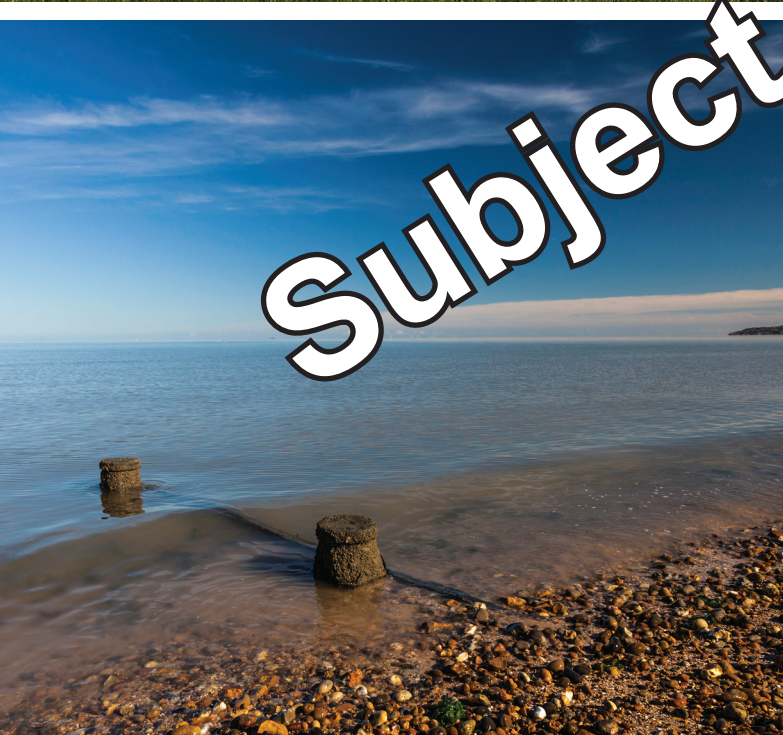


Annual **Financial Report**

Including the Statement of Accounts for year ending 31 March 2022



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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 151,000, Swale includes the towns of Sittingbourne and Faversham, the Isle of Sheppey, and an extensive rural hinterland.

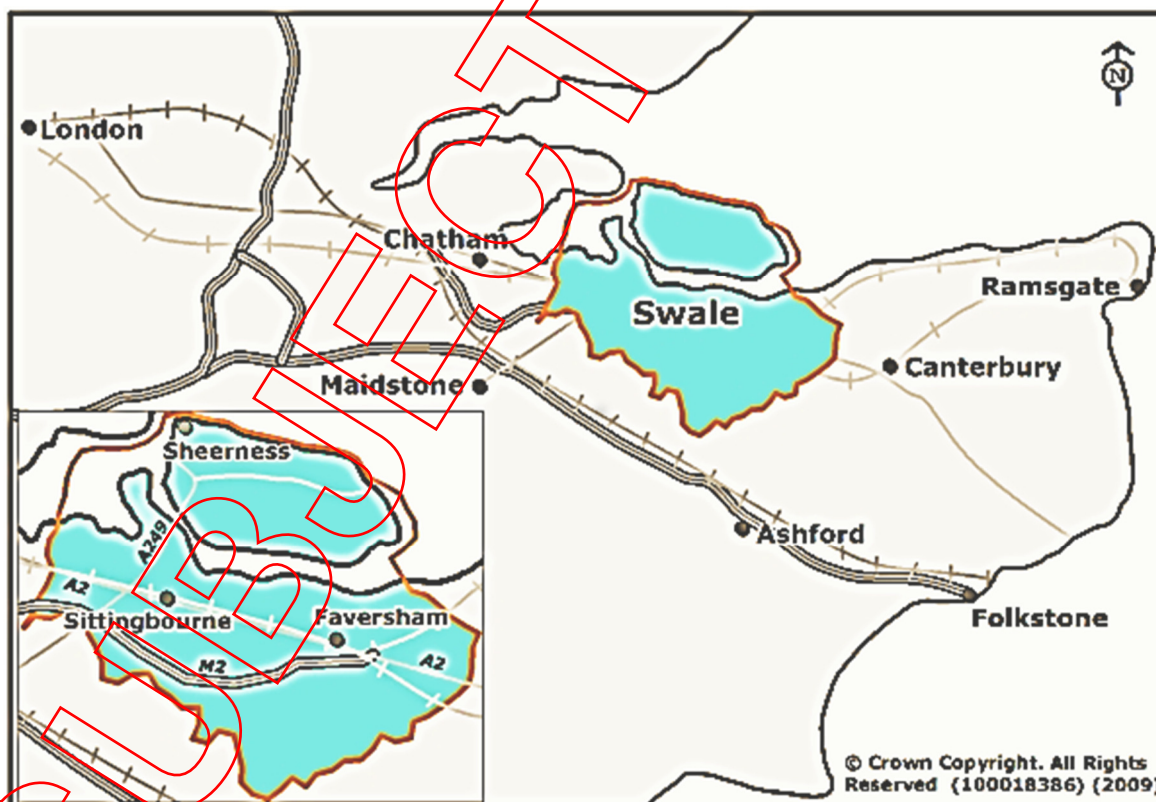
The Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, housing benefit, public conveniences and environmental health.

