done with an external company and the Planning Team to deliver a process of cultural transformation, the team are continuing to make changes to improve the service. Over the past two years there have been new personnel at a senior level leading that change. A restructure of the planning service was initiated in November 2023 alongside a new head of service role, Head of Place. Joanne Johnson was confirmed as Head of Place from 1 April 2024. This work to transform the Planning Team is still ongoing, as recruitment within the service is difficult, but progress is being made.
- 4.32 Local government recruitment continues to be a concern across many services and a national project to look into this issue was launched in 2023/24. The council have adopted the national template, to help amplify the identity of Local Government within the recruitment sphere. The council has attempted alternative recruitment methods across several areas that have been hard to recruit, including within the Legal Team to address high level of vacancies and subsequent reliance on agency and locum staff.
- 4.33 The cross-party Member Development Working Group takes an overview of the approach to member development. Work is ongoing to update the member training plan in line with member requirements.

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

- 4.34 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.
- 4.35 During 2023/24 the council was one of the founding members of the LGA Special Interest Group on Internal Drainage Board Levy funding. Working with other levy paying local authorities to lobby for change in the way in which drainage boards are funded to avoid additional pressures on local government budgets.
- 4.36 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through appropriate networks. Since 2023 work has been carried out to strengthen and empower the VCS to support our residents and communities further and more sustainably. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups.
- 4.37 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***

- 4.38 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.
- 4.39 From a financial perspective the 2024/25 outturn is a reduction in the planned use of reserves of £333,000 (the original budget requirement was £733k). 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

## Annual Governance Statement

continued to use one off funds to pump-prime the achievement of their priorities. The savings proposals agreed for the 2024/25 budget have in the main been delivered. Spend on homelessness has reduced, due to the hard work of the team in reducing the number of homelessness placements during the year. The council has also purchased a number of properties that are starting to be used for temporary accommodation, reducing the use of expensive nightly let options. However, the high cost of nightly let accommodation has meant that costs have not necessarily reduced in line with the reduction in placements. Other reported overspends in services are not resulting from savings proposals that have not been achieved.

- 4.40 Work on the new Local Plan has progressed, with an updated Local Development Scheme showing Regulation 18 draft Plan consultation in quarter 4 of 2025 and Regulation 19 pre-submission Plan consultation in quarter 2 of 2026 approved by Full Council in December 2024.
- 4.41 Despite external factors previously discussed the Council's work in the year once again shows good progress has been made across a range of administration priorities:
- (i) Constitutional reform – In response to the recommendation from the LGA peer review the number of committee meetings held in 2024/25 was reduced. As reported above a further review has led to a change in the number of committees for 2025/26 and 2026/27. Area Committees continued during the year with a more local focus.
  - (ii) Local housing company - Work is ongoing to revise the initial business plans that were produced pre Covid.
  - (iii) Homelessness and rough sleeping - Transformation work has been undertaken within the service and resources invested both in staffing and property acquisition to reduce the financial burden to the Council of meeting our statutory obligations.
  - (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) Asset Management – disposal and transfer of assets as agreed within the disposal and asset transfer policies, progress on leases at Bourne place and Barton's Point and delivery of several planned maintenance projects across the asset portfolio.
  - (viii) Delivery of the £1.2m UK Shared Prosperity Fund programme.
  - (ix) Sheerness Revival LUF project delivery in progress.
  - (x) Introduction of overnight parking at Shingle Bank in Sheppey. Project has been agreed with implementation planned for the summer of 2025.
  - (xi) A member working group has been established to support the work on the tender specification for a new leisure contract ahead of the tender publication in July 2025.
- 4.42 The last week of 2023/24 saw the launch of the district's new waste contract. This involved the transition to a new supplier, the acquisition of new vehicles, the introduction of new reporting tools and the transfer of staffing to the new supplier. The

## Annual Governance Statement

first few months of the contract saw some bedding in issues that were to be expected in a change in contract of this scale and complexity. However, these issues took longer to resolve than expected, and business continuity plans were exercised due to the impact of this on other services, with Customer Services seeing a prolonged increase in call numbers.

- 4.43 Extensive communications were put in place with residents to inform them of the proposed changes to their waste collection days, with ongoing updates continuing on our website and social media pages.
- 4.44 Regular meetings were held with senior administration members and wider group leaders to keep members updated on the progress of the introduction of the new contract.
- 4.45 Further changes were subsequently made to the service in order to deliver the service within specification and budget, and these changes reduced the number of reported issues, and eventually led to the service being delivered as expected.
- 4.46 The 2025/26 budget position had looked extremely difficult with significant pressures in service provision arising from the procurement of a new waste contract, increased costs for homelessness temporary accommodation and pressures arising from cost of living increases. 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. The allocation of additional grant funding for the Extended producer responsibility helped reduce the budget gap and the level of reserves required to deliver a balanced budget position.
- 4.47 The change in the coalition administration ahead of the final approval of the budget led to a cross party working group proposing several amendments to the budget for Full Council. These were agreed on the night and a balanced position agreed with the use of reserves.
- 4.48 The Council still faces a very significant funding gap over the medium term 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 2026/27 as agreed by the administration during the last budget round.

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

- 4.49 The CIPFA Financial Management (FM) Code “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”.
- 4.50 For the 2024/25 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.
  - (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.
- 5.4 The feedback from the Peer Review was reported to the Council following the May 2023 election in order to inform the new administration, and a review of progress took place in March 2024 and latest reported update was made at Policy and Resources committee in March 2025.
- 5.5 The Peer Review highlighted 10 key recommendations for the council which resulted in an action plan. Most of the key recommendations have been completed or are implemented as business as usual. Those that remain outstanding are subject to a revised timetable or require additional funding that has delayed the delivery timescale.
- 5.6 Full details of the action plan can be found here [https://swale.gov.uk/\\_data/assets/pdf\\_file/0003/454044/LGA-Peer-Challenge-action-plan-Oct-2023-final.pdf](https://swale.gov.uk/_data/assets/pdf_file/0003/454044/LGA-Peer-Challenge-action-plan-Oct-2023-final.pdf)
- 5.7 In the 2023/24 Annual Governance Statement five main areas for attention moving forward were identified. The latest position on these is as follows:

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Issue	Updated position
Produce a robust savings plan to support the delivery of a balanced budget.	The 2025/26 balanced budget included savings proposals of £1.3m plus a further £677k contribution from reserves. There are ongoing pressures for future years including uncertainty over local government funding, meaning that further savings plans need to be developed to deliver a balanced position for the future.
Embed the code of conduct and 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. Work is ongoing to embed the code of conduct. Further to this, a member/officer protocol went through the standards committee in 2023 and was adopted by Council in April 2024. Work is ongoing to embed the new code of conduct and member/officer protocol in the new civic year.
Delivery of the Sheerness Revival LUF project in line with agreed timescales and government reporting requirements.	The Sheerness Revival project is progressing well. However, delays to the notification of funding meant delays occurred at the start of the project, and there have been some further delays since. However, the project team have secured permission from government to extend funded elements to March 2026, with Swale funded elements completing by June 2026.
Planning and implementation of the new waste contract from March 2024.	The new waste contract began in March 2024. There was a significant period of instability in service delivery as new ways of working and new routes were embedded. This was very resource intensive, with business continuity plans exercised. Further changes have been made to routes, and performance returned to business as usual levels during the year.
Continue to participate in the LGA special interest group on Internal Drainage Board Levy funding to address the pressure on local authorities.	Swale was 1 of 2 of the councils that did not receive further grant funding to support the increasing costs of the internal drainage board levy. Despite lobbying of our MPs and the Minister the position did not change for 2024/25. The council continues to be a member of the group aiming to deliver a permanent solution to the funding issue around drainage levy payments.

### 6. Significant Governance Issues

6.1 There were no significant governance weaknesses in 2024/25.

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

## Annual Governance Statement

- (i) Produce a robust savings plan to support the delivery of a balanced budget.
- (ii) Embed the code of conduct and member-officer protocol to support good governance.
- (iii) Delivery of the Sheerness Revival LUF project in line with agreed timescales and government reporting requirements.
- (iv) Continue to participate in the LGA special Interest group on Internal Drainage Board Levy funding to address the pressure on local authorities.
- (v) Local Government Reform - working with partners across Kent to deliver local government reform in line with timescales set by government, ensuring the best that we can for our area.

### 7. Conclusion and Opinion

- 7.1 Taking account of the controls and actions listed above we are confident that we have satisfactory governance arrangements in place and the financial management arrangements conform to the governance requirements of the CIPFA framework for Delivering Good Governance and the statement on the Role of the Chief Financial Officer in Local Government.
- 7.2 The audit committee are advised on the effectiveness of the governance framework, and receive regular reports from the Head of Internal Audit. The actions listed in the strategic risk register are aimed at addressing risks and ensuring continuous improvement of the governance systems in place.
- 7.3 We continue to monitor these actions to further enhance our governance arrangements. We are satisfied that these address the improvements identified in our review of the effectiveness and will monitor their implementation and operation as part of our next annual review.

#### Agreed:



Cllr Tim Gibson  
**Leader**



Larissa Reed  
**Chief Executive**

## Auditor's Report

### Independent auditor's report to the members of Swale Borough Council

Grant Thornton have carried out an audit on these accounts and reported their findings to the Audit Committee on 15 October 2025. A copy of the auditors report can be found here:

[https://swale.gov.uk/\\_data/assets/pdf\\_file/0008/508760/Swale-BC-Auditors-report-2024-25-Signed-17-Oct-2025.pdf](https://swale.gov.uk/_data/assets/pdf_file/0008/508760/Swale-BC-Auditors-report-2024-25-Signed-17-Oct-2025.pdf)

## 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 2024/25 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 2025.



**Lisa Fillery CPFA**

**Director of Resources**

**Date: 17 October 2025**

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

I confirm that the adoption process for the 2024/25 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2025 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee.