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 2 May 2019. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. Swale is controlled by a Coalition under a Committee System implemented from May 2022. The Leader of the Council is Councillor Baldock. The Council's services are organised into Directorates and Departments.

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

The Council's priorities are:

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



Reviewing the Council's Performance

Financial Performance

The Council's Expenditure and Income for 2021/22

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

	Budget 2021/22 £'000	Actual Spending 2021/22 £'000	Over/ (Under) Spend 2021/22 £'000
Chief Executive Department	263	229	(34)
Policy, Communications & Customer Services	1,289	1,016	(273)
Democratic & Electoral Services	1,209	1,156	(53)
Director of Regeneration	479	485	6
Director of Resources	53	64	11
Housing & Community Services	3,809	3,994	185
Planning	940	1,038	98
Environment & Leisure	6,735	6,467	(268)
Regeneration & Economic Development	122	(44)	(166)
Finance & Procurement	914	917	3
Revenues & Benefits	(135)	(549)	(414)
Environmental Health	535	545	10
Information Technology	1,390	1,211	(179)
Internal Audit	194	171	(23)
Human Resources	463	372	(91)
Legal	522	437	(85)
Corporate Items	1,286	2,736	1,450
Cost of Services	20,068	20,245	177
<u>Financed by:</u>			
Council Tax	(8,855)	(8,855)	0
Collection Fund Surplus	(50)	(50)	0
Coronavirus (Covid-19) Support Grants	(1,377)	(1,658)	(281)
Business Rates	(8,642)	(8,642)	0
New Homes Bonus Grant	(1,028)	(1,028)	0
Revenue Support Grant	(116)	(116)	0
(Surplus) in Year	0	(104)	(104)

Reviewing the Council's Performance

	Budget 2021/22 £'000	Actual Spending 2021/22 £'000	(Under) spend 2021/22 £'000
General Fund balance 1 April 2021	(4,484)	(4,484)	0
Surplus in year	0	(104)	(104)
2020/21 approved rollovers	1,515	1,515	0
Sub Total movement in 2021/22	1,515	1,411	(104)
General Fund Balance 31 March 2022	(2,969)	(3,073)	(104)

The local authority accounting year runs from 1 April to 31 March. Throughout the Accounts figures in brackets represent income or minus or negative figures.

There were regular reports to Cabinet and senior management on the monitoring of spend against budget. In 2021/22 there was an underspend of £104,000 against the budget. The major reasons for the underspend were salaries, service savings and additional income. A report went to Policy and Resources Committee on 13 July 2022 which detailed how the Council spent its money against its budget and how this expenditure was financed.

<http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=353&MId=3718&Ver=4>

The above table shows that there was a decrease in the General Fund of £1,411,000. The Council's policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £3.073 million at 31 March 2022 represents 12% of the Cost of Services for 2021/22 and is therefore deemed to be at an adequate level by the Head of Finance and Procurement.

In addition, the Council:

- collected £93m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£87m in 2020/21);
- collected £48m of Business Rates for the Government, Fire, KCC, and itself (£35m in 2020/21);
- paid out £32m on benefits and received £32m in grant (£37m paid, £37m received in 2020/21).

Capital Spending for 2021/22

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 largest element of capital spend was on Queenborough & Rushenden Klondyke Land Improvement. There was capital slippage of spend against budget in 2021/22 of £9.394 million mainly due to two items, the spend on disabled facilities grants being dependent on applications received but due to Covid-19 owners did not want to proceed or builders were unable to carry out work, and the redevelopment of Masters House which is a fully contracted project with works beginning on site in early 2022 and expenditure always foreseen in 2022/23 as contract spans financial years.

The tables below show capital spending and how it was funded.

Reviewing the Council's Performance

Capital Spending	Revised Budget 2021/22 £'000	Actual Spending 2021/22 £'000	Variance to Budget £'000
Queenborough & Rushenden Klondyke Land Improvement	2,807	2,807	0
Disabled Facilities Grants	5,228	1,572	(3,656)
Sittingbourne Town Centre Regeneration	1,080	439	(641)
Redevelopment of Masters House, Sheerness	1,550	231	(1,319)
ICT Infrastructure & Equipment Reserve	350	131	(219)
Local Housing Company – Business Planning Work	250	57	(193)
Public Toilets	258	4	(254)
High Streets	987	0	(987)
Open Spaces Play Equipment	456	0	(456)
Leisure Centres / Changing Places Toilets	294	0	(294)
Wheeled Bins	286	0	(286)
Play Improvements	200	0	(200)
Other Services	1,731	842	(889)
Total	15,477	6,083	(9,394)

Capital Funding	2021/22 £'000
Total Capital Spending	6,083
Source of Funding	
Capital grants and other contributions	4,829
Earmarked reserves	573
Borrowing	451
Capital receipts	201
Direct Revenue Funding	29
Total Capital Funding	6,083

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 £67 million at 31 March 2021 to £63 million at 31 March 2022. However, this IAS 19 approach does not affect the amount that the Council

Reviewing the Council's Performance

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
2019/20	59,027	15,453
2020/21	66,646	15,453
2021/22	62,604	15,453

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/>

How the Council Manages its Surplus Funds

The Council's total investment averaged £38 million during 2021/22 (£38 million for 2020/21) and closed at £27 million at 31 March 2022 (see Note 42, Table 4) (£23 million at 31 March 2021). The Council achieved a return of 0.30% for 2021/22, amounting to £114,600 (£166,000 in 2020/21).

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

At 31 March 2022, the Council had two loans of £5 million each, from other local authorities at an average rate of 0.35%.

How the Council Collects Tax

The Council collects Council Tax on behalf of KCC, Police, Fire, and Parishes, and Business Rates for the Government, KCC, and Fire, which is recorded in the Collection Fund which can be seen on page 77. At the year-end, this account had a deficit balance of £10.3 million (deficit balance of £20.1m at 31 March 2021).

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/>.

New Accounting Policies in 2021/22

There were no new significant accounting changes or policies that were adopted for the 2021/22 Accounts.

Future Accounting Policies

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) have decided to defer the implementation of International Financial Reporting Standard (IFRS) 16 on Leases until 1 April 2024. However, the Council will consider whether it wishes to adopt this standard for 2022/23 or 2023/24 as this will require a review of the Council's existing lease arrangements to determine what effect the new standard will have on their value in future accounts.

Accounting Estimates

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

Future Financial Strategy

Medium Term Financial Plan

The Medium Term Financial Plan presented to Council on 23 February 2022 forecast a revenue budget gap of £3.3 million in 2024/25 and therefore this will need to be addressed in future budget rounds as it is not sustainable to continue to rely on significant transfers from reserves to support the base budget position. Future budgetary issues include: inflation, new Waste contract, potential changes to central Government funding of local authorities, impact of the local and UK economy on business rates income, proposals to transfer local land changes to HM Land Registry, the cost of the new pension valuation which will reflect higher inflation and reducing reliance on reserves.

Fundamental changes planned to the funding basis of councils have been deferred. No announcement has been made about the baseline reset or any of the other business rates reforms. Given that business rate pilots will be continuing until 2024/25, this suggests that the baseline reset will also be delayed. There was no announcement on the Fair Funding Review and the growing sense that it too will be delayed until 2025/26.

Reserves are central both to achieving the Council's priorities and to achieving a balanced budget position.

The key principles for the management of Reserves moving forward are:

- Maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events;
- Funding the Council's strategic priorities; and,

Reviewing the Council's Performance

- Fund one-off items of expenditure to support service delivery.

The Council seeks to maintain a minimum of £1.5m as its General Fund balance and there is no reason to change this - the balance at 31 March 2022 was £3.1m. The Council holds earmarked reserves for specific purposes. The Director of Resources' view is that the level of reserves and balances held by the Council are at a reasonable level.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2022/23 which was approved by Council meeting on 23 February 2022 which can be found on the Council's website here:

<http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=3501&Ver=4>

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.