**Chair of the Audit Committee**

**Date: 17 October 2025**

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

Net exp charged to the General Fund	2023/24 Adjustments for:			Net exp in the CIES		Net exp charged to the General Fund	2024/25 Adjustments for:			Net exp in the CIES
	Capital	Pensions	Other				Capital	Pensions	Other	
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
673	0	(10)	3	666	Chief Executive	759	0	(8)	(1)	750
312	0	(5)	92	399	Communications	339	0	(4)	58	394
1,077	3	(8)	73	1,145	Elections, Democratic Services and Information Governance	1,119	11	(6)	(70)	1,054
5,180	39	(53)	106	5,272	Housing & Community Services	4,857	2,482	(42)	19	7,316
1,087	0	(21)	30	1,096	Planning	1,239	0	(17)	629	1,851
7,655	968	(27)	121	8,717	Environment & Leisure	9,416	3,188	(21)	(668)	11,915
(302)	(393)	(13)	2,394	1,686	Regeneration & Economic Development	(221)	72	(10)	1,443	1,284
769	7	(10)	788	1,554	Finance & Procurement	705	15	(2)	458	1,175
337	0	(18)	(127)	192	Revenues & Benefits	195	0	(1)	256	451
572	9	0	23	604	Environmental Health	617	9	0	6	632
1,277	0	0	(255)	1,022	Information Technology	1,348	0	0	(431)	917
128	0	0	0	128	Internal Audit	133	0	0	0	133
406	0	(1)	22	427	Human Resources	463	0	(0)	(25)	437
618	0	(17)	(184)	417	Legal	607	0	(13)	(76)	518
3,340	15	(21)	(3,457)	(123)	Corporate Items	3,827	0	0	(3,914)	(86)
<b>23,129</b>	<b>648</b>	<b>(204)</b>	<b>(371)</b>	<b>23,202</b>	<b>Cost of Services</b>	<b>25,403</b>	<b>5,778</b>	<b>(124)</b>	<b>(2,318)</b>	<b>28,740</b>
(23,129)					Financed by Council Tax, Business Rates & Grants	(25,403)				
<b>0</b>					<b>(Surplus) in Year</b>	<b>0</b>				
					<b>General Fund Balance:</b>					
(3,103)					As at 1 April	(3,103)				
0					Deficit/(surplus) in Year	0				
<b>(3,103)</b>					<b>As at 31 March</b>	<b>(3,103)</b>				

**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:

Net exp charged to the General Fund	2023/24				Net exp in the CIES		2024/25				Net exp in the CIES
	Capital	Adjustments for:					Capital	Adjustments for:			
		Pensions	Other					Pensions	Other		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
23,129	648	(204)	(371)	23,202	Cost of Services	25,403	5,778	(124)	(2,317)	28,740	
(29,332)	562	344	2,430	(25,996)	Other (Income) & Expenditure	(30,500)	(1,213)	462	1,109	(30,142)	
<b>(6,203)</b>	<b>1,210</b>	<b>140</b>	<b>2,059</b>	<b>(2,794)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(5,097)</b>	<b>4,565</b>	<b>338</b>	<b>(1,208)</b>	<b>(1,402)</b>	
6,203	(1,210)	(140)	(2,059)	2,794	Adjustments from Accounting Basis	5,097	(4,565)	(338)	1,208	1,402	
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(Surplus) in Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	



## 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>2024/25</b>								
<b>Opening Balance</b>	(3,103)	(16,869)	(19,971)	(392)	(1,764)	(22,127)	(41,951)	(64,079)
Total Comprehensive Expenditure & (Income) 2024/25	(1,402)	0	(1,402)	0	0	(1,402)	(3,696)	(5,097)
Adjustments between accounting basis and funding basis (note 46)	1,060	0	1,060	(256)	(278)	526	(526)	0
Transfers (to)/from earmarked reserves (note 17)	341	(341)	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>(0)</b>	<b>(341)</b>	<b>(341)</b>	<b>(256)</b>	<b>(278)</b>	<b>(875)</b>	<b>(4,222)</b>	<b>(5,097)</b>
<b>Balance at 31 March 2025</b>	<b>(3,103)</b>	<b>(17,210)</b>	<b>(20,313)</b>	<b>(648)</b>	<b>(2,043)</b>	<b>(23,003)</b>	<b>(46,173)</b>	<b>(69,176)</b>
<b>2023/24</b>								
<b>Opening Balance</b>	(3,103)	(15,130)	(18,233)	(2,946)	(713)	(21,892)	(35,983)	(57,875)
Reclassification	0	0	0	903	(903)	0	0	0
Total Comprehensive Expenditure & (Income) 2023/24	(2,794)	0	(2,794)	0	0	(2,794)	(3,409)	(6,203)
Adjustments between accounting basis and funding basis (note 46)	1,055	0	1,055	1,651	(148)	2,559	(2,559)	(0)
Transfers (to)/from earmarked reserves (note 17)	1,739	(1,739)	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>0</b>	<b>(1,739)</b>	<b>(1,739)</b>	<b>2,554</b>	<b>(1,051)</b>	<b>(235)</b>	<b>(5,968)</b>	<b>(6,203)</b>
<b>Balance at 31 March 2024</b>	<b>(3,103)</b>	<b>(16,869)</b>	<b>(19,971)</b>	<b>(392)</b>	<b>(1,764)</b>	<b>(22,127)</b>	<b>(41,951)</b>	<b>(64,078)</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 an increase in the Council’s usable reserves of £0.875 million resulting in a balance of £23.003 million.

## Balance Sheet – The Council's Resources

31 March 2024			31 March 2025	
£'000	£'000	Note	£'000	£'000
	97,041	<b>Total Property, Plant and Equipment</b>	24	106,073
100		Assets Held for Sale	29	100
2,329		Heritage Assets	27	2,329
3,896		Investment Properties	28	3,984
26		Intangible Assets		70
0		Right of Use Assets	24	2,419
2,752		Long-Term Investments	42	2,805
1,942		Long-Term Debtors	39	1,849
	<b>11,045</b>			<b>13,555</b>
	<b>108,086</b>	<b>Total Long-Term Assets</b>		<b>119,628</b>
		<b>Current Assets</b>		
26,304		Short-Term Debtors	40	16,458
12,333		Cash and Cash Equivalents	41	8,184
	<b>38,637</b>	<b>Total Current Assets</b>		<b>24,642</b>
	<b>146,723</b>	<b>Total Assets</b>		<b>144,270</b>
		<b>Current Liabilities</b>		
(33,418)		Short-Term Creditors	34	(14,673)
(1,750)		Cash and Cash Equivalents	41	0
(5,000)		Short-Term Loans	42	(13,000)
0		Short-Term Lease Liability	43	(31)
(45)		S106 Deferred Revenue Receipts	35	(101)
(1,254)		Revenue Grant Receipts in Advance	12	(492)
(2,838)		Capital Grant Receipts in Advance	34	(5,230)
(992)		Provisions	37	(847)
	<b>(45,297)</b>	<b>Total Current Liabilities</b>		<b>(34,374)</b>
	<b>101,426</b>	<b>Total Assets less Current Liabilities</b>		<b>109,895</b>
		<b>Long-Term Liabilities</b>		
(60)		Long-Term Creditors	33	(60)
(5,000)		Long-Term Loans	42	0
0		Long-Term Lease Liability	43	(3,138)
(10,749)		Liability Related to Defined Benefit Pension Scheme	9(f)	(7,728)
(20,147)		Capital Grants and Contributions	36	(28,191)
(46)		S106 Deferred Revenue Receipts	35	(1)
(1,344)		Provisions	37	(1,601)
	<b>(37,347)</b>	<b>Total Long-Term Liabilities</b>		<b>(40,719)</b>
	<b>64,079</b>	<b>Net Assets</b>		<b>69,176</b>
		<b>Financing:</b>		
		<b>Unusable Reserves</b>		
(32,695)		Revaluation Reserve	18	(33,811)
(6)		Deferred Capital Receipts Reserve		(6)
(20,492)		Capital Adjustment Account	19	(20,258)
18		Collection Fund Adjustment Account	20	(242)
227		Accumulated Absences Account	22	220
10,749		Pensions Reserve	23	7,728
248		Pooled Fund Adjustment Account	21	195
	<b>(41,951)</b>	<b>Total Unusable Reserves</b>		<b>(46,173)</b>
	<b>(22,127)</b>	<b>Total Usable Reserves</b>	MIRS	<b>(23,003)</b>
	<b>(64,079)</b>	<b>Total Reserves</b>		<b>(69,176)</b>

## **Balance Sheet – The Council’s Resources**

The Balance Sheet at 31 March 2024 has been restated to separate capital grant receipts in advance from the short-term creditors.

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.

There was an increase in the value of the Council’s net assets in 2024/25 which was mainly due to revaluation increases in property, plant and equipment. There was a net decline in short term assets and liabilities, but this was due to balance between long term and short term loans, with a movement back to short term loans at the end of the year. This therefore created a reduction in long term liabilities, although there were increases here due to the introduction of lease liabilities under IFRS 16 as well as an increase in the capital grants and contributions being held.

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 £8.184m 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: 6 June 2025**

**Director of Resources**

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

2023/24		Note	2024/25
£'000			£'000
2,794	Net surplus/(deficit) on the provision of services		1,402
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
1,553	Depreciation		2,397
(886)	Revaluation gains/impairments & downward valuations		3,285
111	Adjustments for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		(53)
16	Movement in debt impairment		88
11,169	Movement in creditors		(10,881)
(5,334)	Movement in debtors		10,910
(910)	Movement in pension liability		(719)
(2,524)	Movement in provisions		112
2,155	Carrying amount of assets held for sale, sold or derecognised		14
235	Investment property valuation movements & upward revaluations		(88)
15	Other movements		15
<b>5,600</b>			<b>5,080</b>
(4,075)	Adjustment for items that are investing or financing activities		(8,289)
<b>4,319</b>	<b>Net cash inflow/(outflow) from Operating Activities</b>		<b>(1,807)</b>
	<b>Investing Activities</b>		
(2,431)	Purchase of property, plant & equipment, investment property & intangible assets		(18,793)
(59,505)	Purchase of short-term investments		(42,605)
(554)	Other payments for investing activities		(949)
131	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		246
59,505	Proceeds from short-term investments		42,605
9,237	Other receipts from investing activities		15,814
<b>6,383</b>	<b>Net cash inflow/(outflow) from Investing Activities</b>		<b>(3,682)</b>
	<b>Financing Activities</b>		
10,000	Movement on short and long-term borrowing		13,000
(5,286)	Council Tax and Business Rates adjustments		149
(10,000)	Repayment of short-term borrowing		(10,000)
0	Payments for the reduction of lease liability		(58)
<b>(5,286)</b>	<b>Net cash inflow/(outflow) from Financing Activities</b>		<b>3,091</b>
<b>5,416</b>	<b>Net increase/(decrease) in Cash and Cash Equivalents</b>		<b>(2,398)</b>
5,166	Cash and cash equivalents at 1 April	41	10,582
10,582	Cash and cash equivalents at 31 March	41	8,184
<b>5,416</b>			<b>(2,398)</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 cash flow for operating activities includes £1,050,000 for interest received (£1,175,000 in 2023/24) and £693,000 for interest paid (£240,000 in 2023/24).