Councils are required to balance their revenue budget annually and cannot borrow to achieve a balanced position. However, they have very far reaching powers to borrow to fund capital expenditure. This has historically been funded from borrowing from the Public Works Loan Board (PWLB), which is part of the Debt Management Office which is part of the Treasury. Borrowing can be for up to 50 years at rates which are below commercial rates.

Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) has taken a pretty dim view of Council borrowing to acquire assets for income generation purposes only. There has been extensive media coverage of some of the most egregious examples of this behaviour, it is very widespread. This Council has had a clear policy of not borrowing for income purposes only and the Sittingbourne Town Centre (STC) development is classified as a Regeneration project in the Council's accounts. Council in February 2020 agreed the following principles which have been adhered to since then:

- Investing in sustainable, affordable and social housing to increase overall supply;
- Using the ability to borrow at low rates of interest for the benefit of the physical and social infrastructure of the borough and for broader social value; and
- Ensuring that the costs of borrowing are manageable long term within the Revenue budget.

Council also agreed that in future, rather than announcing a borrowing facility with no linkage to a particular project, the specific project agreed by Cabinet would have a borrowing limit associated with it. This limit could be varied by Cabinet. From May 2022 when the Council adopted a committee system, these responsibilities are now those of the Policy and Resources Committee.

The Council has not made and will not make any direct commercial investments outside of the Borough. Capital funds will be used for the benefit of local residents.

The Sittingbourne Town Centre retail and leisure developments are now complete with the cinema, bowling alley and Nandos now all open.

Reviewing the Council's Performance

Looking ahead to 2022/23 there will be two major capital projects which are reflected in the draft 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 £23m of funding through loans to support the delivery of 139 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. Because the company is wholly owned by the Council, its accounts will need to be incorporated into those of the Council requiring the company to have the same financial year as the Council.
- Swale House refurbishment - a detailed report on this project was brought to Cabinet on 16 March 2022. The Capital budget allows for £1.9m, this is a prudent figure reflecting energy savings and additional rental income to meet borrowing costs.

Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). MRP is a charge to the revenue budget which then accrues on the Balance Sheet; it is not an external payment. Alternatively, capital receipts may be used to replace debt finance.

All organisations need to manage their cash flow. For most councils their cash flow level is much larger than their reserves as they take in funds through sources such as Business Rates and Council Tax which they hold before making payments to other bodies such as Kent County Council (KCC). With short-term deposit rates continuing to be very low, where a Council is investing in a capital project it can fund this capital investment from cash flow and this is known as internal borrowing. Internal borrowing defers the financial commitment to external borrowing. MRP still has to be made. The Finance Department closely monitors cash flow to ensure that there is no adverse impact.

For any significant investment the Council will supplement the expertise of Members and Officers with appropriate external specialist expertise to ensure that proposals are fully tested and risks considered.

The Director of Resources believes that the Capital Strategy and Capital Programme proposed are sustainable.

Annual Financial Report

Swale Borough Council's Annual Financial Report for 2021/22 provides a record of how the Council has used its financial resources during the year. The Council's accounts and all relevant documents are subject to review by Grant Thornton UK LLP – the Council's external auditors.

The Annual Financial Report has the following sections:

- this review of the Council's performance, which gives a background to its 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 Statement of Accounts

The Statement of Accounts provides a record of the Council's financial position and performance for the year ended 31 March 2022. It has been prepared in line with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021. The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts appears on pages 24 to 82 and includes changes where appropriate as required by the Code. 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 24 – 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 26 – 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 27 – 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 28 – 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 30 – summarises the cash movements in and out of the Council's bank accounts over 2021/22.

Accounting Policies page 31 – sets out the policies the Council adopted for drawing up the various accounting statements.

Further Information

You can get more information about the accounts by emailing the Finance Department at finance@swale.gov.uk. This document is on the Council's website at: <https://www.swale.gov.uk/statement-of-accounts/>

Philip Wilson CPFA

Date: 22 July 2022

Head of Finance and Procurement



Reviewing Performance

The Council's Performance

The Council continues to monitor its performance against a range of key 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, Cabinet, Scrutiny Committee and the Strategic Management Team (SMT) monitored a set of 49 'corporate' indicators on a regular basis. The Council publishes a summary performance report each month on its website at <http://www.swale.gov.uk/managing-performance/>.