## **Accounting Policies**

### **1. Accounting Policies – General Principles**

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 more 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 in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;
- 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;

## Notes to the Core Financial Statements

- 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 transactions debited or 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

##### Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination benefits

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 corporate services 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.

### Post-Employment Benefits

The Local Government Pension scheme is accounted for as a defined benefits scheme. The liabilities of the Kent Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, 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 5.80%. 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.

Where the value of the assets is greater than the value of the liabilities, creating a surplus, an asset ceiling calculation is carried out, ensuring compliance with IFRIC 14 regulations. The asset ceiling is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions.

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 took effect from 1 April 2023.

#### (d) 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.

## Notes to the Core Financial Statements

### (e) 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 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 2025.
- 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.

### (f) 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

## Notes to the Core Financial Statements

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.

### (g) 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.

### (h) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights (eg software licences) and it is expected that future economic benefits or service potential will flow from the asset to the Council. 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 15 years. Amortisation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

### (i) 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.

### (j) Leases

#### The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 to include arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right of use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year, but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

## Notes to the Core Financial Statements

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

The right of use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount.

The right of use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the estimate of the amount expected to be payable under a residual value guarantee
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset, with any further adjustment required from remeasurement being recorded in the income statement.

As permitted by the Code, the Council excludes leases for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and with a term shorter than 12 months. The exception to the low value limit would be vehicles, which will always be accounted for as a lease unless the lease is shorter than 12 months.

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred.

## Notes to the Core Financial Statements

Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, so these amounts are transferred to the capital adjustment account through the Movement in Reserves Statement.

### The Council as Lessor

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

#### 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

## Notes to the Core Financial Statements

on the same basis as the rental income.

### (k) 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.

### (l) 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 £1.5m.

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

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs incurred while assets are under construction.

The Council operates a de-minimus 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:

## Notes to the Core Financial Statements

- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised;
- Existing Use Value defined in accordance with RICS Valuation – Professional Standards for assets providing service potential to the Council where an active market exists; 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.

## Notes to the Core Financial Statements

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

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 60 years
IT equipment	3 to 15 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 being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – when an asset is disposed of or decommissioned, 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). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

When infrastructure assets are replaced, the underlying assumption is 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 is 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

## Notes to the Core Financial Statements

requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2024/25 is £2.1 million (2023/24 £1.9m).

### (n) Charges to Revenue for Non-Current Assets

Service revenue accounts and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- 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.

The Council is not required to raise Council Tax to cover depreciation, revaluation and 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.

These charges are therefore replaced by the contribution in the General Fund (MRP) by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

### (o) Provisions, Contingent liabilities and contingent assets

#### 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.

#### Contingent liabilities

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

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

#### Contingent assets

## Notes to the Core Financial Statements

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

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

### (p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the service revenue account within the Comprehensive Income & Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

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

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

Expenditure incurred during the year 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 to the capital adjustment account.

### (r) 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. During 2023/24 the preparation to include the Revenues and Benefits service within the shared services was undertaken and the transfer was completed in April 2024.

### (s) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

### (t) 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. Where the recharge of overheads and support services is not required for the calculation of total costs, the costs are reported against the support service that incurs those costs.

(u) Council Tax and Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and non-domestic (business) rates (NDR). 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. 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 Council's share of amounts due for the year.

However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals. Amounts owing for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(v) 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 not material or 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 Not Yet Adopted**

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

- **IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)** issued in August 2023. The amendments to IAS 21 clarify how to assess whether a currency is exchangeable and how to determine a spot exchange

## Notes to the Core Financial Statements

rate when exchangeability is lacking. The amendments also require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

- **IFRS 17 Insurance Contracts** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of **IAS 16 Property Plant and Equipment** and **IAS 38 Intangible Assets**. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

The first two items are not expected to have a material effect on the Council's finances in 2025/26. Depending on the rate of indexation each year, the third item has the potential to have a material impact, but as large value assets are revalued each year, the impact would not be expected to be material in most years.

### 4. Accounting Estimates

In order to prepare the accounts, the Council makes accounting estimates for the value of items such as pensions, property, plant and equipment, and the impairment allowance for debtors. These are supported by professional advice, and take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the estimates.

The items in the Council's balance sheet at 31 March 2025 for which there is a significant risk to material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from estimates
Pensions liability (£7.728m)	The accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. Any differences between estimates and actual experience will be incorporated once the next actuarial valuation of the fund is complete.	
	From an accounting perspective, the current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market, and is in line with the current FRS102/IAS19 accounting standard.	
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension liability of £6m.  Changes to assumptions in 2024/25 have contributed to a decrease in the net liability of £3m.
Valuation of property, plant and	All valuations are carried out in accordance with the methodologies and bases for estimation set out in the	To reduce estimation uncertainty, the valuation date for investment and high value assets of the

## Notes to the Core Financial Statements

<p>equipment (PPE) (£114.974m)</p>	<p>professional standards of the Royal Institution of Chartered Surveyors. A firm of professional valuers is engaged to carry out this work, working closely with the finance team. The methodology used to value PPE is set out in note 25 to the accounts.</p> <p>When the fair value of investment properties, surplus assets, leased property assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ol style="list-style-type: none"> <li>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>2. For Level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review.</li> </ol> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the valuers identify the most appropriate valuation techniques to determine fair value.</p>	<p>Council were as at 31 March 2025.</p> <p>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 global conflicts.</p> <p>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.</p> <p>If the valuation of the overall PPE increased by 1% then impact to the council would be £1.1m.</p>
<p>Impairment allowance for non-payment of debt (£3.911m)</p>	<p>The Council has an impairment allowance of £3.911m for income relating to benefit overpayments, council tax, NNDR, and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis, debt recovery stage, and risk. However, future payment patterns could differ from historical trends.</p>	<p>The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns.</p> <p>If collection rates were to reduce by 1% an extra £39k would be required to be set aside as an allowance.</p>

## **5. Events after the Reporting Period**

The draft Statement of Accounts was authorised for issue by the Director of Resources on 6 June 2025. 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 2025, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information.

## **6. Authorisation of Accounts for Issue**

The Statement of Accounts was authorised for issue by Lisa Fillery, the Director of Resources, on 6 June 2025.

## Notes to the Core Financial Statements

### 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:

<b>2023/24</b>		<b>2024/25</b>
Number of Employees	Remuneration Band	Number of Employees
9	£50,000 - £54,999	8
3	£55,000 - £59,999	6
7	£60,000 - £64,999	5
2	£65,000 - £69,999	2
0	£70,000 - £74,999	1
2	£75,000 - £79,999	0
1	£80,000 - £84,999	1
2	£85,000 - £89,999	1
1	£90,000 - £94,999	3
0	£95,000 - £99,999	1
1	£105,000 - £109,999	0
1	£110,000 - £114,999	2
0	£125,000 - £129,999	0
1	£130,000 - £134,999	0
0	£140,000 - £144,999	1
<b>30</b>	<b>Total</b>	<b>31</b>

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:

## Notes to the Core Financial Statements

2023/24			Band	2024/25		
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Cost of Exit Packages £		Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Cost of Exit Packages £
8	0	14,168	£0 - £20,000	1	2	12,824
1	0	0	£20,001 - £40,000	0	0	0
1	0	44,117	£40,001 - £60,000	0	0	0
1	0	67,436	£60,001 - £80,000	0	0	0
<b>11</b>	<b>0</b>	<b>125,721</b>	<b>Total paid to employees</b>	<b>1</b>	<b>2</b>	<b>12,824</b>
			49,190 Total paid to KCC for contracted payments for pension scheme			0
		<b>174,910</b>	<b>Total</b>			<b>12,824</b>

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

Point	2023/24				2024/25		
	Salary, Fees & Allowances	Pension Contribution	Total		Salary, Fees & Allowances	Pension Contribution	Total
	£'000	£'000	£'000		£'000	£'000	£'000
	144	27	171	Chief Executive	147	29	176
	107	22	129	Director of Resources	114	23	137
	111	23	134	Director of Regeneration & Neighbourhoods	113	23	136
1	6	1	7	Head of Policy, Governance & Customer Services	0	0	0
	89	18	107	Head of Legal Partnership	95	20	115
2	59	14	73	Deputy Head of Legal Partnership	77	17	94
	<b>516</b>	<b>105</b>	<b>621</b>	<b>Total</b>	<b>546</b>	<b>112</b>	<b>658</b>

**Point 1:** Post holder left in April 2023.

**Point 2:** Post holder took up statutory Monitoring Officer duties in April 2023.

### 8. Members' Allowances

2023/24	2024/25
£'000	£'000
316	315
68	70
2	2
<b>386</b>	<b>388</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 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 2024/25 the rate was 20.5%, 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

## Notes to the Core Financial Statements

have been made in the Comprehensive Income & Expenditure Statement and the General Fund balance via the Movement in Reserves Statement:

<b>2023/24 Comprehensive Income &amp; Expenditure Statement</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
Cost of services comprising:	
1,450 Current service cost	1,406
87 Administration expenses	92
344 Net interest expense	462
<b>1,881 Total post-employment benefits charged to the provision of services</b>	<b>1,960</b>
Post-employment benefits charged to Other Comprehensive Income & Expenditure:	
(101) Change in accounting estimate	0
1,309 Return on plan assets in excess of interest	1,515
(1,531) Change in demographic assumptions	(280)
276 Experience loss on defined benefit obligation	(239)
(2,218) Change in financial assumptions	(13,056)
0 Changes as a result of asset ceiling	9,758
<b>(2,265) Total remeasurements recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>(2,302)</b>
<b>(384) Total post-employment benefits credited to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(342)</b>

<b>2023/24 Movement in Reserves Statement</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
910 Reversal of items for post-employment benefits taken to the surplus or deficit on the Provision of Services (see Note 46)	719
<b>2,791 Employers' contributions payable to the scheme</b>	<b>2,679</b>
<b>(1,309) Actual return on scheme assets less interest</b>	<b>(1,515)</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:

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
106,088 Present value of the defined benefit obligation	94,244
(97,096) Fair value of plan assets	(97,798)
<b>8,992 Deficit/(Surplus)</b>	<b>(3,554)</b>
0 Impact of asset ceiling	9,758
1,757 Present value of unfunded obligation	1,524
<b>10,749 Net defined liability in the balance sheet</b>	<b>7,728</b>

## Notes to the Core Financial Statements

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:

2023/24 Reconciliation of present value of the scheme liabilities £'000	2024/25 £'000
<b>(110,014) Opening balance as at 1 April - defined benefit obligation</b>	<b>(107,845)</b>
(1,412) Current service cost	(1,406)
(38) Past service cost	0
(5,219) Interest cost	(5,162)
(582) Contributions by scheme participants	(541)
2,218 Changes in financial assumptions	13,056
(276) Experience loss on defined benefit obligation	239
1,531 Changes in demographic assumptions	280
5,947 Benefits paid including unfunded pension payments	5,611
<b>(107,845) Closing balance as at 31 March - defined benefit obligation</b>	<b>(95,768)</b>

2023/24 Reconciliation of fair value of scheme assets £'000	2024/25 £'000
<b>96,090 Opening balance as at 1 April - fair value of scheme assets</b>	<b>97,096</b>
101 Opening balance adjustment	0
4,875 Interest on assets	4,700
(1,309) Return on assets less interest	(1,515)
(87) Administration expenses	(92)
2,791 Employer contributions	2,679
582 Contributions by scheme participants	541
0 Other actuarial gains/(losses)	0
(5,947) Benefits paid including unfunded pension payments	(5,611)
<b>97,096 Closing balance as at 31 March - fair value of scheme assets</b>	<b>97,798</b>

2023/24 Reconciliation of pension asset ceiling £'000	2024/25 £'000
<b>0 Opening impact of asset ceiling</b>	<b>0</b>
0 Interest on impact of asset ceiling	0
0 Actuarial losses/(gains)	9,758
<b>0 Closing impact of asset ceiling</b>	<b>9,758</b>

## Notes to the Core Financial Statements

### h) Pension Fund Assets

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

<b>31 March 2024</b>			<b>31 March 2025</b>	
<b>£'000</b>	<b>%</b>		<b>£'000</b>	<b>%</b>
56,486	58	Equity investments	55,690	57
7,114	7	Gilts	5,797	6
13,980	14	Bonds	14,538	15
8,711	9	Property	8,009	8
1,546	2	Cash	3,868	4
4,906	5	Absolute return fund	4,995	5
4,353	4	Infrastructure	4,901	5
<b>97,096</b>	<b>100</b>	<b>Total</b>	<b>97,798</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 are based on the triennial valuation carried out at 31 March 2022.

<b>31 March 2024</b>	<b>31 March 2025</b>
<b>Mortality assumptions</b>	
Longevity at 65 if retiring today:	
20.8 years      Men	20.7
23.3 years      Women	23.3
Longevity at 65 if retiring in 20 years:	
22.0 years      Men	22.0
24.7 years      Women	24.7
3.25% Rate of inflation (Retail Price Index (RPI) increases)	3.20%
2.90% Rate of inflation (Consumer Price Index (CPI) increases)	2.90%
3.90% Rate of increase in salaries	3.90%
2.90% Rate of increase in pensions	2.90%
4.90% Rate of discounting scheme liabilities	5.80%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2025 is calculated to be 3.32% (3.76% for the year 31 March 2024).

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.

## Notes to the Core Financial Statements

Uncertainty	Sensitivity Analysis				
	£'000	£'000	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	89,654	94,489	95,768	97,076	102,625
Projected service cost	864	994	1,030	1,066	1,223
<b>Adjustment to long-term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	96,406	95,893	95,768	95,643	95,153
Projected service cost	1,030	1,030	1,030	1,030	1,030
<b>Adjustment to pension increases and deferred revaluati</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	102,155	96,986	95,768	94,577	90,077
Projected service cost	1,231	1,067	1,030	993	857
<b>Adjustment to life expectancy assumptions</b>		<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>	
Present value of total obligation		99,500	95,768	92,196	
Projected service cost		1,069	1,030	991	

### 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 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 took effect from 1 April 2023. The primary rate increased from 18.5% to 20.5%, but the secondary rate has fallen to a fixed annual amount of £850,000 per year for the 3 year valuation period (secondary rate payments of £850,000 were made in 2024/25).

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 2024/25 is £2.472m (£2.575m in 2023/24).

The weighted average duration of the defined benefit obligation for scheme members is 14 years for 2024/25 (2023/24 average was 16 years).

## 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:

2023/24		2024/25
Net		Net
Expenditure		Expenditure
£'000		£'000
30,977	Housing Benefit payments	28,542
13,711	Employee costs	13,936
21,571	Business rates paid to Government and pool	23,434
20,224	Other service expenses	27,876
10,494	Major contracts	11,667
1,730	Parish precepts	1,955
952	Drainage board levy	1,000
698	Trading undertakings losses	293
83	Investment properties	71
2,483	Other items	762
<b>102,923</b>	<b>Total expenditure</b>	<b>109,536</b>
(30,351)	Housing Benefit income (Note 12)	(27,861)
(25,553)	Business rates income	(27,118)
(8,704)	s31 retail relief grant	(9,569)
(13,797)	Fees, charges and other service income	(14,261)
(11,368)	Council tax	(11,998)
(1,102)	New homes bonus	(674)
(2,923)	Trading undertakings gains	(1,716)
(317)	Revenue support grant	(338)
(7,712)	Grant income credited to cost of services (Note 12)	(10,736)
(2,366)	Other grants and contributions	(4,968)
(1,524)	Other items	(1,737)
<b>(105,717)</b>	<b>Total income</b>	<b>(110,976)</b>
<b>(2,794)</b>	<b>(Surplus) on provision of services</b>	<b>(1,440)</b>

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

2023/24		2024/25
Net		Net
Expenditure		Expenditure
£'000	Note	£'000
239	Interest payable & similar charges	763
344	Net interest on the net defined pension liability	9 462
(1,176)	Interest receivable & similar income	(1,037)
(2,225)	Net gains on trading undertakings	(1,423)
(224)	Income – investment properties	28 (254)
235	Change in fair value of investment properties	28 (88)
112	Net (gains) / losses on financial assets through profit and loss	42 (53)
<b>(2,695)</b>		<b>(1,630)</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 2025 were £492,000 (£1,254,000 at 31 March 2024).

c) Capital Grants and Contributions

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

d) Grants Credited to Services

<b>2023/24</b>		<b>2024/25</b>
<b>£'000</b>	<b>Grant Area</b>	<b>Provider</b>
		<b>£'000</b>
(30,351)	Housing benefit grant	DWP (27,861)
(513)	Levelling Up Fund	MHCLG (2,783)
(1,545)	Housing repair grants - disabled facilities	MHCLG (1,392)
(920)	Homelessness grant	Various (1,342)
(335)	UK Shared Prosperity Fund	MHCLG (577)
(329)	Council Tax and Elections New Burdens	MHCLG (48)
(717)	Household Support Fund	KCC (500)
(325)	Coronavirus revenue grants - other	Various (437)
(257)	Council Tax Support Fund S13A	MHCLG 0
(722)	Rough sleeper initiative	MHCLG (775)
(399)	Housing benefit admin subsidy	DWP (386)
(134)	Council Tax Support Scheme Admin Grant	KCC (133)
(248)	Discretionary housing payment	DWP (261)
0	Local Plans Delivery Fund	MHCLG (228)
(103)	Implementing welfare reform changes	DWP (112)
(24)	Council Tax & Business Rates grants	BEIS 0
(53)	Open spaces & play areas - commuted sums	Various (54)
(1,088)	Other grants	Various (1,708)
<b>(38,063)</b>		<b>(38,597)</b>

## 13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
195	Fees payable for external audit service 202
35	Fees payable for the certification of grant claims and returns 90
<b>230</b>	<b>Total 292</b>

## Notes to the Core Financial Statements

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

Total assets valued at £1,052,000 were written out in 2024/25. Of this, £1,038,000 related to pieces of equipment that are no longer owned. A total net gain of £236,000 was realised for 2024/25 for all derecognised assets.

No investment properties were disposed of in 2024/25, one investment property was disposed of in 2023/24, with a gain of £33,000. 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 2023/24 repayments of Disabled Facilities Grants, previously held as capital receipts, were reclassified as capital grants unapplied.

2023/24	2024/25
£'000	£'000
<b>(2,946) Balance as at 1 April</b>	<b>(392)</b>
(131) Capital receipts in year from sale of assets	(246)
(18) Capital receipts in year from repayment of grants	(10)
903 Reclassification of capital receipts	0
1,800 Capital receipts applied during the year - financing long-term assets	0
<b>(392)</b>	<b>(648)</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 2025 of £2.043m 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 2023/24 and 2024/25.

	Balance 31 March 2023 £'000	Transfers out 2023/24 £'000	Transfers in 2023/24 £'000	Balance 31 March 2024 £'000	Transfers out 2024/25 £'000	Transfers in 2024/25 £'000	Balance 31 March 2025 £'000
Budget Contingency Reserve	(2,920)	3,140	(2,058)	(1,837)	1,217	(432)	(1,052)
Kent Pool Economic Development Business Rates	(1,888)	289	(1,119)	(2,717)	855	(1,081)	(2,944)
North Kent Housing & Commercial Growth Business Rates	(1,333)	204	0	(1,129)	179	0	(950)
Business Rates Volatility	(1,005)	108	(3,144)	(4,041)	896	(1,017)	(4,162)
Building and Asset Maintenance	(741)	0	0	(741)	0	(35)	(776)
Service Reserves	(1,291)	0	(278)	(1,569)	138	(75)	(1,506)
Waste and Environment	(456)	17	(420)	(859)	1,120	(1,853)	(1,592)
ICT Equipment Reserve	(494)	197	(167)	(464)	172	(84)	(376)
Repairs and Renewals	(305)	0	(37)	(341)	0	(25)	(366)
Miscellaneous	(3,290)	1,254	(630)	(2,667)	721	(933)	(2,879)
<b>Total Earmarked (Excl General Fund)</b>	<b>(13,723)</b>	<b>5,209</b>	<b>(7,852)</b>	<b>(16,366)</b>	<b>5,299</b>	<b>(5,536)</b>	<b>(16,604)</b>
<b>Ring Fenced / Accounting / Collection Fund</b>							
Collection Fund & Grants In Advance	(1,325)	1,247	(92)	(170)	28	(31)	(174)
Accounting Adjustments	(82)	0	(250)	(332)	0	(100)	(432)
	<b>(15,130)</b>	<b>6,456</b>	<b>(8,195)</b>	<b>(16,869)</b>	<b>5,327</b>	<b>(5,668)</b>	<b>(17,210)</b>
Net transfer (to) / from reserves			(1,739)			(341)	

## 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.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
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.
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.