The Council's People

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

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

The monitoring of workforce information by SMT ensured a focus on sickness absence. During 2021/22, the amount of time lost to sickness was an average of 7.5 days per employee (2020/21 6.2 days per employee), which is in line with the average for public sector organisations of 7.5 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 2021/22 there were 53 reported incidents which amounted to breaches of the Data Protection Act and 10 near misses. Each case is investigated fully before the Council's Data Protection Officer decides on the appropriate response. In 2021/22 there was one reported incident that was reported to the Information Commissioner. The decision in all cases was based on conclusions reached by the Information Commissioner in previous years and demonstrated that it had taken effective and efficient action in minimising the impact of the breaches reported.

How the Council Manages Risk

The Council has a well-established Risk Management Framework which is regularly reviewed and updated to reflect best practice and changing processes. 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 leadership was provided through SMT and Informal Cabinet.

Risk information was regularly reported to SMT and Informal Cabinet during 2021/22.

The last annual report on the Council's risk management arrangements was taken to Audit Committee on 9 March 2022 and can be found here

<https://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=142&MeetingId=3486>

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

SUBJECT

1. Scope of Responsibility

- 1.1 Swale Borough Council is responsible for ensuring that:
- (i) its business is conducted in accordance with the law and proper standards;
 - (ii) public money is safeguarded and properly accounted for; and
 - (iii) public money is used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 In June 2017 the Cabinet agreed 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. However, 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 continue to consider the impact of Covid-19 on their governance arrangements, and to disclose compliance with the CIPFA Financial Management Code and identify any outstanding areas for improvement or change.
- 1.5 This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 (Amended).
- 1.6 The May 2019 elections resulted in control of the Council passing to a five party coalition comprising the Labour, Swale Independent Alliance, Liberal Democrats, Green and Independent groups. The administration has a very well defined programme which they are implementing.
- 1.7 This year has seen a change in the section 151 officer for the Council. The role was covered internally by the Head of Finance and Procurement from July 2021 until October 2021 when the Director of Resources took up the post.

2. Impact of Covid-19 on the Council

- 2.1 Covid-19 was the most significant event this country has dealt with since the end of the Second World War. Government looked to councils to take a major role in the response primarily in supporting the most vulnerable in the community, passing on financial support to businesses, enforcing lockdown measures and promoting vaccinations. Whilst the position was slightly improved from the experience of 2020/21, the continuation of government backed grants to individuals and businesses increased the workload for the teams responsible for delivering the grants.

- 2.2 In governance terms the weekly meetings of Informal Cabinet continued to focus on Covid related issues with all of the Strategic Management Team (SMT) and other key officers in attendance. SMT meetings also focussed on Covid and with additional weekly meetings of SMT reintroduced when lockdowns were in place.
- 2.3 During the initial lockdown period in 2020/21 all staff left the building and the majority of staff continue to work from home for an average of three days per week. IT technology of the Council continues to support the hybrid approach to home and office based work and the previous decision to move all staff to work on laptops was highly beneficial. All councillors were also allocated a Swale laptop. In general staff adapted very well to working from home.
- 2.4 Council committee meetings continued to be held where possible, with a brief period in January 2022 when meetings were cancelled due to the rise in Omicron cases. The council's Emergency Committee met in this period to enable a small number of urgent decisions to be taken, with other business postponed to future meetings which subsequently were able to be held.
- 2.5 Reflecting on the experience with Covid and the uncertain future course of the pandemic, a new delegation to the Chief Executive was agreed in January, 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.
- 2.6 Financially the impact of Covid continues to be felt, with income receipts still falling short of the revised targets as the pandemic continues for far longer than expected. Government support for income losses was made available for the first quarter of 2021/22 but losses continued throughout the whole financial year. Financial planning for 2022/23 includes assumptions on a permanent loss of some of our sources of income that are not expected to recover to pre pandemic levels.
- 2.7 As reported in this statement for last year, an already under resourced staffing structure has been stretched well beyond its limits, individual members of staff have responded incredibly well but the long-term impact of these demands and in general of Covid cannot be overestimated. Much the same applies to councillors. The impact of Covid on the Council will be long lasting.
- 2.8 In addition to the impact of Covid, the council is also having to manage the cost of living crisis. This has implications for both the cost of council services and cost of living for our residents. Budget provision has been made for an element of inflationary increases in our costs, but the constant rise in inflation is a significant risk to the budget.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and therefore can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- (i) identify and prioritise the risks to the achievement of Council's policies, aims and objectives;
 - (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 2022, and up to the date of approval of the Statement of Accounts.