## Notes to the Core Financial Statements

### 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).

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 2024/25 are shown below.

<b>(Gains) or losses on revaluation</b>		<b>2024/25</b>
		<b>£'000</b>
Swallows Leisure Centre, Sittingbourne	Gain	(365)
Sheerness Swimming Pool	Gain	(134)
Sheerness Sports Hall	Gain	(149)
Land at Brielle Way, West Minster	Loss	377
Hotel Building, Sittingbourne	Loss	112
Pavilions and Lodge at Faversham Rec	Loss	(1,402)
Faversham Swimming Pool	Gain	(100)
Cinema Land & Building, Sittingbourne	Gain	(208)

Some of the large value 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 loss on the pavilions and lodge at Faversham recreation ground result from a change in the valuation method, following recognition of the asset as a right of use 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>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
<b>(31,944) Balance as at 1 April</b>	<b>(32,695)</b>
(28) Opening balance adjustment	0
(1,960) (Upward) revaluation of assets	(3,551)
809 Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	1,998
<b>(1,178) Sub total of revaluations</b>	<b>(1,553)</b>
416 Write down re gains derived from depreciation differences, between historic costs and current value	431
12 Write down of accumulated gains on disposed assets	7
<b>(32,695) Balance as at 31 March</b>	<b>(33,811)</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

## Notes to the Core Financial Statements

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.

2023/24 £'000	Note	2024/25 £'000
(18,173)		(20,492)
<b>Balance as at 1 April</b>		
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>		
1,553		2,397
15		15
2,317	30	4,401
314		3,966
235		1
(1,200)		(681)
0		(89)
2,155		14
<b>Write down of Revaluation Reserve:</b>		
(416)	18	(431)
(12)	18	(7)
<b>Capital financing applied in the year:</b>		
(1,800)	32/15	0
(3,796)	32	(7,765)
(623)	32	(130)
(28)	32	0
(1,067)	32	(1,617)
34		160
(20,492)		(20,258)
<b>Balance as at 31 March</b>		

### 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, plus the deficit for renewable energy income retained by the Council. The balance at 31 March 2025 was a net surplus of £242,000 (£18,000 deficit in 2023/24).

### 21. Pooled Fund Adjustment Account

The movement in year of £53,000 represents the increase 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

## Notes to the Core Financial Statements

forward at 31 March 2025. 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 2024/25 was a decrease of £6,000.

### 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 £7,728,000 (reduced from £10,749,000 in 2023/24) 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 2024/25 are shown in Note 9(f).

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
13,924 <b>Balance at 1 April</b>	10,749
<b>(2,265)</b> Remeasurements of the net defined benefit liability	<b>(2,302)</b>
1,881 Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	1,960
<b>(2,791)</b> Employer's pension contributions	<b>(2,679)</b>
<b>10,749 Balance at 31 March</b>	<b>7,728</b>

**Notes to the Core Financial Statements**

**Long-Term Spending – Capital**

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

Movements in 2024/25:

	Operational Assets				Non-Operational Assets Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment	Right of Use
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>As at 1 April 2024</b>	<b>79,549</b>	<b>12,683</b>	<b>1,445</b>	<b>7,848</b>	<b>816</b>	<b>1,575</b>	<b>103,915</b>	<b>0</b>
Opening balance adjustment	0	0	0	0	0	0	0	3,200
Additions	9,929	801	3	85	1,549	0	12,367	27
Disposals	(14)	(1,038)	0	0	0	0	(1,052)	0
Depreciation written out	(1,198)	0	0	0	0	(0)	(1,199)	(48)
Revaluation to Reval Reserve	3,028	0	0	0	0	(375)	2,653	(1,100)
Revaluation to CIES	(1,893)	0	0	0	0	0	(1,893)	(1,393)
Reclassified	(1,757)	0	0	0	0	0	(1,757)	1,757
<b>As at 31 March 2025</b>	<b>87,643</b>	<b>12,446</b>	<b>1,448</b>	<b>7,933</b>	<b>2,365</b>	<b>1,200</b>	<b>113,035</b>	<b>2,444</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>As at 1 April 2024</b>	<b>(307)</b>	<b>(4,848)</b>	<b>(583)</b>	<b>(1,136)</b>	<b>0</b>	<b>0</b>	<b>(6,875)</b>	<b>0</b>
Depreciation charge	(1,179)	(1,016)	(33)	(95)	0	0	(2,323)	(73)
Disposals	0	1,038	0	0	0	0	1,038	0
Depreciation written out	1,198	0	0	0	0	0	1,198	48
Reclassified	0	0	0	0	0	0	0	(0)
<b>As at 31 March 2025</b>	<b>(288)</b>	<b>(4,826)</b>	<b>(617)</b>	<b>(1,232)</b>	<b>0</b>	<b>0</b>	<b>(6,961)</b>	<b>(25)</b>
<b>Net Book Value</b>								
<b>As at 31 March 2025</b>	<b>87,356</b>	<b>7,620</b>	<b>831</b>	<b>6,701</b>	<b>2,365</b>	<b>1,200</b>	<b>106,073</b>	<b>2,419</b>
<b>Net Book Value</b>								
<b>As at 31 March 2024</b>	<b>79,242</b>	<b>7,835</b>	<b>862</b>	<b>6,711</b>	<b>816</b>	<b>1,575</b>	<b>97,041</b>	<b>0</b>

## Notes to the Core Financial Statements

Movements in 2023/24:

	Operational Assets				Non-Operational Assets	Surplus	Total
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Under Construction	Assets	Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>As at 1 April 2023</b>	<b>77,824</b>	<b>6,427</b>	<b>1,445</b>	<b>7,848</b>	<b>2,085</b>	<b>1,931</b>	<b>97,559</b>
Opening balance adjustment	12	0	0	0	0	0	12
Additions	1,578	6,309	0	0	816	0	8,704
Disposals	(12)	(53)	0	0	(2,085)	(17)	(2,166)
Depreciation written out	(2,231)	0	0	0	0	(0)	(2,232)
Revaluation to Reval Reserve	1,483	0	0	0	0	(333)	1,150
Revaluation to CIES	893	0	0	0	0	(7)	887
Reclassified	0	0	0	0	0	0	0
<b>As at 31 March 2024</b>	<b>79,549</b>	<b>12,683</b>	<b>1,445</b>	<b>7,848</b>	<b>816</b>	<b>1,575</b>	<b>103,915</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>As at 1 April 2023</b>	<b>(1,359)</b>	<b>(4,663)</b>	<b>(543)</b>	<b>(1,041)</b>	<b>0</b>	<b>(0)</b>	<b>(7,606)</b>
Depreciation charge	(1,179)	(237)	(40)	(95)	0	(0)	(1,552)
Disposals	0	53	0	0	0	0	53
Depreciation written out	2,231	0	0	0	0	0	2,232
Reclassified	0	0	0	0	0	0	0
<b>As at 31 March 2024</b>	<b>(307)</b>	<b>(4,848)</b>	<b>(583)</b>	<b>(1,136)</b>	<b>0</b>	<b>0</b>	<b>(6,874)</b>
<b>Net Book Value</b>							
<b>As at 31 March 2024</b>	<b>79,242</b>	<b>7,835</b>	<b>862</b>	<b>6,711</b>	<b>816</b>	<b>1,575</b>	<b>97,041</b>
<b>Net Book Value</b>							
<b>As at 31 March 2023</b>	<b>76,465</b>	<b>1,764</b>	<b>902</b>	<b>6,807</b>	<b>2,085</b>	<b>1,931</b>	<b>89,953</b>

## Notes to the Core Financial Statements

The main additions in the year came from the purchase of properties to be used as temporary accommodation (£9,724,000), waste collection and street cleansing vehicles (£674,000) and spend on the Sheerness Revival Levelling Up development (£1,531,000).

Asset disposals included the sale of vacant land at New Road, Minster and beach hut sales. A number of plant, vehicle and equipment assets were also derecognised.

### 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 £120,000 being charged to the Comprehensive Income & Expenditure Statement.

### Right of Use Assets

The table shows the change in the value of right of use assets held under leases by the authority.

<b>Right of Use Assets</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, plant and equipment £'000</b>	<b>Total £'000</b>
Balance at 1 April 2024	0	0	0
Opening balance adjustments	3,153	46	3,200
Reclassification	1,757	0	1,757
Additions	0	27	27
Revaluations	(2,493)	0	(2,493)
Depreciation and amortisation	(49)	(24)	(73)
<b>Balance at 31 March 2025</b>	<b>2,369</b>	<b>50</b>	<b>2,419</b>

## **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 2024/25 Wilks, Head and Eve valued Property, Plant and Equipment assets, and also Investment assets, to a total value of £80,020,000. This total value comprises of valuations carried out on 1 January 2025 totalling £6,230,000 and 31 March 2025 totalling £73,790,000.

An impairment and market 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

## **Notes to the Core Financial Statements**

valuations performed at 1 January 2025 which would require these to be updated at 31 March 2025, 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	Vehicles & Equipment	Leased Assets	Infrastructure	Community	Assets Under Construction	Surplus Land & Buildings	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	2,291	0	0	831	6,701	2,365	0	12,188
Carried at depreciated historical cost	0	7,620	50	0	0	0	0	7,670
Valued at current value as at:								
2020/21	8,418	0	0	0	0	0	0	8,418
2021/22	2,376	0	11	0	0	0	0	2,387
2022/23	1,611	0	22	0	0	0	0	1,633
2023/24	1,530	0	83	0	0	0	0	1,613
2024/25	71,131	0	2,253	0	0	0	1,200	74,583
<b>Total cost/valuation at 31 March 2025</b>	<b>87,356</b>	<b>7,620</b>	<b>2,419</b>	<b>831</b>	<b>6,701</b>	<b>2,365</b>	<b>1,200</b>	<b>108,492</b>

Using Wilks, Head and Eve market data, the Council has undertaken a review of all assets that were valued before 2024/25 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 2024/25 the Council has recognised a net loss of £3,198,000 in respect of its non-current assets (net gain of £652,000 in 2023/24).