4. The Council's Governance Framework

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

Communicating the Council's Vision

- 4.2 In October 2020 Council agreed a new Corporate Plan "Working together for a better borough". The plan is structured around four high level priorities, each containing a number of specific objectives. The four priorities are:
- (i) Building the right homes in the right places and supporting quality jobs for all.
 - (ii) Investing in our environment and responding positively to global challenges.
 - (iii) Tackling deprivation and creating equal opportunities for everyone.
 - (iv) Renewing local democracy and making the council fit for the future.
- 4.3 Area Committee meetings continued in 2021/22. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly.

Management of Resources

- 4.4 The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:
- (i) A medium term financial plan and annual budget process that ensures that financial resources are directed to the Council's priorities.
 - (ii) A financial monitoring process which closely monitors expenditure and income with detailed monthly reporting to SMT and quarterly reporting to Cabinet and Scrutiny Committee.
 - (iii) The Special Project Fund created by the new administration to fund public realm projects and support the delivery of other administration priorities. This is now supplemented by the Improvement & Resilience Fund linked to the delivery of administration priorities.

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- (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. For 2021/22 the administration has maintained the Cabinet system and the Cabinet consists of seven members who have responsibility for particular portfolios. The Cabinet members are supported by Deputy roles. In October 2021 the Council agreed to replace this system with a committee system which will come into effect in May 2022. A cross-party constitution review working group has developed proposals with respect to the detailed working of the new system.
- 4.6 The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are fully set out in the Council's Constitution.
- 4.7 The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together.
- 4.8 The Scrutiny Committee scrutinised decision-making and performance and held Cabinet to account for these; and the Policy Development and Review Committee, which did not have formal scrutiny powers, provided a mechanism for non-Cabinet members to consider and feed into policy proposals before formal decisions were taken.
- 4.9 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work, and management's implementation of audit recommendations.
- 4.10 A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer. As reported above a new Chief Financial Officer was appointed during 2021/22.
- 4.11 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, the work of the Council's employees, and the work undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council and is currently held by Larissa Reed.
- 4.12 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 to the Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. The Head of Policy, Communications and Customer Services Mr David Clifford is responsible for:

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- (i) Ensuring that the Council acts and operates within the law. He has a duty to report to the whole Council if he believes any action or proposal has been or is likely to be contrary to the rule of law.
- (ii) Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution.
- (iii) Dealing with complaints against members under the Code of Conduct, supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors.
- (iv) Establishing and maintaining registers of interests, gifts and hospitality for members and officers.
- (v) Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

4.13 The Chief Financial Officer (CFO), as the Section 151 Officer appointed under the 1972 Local Government Act, carried overall responsibility for the financial administration of the Council. As a result of a reorganisation in 2021/22, the new role of Director of Resources assumed these responsibilities, with Lisa Fillery being appointed to this role in October 2021. The Council's governance arrangements relating to this role comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

4.14 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership - an arrangement covering the three Mid Kent Services Councils (Swale, Maidstone and Tunbridge Wells Borough Councils) and Ashford Borough Council. From January 2022 the position was covered by an interim Head of Audit. The partnership is in the process of replacing the position on a permanent basis. This role is responsible for the Council's internal audit service, including drawing up the Internal Audit Strategy and related annual plan, and giving the annual Audit Opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2015 (Amended). The Head of Audit Partnership's operational responsibilities are set out in the Internal Audit Charter and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA Statement on the Role of Head of Internal Audit (2019).

4.15 The Council has clearly set out terms and conditions for the remuneration of members and officers, and there is an effective structure for managing the process of review. A Scheme of Members' Allowances has been set by the Council, having regard to a report of an Independent Panel made up of non-Councillors. The Council sets and publishes a 'Pay Policy Statement' which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.

4.16 All employees should have clear conditions of employment, and job descriptions which set out their roles and responsibilities.