2023/24 Total £'000	Note	PPE Assets £'000	Investment Assets £'000	2024/25 Total £'000
608	Revaluation - increase recognised in the Provision of Services	410	89	499
592	Depreciation written out to the Provision of Services	271	0	271
<b>1,200</b>	<b>Total Gain (credit to deficit)</b>	<b>681</b>	<b>89</b>	<b>770</b>
(581)	Revaluation - decrease recognised in the Provision of Services	(4,079)	(1)	(4,080)
32	Depreciation written out to the Provision of Services	112	0	112
<b>(548)</b>	<b>Total Loss (debit to deficit)</b>	<b>(3,966)</b>	<b>(1)</b>	<b>(3,968)</b>
<b>652</b>	<b>Net Total (Loss)/Gain Debited/Credited to the Provision of Services</b>	<b>(3,286)</b>	<b>88</b>	<b>(3,198)</b>

The greatest revaluation gains were incurred on three properties, being the cinema building, Bourne Place (£534,000), the multi-storey car park, Sittingbourne (£44,000), and the Leisure centre, Sittingbourne (£37,000). Eleven other properties incurred gains, averaging £2,600 per property.

The greatest revaluation loss on PPE assets was incurred on three properties, being Forum car park (£1,280,000), Hotel Building, Bourne Place, Sittingbourne (£84,000) and Crown Quay Lane Car Park (£74,000). 32 housing properties bought in the year were also revalued and the building element recognised a loss totalling £2,213,000. Revaluations gains taken to the revaluation reserve were recognised on the land element of these properties which totalled £1,842,000. Twelve other properties incurred losses, averaging £23,000 per property.

Revaluation gains were incurred on four investment properties totalling £89,000.

## 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 2024	165	401	115	1,651	2,332
Additions	0	0	0	0	0
Revaluations	0	0	0	0	0
<b>As at 31 March 2025</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 2024	0	0	0	(2)	(2)
Depreciation charge	0	0	0	(1)	(1)
<b>As at 31 March 2025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>
<b>Net Book Value As at 31 March 2025</b>	<b>165</b>	<b>401</b>	<b>115</b>	<b>1,648</b>	<b>2,329</b>
<b>Net Book Value As at 31 March 2024</b>	<b>165</b>	<b>401</b>	<b>115</b>	<b>1,649</b>	<b>2,329</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.

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 £1.4 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):

2023/24 £'000	2024/25 £'000
(307) Rental income	(325)
83 Direct operating expenses	71
<b>(224) Net gain</b>	<b>(254)</b>

## Notes to the Core Financial Statements

The net gain on revaluation for investment properties in the year was £88,000 (£235,000 loss in 2023/24), representing a valuation increase of 2.3%. 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 value valuation input levels).

2023/24 £'000	2024/25 £'000
4,173 Balance as at 1 April	3,896
(42) Disposals	0
0 Gains from revaluations	89
(235) Losses from revaluations	(1)
<b>3,896 Balance as at 31 March</b>	<b>3,984</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 £398,000 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.

2023/24 £'000 Grant Area	Funding Provider	2024/25 £'000
1,504 Disabled Facilities Grants Mandatory Grants	MHCLG	1,358
392 Levelling Up Project	MHCLG	2,528
122 IT replacements	SBC	4
111 Rural England Prosperity Fund Grants	SBC	235
66 St. Michael's Church boundary wall, Sittingbourne	SBC	0
61 UK Shared Prosperity Fund Grants	MHCLG	63
41 Housing Repair Grants (over 60)	SBC	34
20 Painters Forstall new community hall grant	SBC	0
0 Faversham Pool	Sport England	178
<b>2,317</b>		<b>4,401</b>

## Notes to the Core Financial Statements

### 31. Commitments under Capital Contracts

The major commitments to spend at 31 March 2025 were:

2023/24 Project £'000	2024/25 £'000
1,538 Levelling Up Fund Sheerness Revival Project	4,004
674 Waste Vehicle Fleet	60
652 Disabled Facilities Grants	579
<b>2,863</b>	<b>4,643</b>

A project to purchase residential properties for use as temporary accommodation was underway at year end. Although a number of properties were in the process of being bought, there were none at a contractually committed stage at 31 March.

### 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.

2023/24 £'000	2024/25 £'000
<b>48,406</b> Opening Capital Financing Requirement	<b>52,113</b>
8,688 Property, plant and equipment	15,653
2,317 Revenue expenditure funded from capital under statute	4,401
15 Long-term loans	0
<u>11,020</u>	<u>20,054</u>
<b>Sources of Finance:</b>	
(1,800) Capital receipts	0
(3,796) Government grants & external contributions	(7,765)
Sums set aside from revenue:	
(623) Reserves funding	(130)
(28) Direct revenue funding	0
(1,067) Minimum revenue provision (MRP)	(1,617)
<b>(7,313) Total Sources of Finance</b>	<b>(9,513)</b>
<b>52,113</b> Closing Capital Financing Requirement	<b>62,654</b>
<b>Explanation of Movements in Capital Financing Requirement in Year:</b>	
Capital expenditure to be funded from future MRP when assets are	
4,774 operational	12,158
(1,067) Reduction in underlying need to borrow (MRP)	(1,617)
<b>3,707</b> Total increase/(decrease) in Capital Financing Requirement	<b>10,541</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 and Capital Grant Receipts in Advance

31 March 2024 Short-Term Creditors £'000	31 March 2025 £'000
Business rates - Central government, KCC and Kent Fire and Rescue shares	(4,733)
(4,960) Business rates - pool share	(3,667)
(629) Business rates and council tax payers	(1,037)
(1,367) Waste contract	(979)
(881) Business rates - transitional protection payments	(329)
(6,015) Waste contract vehicles	0
(2,849) Business rates - appeals	0
(5,716) Other	(3,740)
<b>(33,023) Total Creditors</b>	<b>(14,485)</b>
(396) Receipts in advance - Other	(188)
<b>(33,418) Short-term creditors</b>	<b>(14,673)</b>

31 March 2024 Capital Grant Receipts in Advance £'000	31 March 2025 £'000
(519) S106 - Short term	(1,578)
(2,319) Receipts in advance - Capital grants	(3,651)
<b>(2,838)</b>	<b>(5,230)</b>

The 31 March 2024 comparatives have been restated to include low value items within 'Other' creditors.

The decrease in the business rates pool share is because there is now only one year settlement outstanding at 31 March 2025. As at 31 March 2024 there were three years outstanding due to an audit backlog. These were all settled during 2024/25.

The waste contract vehicle costs were a one-off cost for 2023/24. Creditors in relation to this at 31 March 2025 were minimal and included within 'Other'. The Business rates appeals for 2023/24 were a one off position due to the timing of an appeal refund. This was not applicable for 2024/25 as there were no similar issues.

#### 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.

## Notes to the Core Financial Statements

### 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.

31 March 2024	Expenditure	Income	31 March 2025
£'000	£'000	£'000	£'000
(8,660) S106 held for Third Parties	1,558	(3,701)	(10,802)
(5,198) Disabled Facilities Grants	1,862	(3,173)	(6,510)
(1,252) Levelling Up Fund	4,174	(12,000)	(9,077)
(1,795) Local Authority Housing Fund	1,490	(618)	(923)
(943) Brownfield Land Release	0	0	(943)
0 Faversham Pool	178	(178)	0
0 UKSPF	165	(185)	(20)
(318) Other	433	(471)	(357)
<b>S106 Capital Funding:</b>			
(1,026) Housing	0	0	(1,026)
(610) Open Spaces	0	62	(548)
(639) Play Areas	12	(15)	(642)
(223) Air Quality & Ecology	27	(47)	(244)
(2,320) Other	0	(10)	(2,330)
<b>(22,985) Total</b>	<b>9,899</b>	<b>(20,335)</b>	<b>(33,421)</b>
<b>31 March 2024</b>			<b>31 March 2025</b>
£'000			£'000
(2,838) Due to spend within one year (short-term creditors)			(5,230)
(20,147) Due to spend in more than one year (long-term liabilities)			(28,191)
<b>(22,985) Total</b>			<b>(33,421)</b>

In 2024/25 nothing was repaid. The S106 monies held for third parties is largely due to developments (£10.802m) 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 2024</b>	<b>(2,278)</b>	<b>(59)</b>	<b>(2,337)</b>
Additional provisions made	(962)	0	(962)
Amounts used	851	0	851
<b>Balance at 31 March 2025</b>	<b>(2,388)</b>	<b>(59)</b>	<b>(2,448)</b>
Long term	(1,542)	(59)	(1,601)
Short term	(847)	0	(847)
	<b>(2,388)</b>	<b>(59)</b>	<b>(2,448)</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 2025. 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).

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 has been successful in a Planning enforcement case. However, if the enforcement notice is not complied with, 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.

The Council is also aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on Swale Borough Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 to April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Swale Borough Council's share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Swale Borough Council and thus the obligation and liability shown in the Council's accounts.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the Virgin Media v NTL Trustees ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time. We still await further information but at this time are hopeful there will be no impact on the LGPS.

## Notes to the Core Financial Statements

### 39. Long-Term Debtors – Other

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

31 March 2024 £'000	31 March 2025 £'000
1,747 Housing repair loans	1,598
136 Rent deposit scheme	290
118 Opportunities for Sittingbourne Limited	118
54 Other long-term loans	44
<b>2,055 Total debtors</b>	<b>2,050</b>
<b>Impairment for doubtful debt</b>	
(104) Rent deposit scheme	(201)
(9) Other	0
<b>(113) Total impairment for doubtful debt</b>	<b>(201)</b>
<b>1,942 Net long-term debtors</b>	<b>1,849</b>

### 40. Short-Term Debtors

31 March 2024 £'000	31 March 2025 £'000
Council tax - KCC, Kent Fire and Rescue Service, and Kent Police	
6,495 and Crime Commissioner shares	7,573
4,017 Business rates and council tax payers	4,403
6,329 Business rates - pool share	2,163
2,693 Sundry debtors	1,677
1,799 Housing benefits overpayments	1,608
250 VAT - HM Revenue and Customs	575
6,930 Housing benefits - Department for Work and Pensions	420
526 Household Support Fund - Department for Work and Pensions	253
1,055 Other	1,593
<b>30,096 Total debtors</b>	<b>20,265</b>
81 Payments in advance	103
<b>30,177</b>	<b>20,368</b>
<b>Impairment for doubtful debt</b>	
(1,141) Housing benefit overpayments	(1,076)
(2,732) Other	(2,835)
<b>(3,872) Total impairment for doubtful debt</b>	<b>(3,911)</b>
<b>26,304 Net short term debtors</b>	<b>16,458</b>

The decrease in the business rates pool share is because there is now only one year settlement outstanding at 31 March 2025. As at 31 March 2024 there were three years outstanding due to an audit backlog. These were all settled during 2024/25.

The decrease in Housing Benefits – Department for Work & Pensions reflects a reduction in the variance between payments received on account during the year and the final settlement due at 31 March 2025.

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.

## Notes to the Core Financial Statements

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.

### 41. Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

Cash and cash equivalent assets comprise the balance on the council's bank current account, plus short term, highly liquid investments that are readily convertible to cash.

Cash and cash equivalent liabilities comprise any overdraft on the council's bank current account, plus the value of payments in transit at the accounting date. Payments in transit are not available for use by either party, and the cash is essentially in a state of limbo, reflected in the accounting system as 'payments in transit'.

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

<b>31 March 2024</b>	<b>31 March 2025</b>
<b>£'000</b>	<b>£'000</b>
123 Cash at bank	122
12,210 Money market funds (Note 42 table 4)	7,910
12,333 Cash and cash equivalent assets	8,031
(1,750) Payments in transit	153
<b>10,582 Net cash and cash equivalents</b>	<b>8,184</b>

## Notes to the Core Financial Statements

### Financial Instruments

#### 42. Financial Instruments

##### a) Categories of Financial Instruments.

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

Financial Assets	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors		Total	Total
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	0	1,849	1,942	0	0	2,338	2,670	4,187	4,612
Fair value through profit and loss	2,805	2,752	0	0	0	0	0	0	2,805	2,752
Cash and cash equivalents	0	0	0	0	0	0	8,184	12,333	8,184	12,333
<b>Total financial assets</b>	<b>2,805</b>	<b>2,752</b>	<b>1,849</b>	<b>1,942</b>	<b>0</b>	<b>0</b>	<b>10,522</b>	<b>15,003</b>	<b>15,176</b>	<b>19,696</b>
Non-financial assets	0	0	0	0	0	0	14,120	23,634	14,120	23,634
<b>Total</b>	<b>2,805</b>	<b>2,752</b>	<b>1,849</b>	<b>1,942</b>	<b>0</b>	<b>0</b>	<b>24,642</b>	<b>38,637</b>	<b>29,296</b>	<b>43,331</b>
<b>Financial Liabilities</b>										
Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	(5,000)	(60)	(60)	(13,000)	(5,000)	(2,040)	(9,202)	(15,100)	(19,262)
Cash and cash equivalents	0	0	0	0	0	0	0	(1,750)	0	(1,750)
<b>Total financial liabilities</b>	<b>0</b>	<b>(5,000)</b>	<b>(60)</b>	<b>(60)</b>	<b>(13,000)</b>	<b>(5,000)</b>	<b>(2,040)</b>	<b>(10,952)</b>	<b>(15,100)</b>	<b>(21,012)</b>
Non-financial liabilities	0	0	0	0	0	0	(17,863)	(27,054)	(17,863)	(27,054)
<b>Total</b>	<b>0</b>	<b>(5,000)</b>	<b>(60)</b>	<b>(60)</b>	<b>(13,000)</b>	<b>(5,000)</b>	<b>(19,903)</b>	<b>(38,007)</b>	<b>(32,963)</b>	<b>(48,067)</b>

## Notes to the Core Financial Statements

### b) 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**

2023/24 £'000	2024/25 £'000
<b>Financial liabilities</b>	
234 Interest costs on loans	585
<b>Financial assets - interest income:</b>	
(74) Amortised cost: fixed term deposits and call accounts	(37)
(1,102) Fair value through profit and loss: money market funds and CCLA	(996)
112 (Gains)/losses from change in fair value (note 11)	(53)
<b>(830) Net (gain)/loss for the year</b>	<b>(501)</b>

### c) 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 2025 of £2.805m 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 four external loans whose fair value at 31 March 2025 is £13.137m (£10.121m at 31 March 2024).

### d) 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.

The 2024/25 Treasury Management Strategy was approved by Council on 21 February 2024 and can be obtained from the Council's website:

[https://ws.swale.gov.uk/meetings/documents/s27706/Treasury Strategy 2024-25 Council 21 Feb 24.pdf](https://ws.swale.gov.uk/meetings/documents/s27706/Treasury%20Strategy%202024-25%20Council%2021%20Feb%2024.pdf)

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:

## Notes to the Core Financial Statements

- 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, 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 2025. 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 2025.

## Notes to the Core Financial Statements

**Table 4 – Investments and Borrowing**

Balance Invested at 31 March 2024	Counterparty MMF = Money Market Funds	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2025			
				Up to 1 month	Up to 3 months	Greater than 3 months	Total
£'000				£'000	£'000	£'000	£'000
3,000	Invesco MMF	AAAmmf	1	3,000			3,000
1,440	SSgA MMF	AAAmmf	1	0			0
1,770	Morgan Stanley MMF	AAAmmf	1	0			0
3,000	Black Rock MMF	AAAmmf	1	1,910			1,910
3,000	Aberdeen MMF	AAAmmf	1	3,000			3,000
0	Deutsche MMF	AAAmmf	1	0			0
<b>12,210</b>	<b>Total cash &amp; cash equivalents</b>			<b>7,910</b>	<b>0</b>	<b>0</b>	<b>7,910</b>
2,751	CCLA property fund		1			2,804	2,804
<b>2,751</b>	<b>Total long-term investments</b>			<b>0</b>	<b>0</b>	<b>2,804</b>	<b>2,804</b>
<b>14,961</b>	<b>Total investments</b>			<b>7,910</b>	<b>0</b>	<b>2,804</b>	<b>10,714</b>
(5,000)	PWLB Loan		2	0	0	(5,000)	(5,000)
0	Spelthorne Borough Council		2	0	0	(3,000)	(3,000)
0	Ashfield District Council		2	0	0	(2,000)	(2,000)
0	Middlesbrough Council		2	0	(3,000)	0	(3,000)
(5,000)	North Northamptonshire Council		2	0	0	0	0
<b>(10,000)</b>	<b>Total external borrowing</b>			<b>0</b>	<b>(3,000)</b>	<b>(10,000)</b>	<b>(13,000)</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 2025 (nil as at 31 March 2024).

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.

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. Leases**

**Council as Lessee**

The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the leases the Council has estimated implied interest rates to calculate interest and principal payments.

**Change in Accounting Policy and Transition to IFRS 16 Lease Accounting**

In 2024/25 the Council has applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased asset or the future rental liability on the balance sheet) a right of use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council’s incremental borrowing rate at that date.
- Right of use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded.
- All leases were assessed as to whether they were onerous at 31 March 2024 and it was determined that there were none.

This has resulted in the following additions to the balance sheet at 1 April 2024:

- £3,200,000 right of use assets
- £3,144,000 non-current creditors (lease liabilities)
- £56,000 current creditors (lease liabilities)
- £1,757,000 transfer of assets from land and buildings to right of use assets

**Transactions under leases**

The authority incurred the following expenses and cash flows in relation to leases:

	<b>2024/25</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>£'000</b>
Interest expense on lease liabilities	174
Expense relating to short-term leases	1
Expense relating to exempt leases of low-value items	0
Variable lease payments not included in the measurement of lease liabilities	1
<b>Cash Flow Statement</b>	
Total cash outflows for leases	234

## Notes to the Core Financial Statements

The cash outflow for leases includes the full amounts paid in lease/rental payments for the year. Under IFRS 16 this is split between interest, which is charged to the comprehensive income and expenditure statement, and repayment of principal which reduces the lease liability. The repayment of principal element of £58,000 is the difference between expenses charged in the comprehensive income and expenditure statement, and the total cashflows included in the cashflow statement.

### Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	<b>2024/25</b>
<b>Maturity analysis of lease liabilities</b>	<b>£'000</b>
Less than one year	203
One to five years	765
More than five years	11,582
<b>Total undiscounted liabilities</b>	<b>12,550</b>

The council leases two car parks under what would have historically been an operating lease model. However, these were treated as rental agreements, and were not included in the disclosure of current and future lease payments. Having reviewed all leases as part of the implementation of IFRS 16, this error has been discovered. As the leases would have been operating leases, there would be no impact on the main financial statements, but this note would have reflected the future payments due. The maturity analysis of the car park leases at 31 March 2024 are shown below:

	<b>31 March 2024</b>
<b>Maturity analysis of car park leases</b>	<b>£'000</b>
Less than one year	187
One to five years	748
More than five years	11,769
<b>Total amount payable</b>	<b>12,703</b>

### 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 authority received the following income from operating leases during the year.

	<b>2023/24</b>		<b>2024/25</b>
<b>£'000</b>		<b>Operating leases</b>	<b>£'000</b>
	(637)	<b>Total lease income</b>	(631)

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

## Notes to the Core Financial Statements

31 March 2024	31 March 2025
£'000	£'000
2,145 Less than one year	2,085
2,083 One to two years	2,055
2,052 Two to three years	1,960
1,956 Three to four years	1,784
1,781 Four to five years	1,748
35,190 More than five years	33,894
<b>45,207 Total undiscounted receivables</b>	<b>43,526</b>

This note has been updated to reflect the undiscounted lease payments to be received on an annual basis for each of the first five years and a total amount for the remaining years, as required by the Code of Practice for 2024/25.

### **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 2024/25 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 2024/25 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 2024/25, 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 96 – 100. Kent County Council also administers the Kent Pension Fund on behalf of Swale and other Kent districts (see pages 59 – 63).

## **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. 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 2024/25 the Council paid £179,000 in relation to this company to fund development and assessment costs. The Company will publish its own separate accounts for 2024/25. 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 2025 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 2024/25	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>				
Pension Costs	719	0	0	(719)
Pooled Fund Adjustment Account	53	0	0	(53)
Holiday Pay	6	0	0	(6)
Council Tax and Business Rates	260	0	0	(260)
Capital Grants moved to Capital Grants Unapplied	190	0	(190)	0
Reversal of entries for capital expenditure	(9,923)	0	(88)	10,011
<b>Total Adjustment to Revenue Resources</b>	<b>(8,694)</b>	<b>0</b>	<b>(278)</b>	<b>8,973</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>				
Transfer of sale proceeds from non-current assets to CRR	236	(250)	0	14
Statutory provision for financing of capital investment (MRP)	1,617	0	0	(1,617)
Capital expenditure charged to the General Fund	126	0	0	(126)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>1,979</b>	<b>(250)</b>	<b>0</b>	<b>(1,729)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Capital grants used to finance capital expenditure	7,776	(6)	0	(7,770)
<b>Total Adjustments to Capital Resources</b>	<b>7,776</b>	<b>(6)</b>	<b>0</b>	<b>(7,770)</b>
<b>Total Adjustments</b>	<b>1,060</b>	<b>(256)</b>	<b>(278)</b>	<b>(526)</b>

**Notes to the Core Financial Statements**

<b>Accounting and funding basis adjustments 2023/24</b>	<b>Usable Reserves</b>			<b>Unusable Reserves</b>
	<b>General Fund</b>	<b>Capital Receipts</b>	<b>Capital Grants</b>	
	<b>Balance</b>	<b>Reserve</b>	<b>Unapplied</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to Revenue Resources</b>				
Pension Costs	910	0	0	(910)
Pooled Fund Adjustment Account	(112)	0	0	112
Holiday Pay	43	0	0	(43)
Council Tax and Business Rates	(208)	0	0	208
Capital Grants moved to Capital Grants Unapplied	18	0	(18)	0
Reversal of entries for capital expenditure	(3,230)	0	0	3,230
<b>Total Adjustment to Revenue Resources</b>	<b>(2,579)</b>	<b>0</b>	<b>(18)</b>	<b>2,597</b>
<b>Adjustments between Revenue &amp; Capital Resources</b>				
Transfer of sale proceeds from non-current assets to CRR	(1,863)	(149)	(145)	2,156
Statutory provision for financing of capital investment (MRP)	1,067	0	0	(1,067)
Capital expenditure charged to the General Fund	650	0	0	(650)
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>(146)</b>	<b>(149)</b>	<b>(145)</b>	<b>439</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,800	0	(1,800)
Capital grants used to finance capital expenditure	3,780	0	15	(3,795)
<b>Total Adjustments to Capital Resources</b>	<b>3,780</b>	<b>1,800</b>	<b>15</b>	<b>(5,595)</b>
<b>Total Adjustments</b>	<b>1,055</b>	<b>1,651</b>	<b>(148)</b>	<b>(2,559)</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

2023/24			2024/25			
Business Rates £'000	Council Tax £'000	Total £'000	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>						
0	(104,560)	(104,560)	48	0	(112,067)	(112,067)
0	(293)	(293)		0	(34)	(34)
(52,613)	0	(52,613)	49	(64,520)	0	(64,520)
(6,176)	0	(6,176)		(1,619)	0	(1,619)
<b>(58,789)</b>	<b>(104,853)</b>	<b>(163,641)</b>		<b>(66,140)</b>	<b>(112,100)</b>	<b>(178,240)</b>
<b>Contribution towards previous year's Collection Fund forecast deficit</b>						
0	(45)	(45)		0	(31)	(31)
0	(282)	(282)		0	(208)	(208)
0	(17)	(17)		0	(12)	(12)
0	(42)	(42)		0	(33)	(33)
<b>0</b>	<b>(386)</b>	<b>(386)</b>		<b>0</b>	<b>(283)</b>	<b>(283)</b>
<b>(58,789)</b>	<b>(105,239)</b>	<b>(164,027)</b>		<b>(66,140)</b>	<b>(112,384)</b>	<b>(178,523)</b>
<b>Expenditure</b>						
Precepts, demands and shares:						
29,089	0	29,089		30,041	0	30,041
23,271	11,413	34,684		24,032	12,064	36,097
5,236	76,211	81,447		5,407	81,134	86,541
582	4,336	4,918		601	4,529	5,129
0	12,078	12,078		0	12,902	12,902
<b>58,178</b>	<b>104,038</b>	<b>162,216</b>		<b>60,081</b>	<b>110,628</b>	<b>170,709</b>
193	0	193		193	0	193
5,347	0	5,347		4,446	0	4,446
54	0	54		218	0	218
818	1,350	2,168	50	(105)	2,083	1,978
(7,357)	0	(7,357)		(2,128)	0	(2,128)
1,249	0	1,249	51	2,406	0	2,406
<b>304</b>	<b>1,350</b>	<b>1,654</b>		<b>5,029</b>	<b>2,083</b>	<b>7,112</b>
<b>Contribution towards previous year's Collection Fund forecast surplus</b>						
462	0	462		172	0	172
370	0	370		137	0	137
83	0	83		31	0	31
9	0	9		3	0	3
<b>924</b>	<b>0</b>	<b>924</b>		<b>343</b>	<b>0</b>	<b>343</b>
<b>59,406</b>	<b>105,388</b>	<b>164,794</b>		<b>65,454</b>	<b>112,711</b>	<b>178,164</b>
<b>618</b>	<b>149</b>	<b>767</b>		<b>(686)</b>	<b>327</b>	<b>(359)</b>
<b>(727)</b>	<b>216</b>	<b>(511)</b>		<b>(110)</b>	<b>365</b>	<b>255</b>
<b>(110)</b>	<b>365</b>	<b>255</b>	47	<b>(796)</b>	<b>692</b>	<b>(104)</b>

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

Swale Borough Council's element of the Collection Fund surplus is £243,000 at 31 March 2025 (£4,000 surplus in 2023/24) 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

## Notes to the Core Financial Statements

acting as agents of the precepting authorities and Government.

The collection fund balance at 31 March 2025 split into its attributable parts is shown below:

2023/24 Total £'000	2024/25 Business Rates £'000	2024/25 Council Tax £'000	2024/25 Total £'000
(55) Central Government	(398)	0	(398)
(4) Swale Borough Council	(318)	75	(243)
257 Kent County Council	(72)	508	436
14 Kent & Medway Fire & Rescue Service	(8)	28	20
42 Kent Police & Crime Commissioner	0	81	81
<b>255 Balance as at 31 March</b>	<b>(796)</b>	<b>692</b>	<b>(104)</b>

### 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 50,367.85 (49,673.46 in 2023/24). 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 2024/25 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	133.80	6/9	4,275.78
B	156.10	7/9	9,566.45
C	178.40	8/9	13,010.94
D	200.70	9/9	10,739.30
E	245.30	11/9	6,843.91
F	289.90	13/9	3,703.73
G	334.50	15/9	2,016.02
H	401.40	18/9	211.73
		<b>Total</b>	<b>50,367.85</b>

More detail on the calculation of the Council Tax base can be found here:

[https://ws.swale.gov.uk/meetings/documents/s27385/Council Tax Base 24-25 Officer decision.pdf](https://ws.swale.gov.uk/meetings/documents/s27385/Council%20Tax%20Base%2024-25%20Officer%20decision.pdf)

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 2024/25 was 1.3% (1.01% in 2023/24). The original anticipated income from the tax base of 50,367.85, (calculated on 22 December 2023), and Band D of £2,196.40 (Band D £2,157.58 plus average parish precept of £38.82) was £110,628,000. The actual income was £112,067,000.

### 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 business rates income is paid to the Government (50%), KCC (9%), and Kent Fire and Rescue Service (1%).

2023/24	2024/25
£'000	£'000
(52,613) Business rates receivable	(64,520)
(6,176) Transitional Protection Payments	(1,619)
818 Allowance for debt impairment	(105)
193 Cost of Collection	193
54 Cost of Interest	218
(6,109) Movement in Appeals Provision	277
5,347 Renewable energy disregard amount	4,446
<b>(58,484) Business Rates Income</b>	<b>(61,110)</b>

The rateable value for the Council's area at the end of the financial year 2024/25 was £164,034,000 (£163,390,000 for 2023/24).

The business rate multiplier set for 2024/25 was 54.6p (51.2p in 2023/24). Small businesses have a lower rate multiplier of 49.9p (49.9p in 2023/24).

### 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:

2023/24		2024/25	
Business Rates	Council Tax	Business Rates	Council Tax
£'000	£'000	£'000	£'000
(2,041)	(4,188)	(2,763)	(5,117)
96	421	122	354
(818)	(1,350)	105	(2,083)
<b>(2,763)</b>	<b>(5,117)</b>	<b>(2,537)</b>	<b>(6,845)</b>
(1,105)	(558)	(1,015)	(741)

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 2025, the total council tax outstanding debt was £16.394m (£13.731m in 2023/24) of which debt one year old was £5.399m, debt between two to five years old was £8.603m and debt over five years old was £2.392m.

Business rates provision for debt impairment is based on an analysis of the age of the debt, and an assessment of the likelihood of recovery of debt in respect of each financial year including the recovery action to date, the legal status of the debtor and potential absconders. At 31 March 2025, the total business rates outstanding debt was £3.487m (£3.830m in 2023/24) of which debt one year old was £1.159m, debt between two to five years old was £1.498m and debt over five years old was £0.830m.

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

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
(11,802) Balance as at 1 April	(5,694)
7,357 Less amounts charged to appeals	2,128
(1,249) (Increase)/decrease in provision	(2,406)
<b>(5,694) Balance as at 31 March</b>	<b>(5,971)</b>
(2,278) Swale Borough Council's share	(2,388)

Any amounts refunded as a result of the Check, Challenge and Appeal (CCA) process are charged directly to the provision for 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 by the Valuation Office Agency in 2017 and 2023. The 2017 RV list is now closed, and the provision is based on outstanding appeals for businesses for this list. For the 2023 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 £60,000 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 2024/25 (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 (now Ministry for Housing, Communities and Local Government)
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
LUF	Levelling Up Fund
MBC	Maidstone Borough Council
MHCLG	Ministry for Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services

## Glossary

MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
PPE	Property, Plant and Equipment
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