Promoting Values and Upholding High Standards of Conduct and Behaviour

- 4.17 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties.
- 4.18 Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- 4.19 The Council takes fraud, corruption and maladministration seriously, and as such has established policies and processes which aim to prevent or deal with such occurrences. These include:
- (i) An Anti-Fraud and Anti-Corruption Strategy.
 - (ii) A Whistleblowing Policy.
 - (iii) Various HR policies regarding discipline of staff involved in such incidents.
 - (iv) Various procurement policies.
 - (v) A corporate complaints procedure exists to receive and respond to any complaints received.
- 4.20 Arrangements exist to ensure that members and employees are not influenced in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- (i) Registers of disclosable pecuniary and non-pecuniary interests;
 - (ii) Declarations of disclosable pecuniary and non-pecuniary interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - (iii) Register of interests for officers;
 - (iv) Registers of gifts and hospitality for members and officers;
 - (v) An Equalities Scheme and Equal Opportunities Policies; and,
 - (vi) Member induction and ongoing member training.

Taking Informed and Transparent Decisions and Managing Risk

- 4.21 The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key as well as non-key executive decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- 4.22 The Council provides decision-makers with full and timely access to relevant information. The Cabinet report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as inter alia implications for the corporate priorities, and any equality and diversity implications.

- 4.23 The Council has a well embedded approach to the management of risk and this has been fully updated to reflect the priorities of the new administration. The Audit Committee maintains an oversight of the process.

Developing the Capacity and Capability of Officers and Members

- 4.24 The Council recognises that the success of its business is built upon the knowledge, expertise, and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. During 2021/22 a new system Check-In was introduced to streamline the staff management and performance appraisal process.
- 4.25 The Council's new structure with two Directors and an additional Head of Service (time limited for two years) was implemented in 2021/22 with all post holders now recruited.
- 4.26 In October 2021, the Council held a staff survey using the B-Heard Survey facilitated by Best Companies Ltd. The results ranked Swale within the top 100 companies to work for across the UK and within the top 10 for our sector. Whilst the results were positive, there are areas for improvement. The staff engagement panel and a member working group are working to devise a plan of action to address the areas where we need to improve.
- 4.27 The cross-party Member Development Working Group takes an overview of the approach to member development. It continues to operate to the principles which underpin the Member Development Charter.

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

- 4.28 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.
- 4.29 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through the Swale Community Empowerment Network. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups.
- 4.30 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 60,000 households every quarter 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

- 4.31 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.
- 4.32 From a financial perspective the 2021/22 outturn is a small underspend. The elimination 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. The use by Government of deprivation as a major factor in allocating Covid funding has been hugely important for Swale. Given the highly constrained revenue budget the administration has continued to use one off funds to pump-prime the achievement of their priorities.
- 4.33 Despite Covid dominating the Council's work in the year once again good progress has been made across a range of administration priorities:
- (i) Constitutional reform - Area Committees established and work is well underway to establish the committee system from May 2022.
 - (ii) New Local Plan - progressed statutory consultations with a view to progressing to submission to Secretary of State in early 2023 taking into account the Governments increased housing targets and the Borough capacity to meet its development needs.
 - (iii) Local housing company - Rainbow Homes has been established to build affordable homes. Work is ongoing to revise the initial business plans that were produced pre Covid.
 - (iv) Homelessness and rough sleeping - more resources for prevention of homelessness and rough sleeping.
 - (v) Climate change emergency action plan.
 - (vi) Improvements to town centres, coastal amenities, open spaces, visitor attractions and heritage public realm in the borough.
 - (vii) Support to community projects across the borough.
 - (viii) Spirit of Sittingbourne project for Sittingbourne delivered, with proposals to let the last of the vacant units within the site.

- (ix) An agreed way forward for the refurbishment of Swale House and the Masters House.

4.34 The 2022/23 budget position had looked extremely difficult with the ongoing financial impact of Covid and increased service provision in some areas needing to be addressed. Heads of Service were given a 5% savings target of their staffing budget and proposed increases to fees and charges to be considered. Once final notification of government funding was received a lower than initially planned use of Reserves meant that a balanced budget was achieved. The Council faces a very significant funding gap for 2023/24 and is unlikely to benefit from significant extra Government financial support – this 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 2023/24 which is due to start much earlier for this reporting cycle to ensure that the budget gap is addressed in a timely manner.

CIPFA Financial Management Code

4.35 In October 2019 CIPFA published their Financial Management (FM) Code which “is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities”.

4.36 For the 2021/22 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 Covid there has been relatively little attention paid to the Code. Swale compares well against the Code; however, the Chief Executive and Director of Resources will be leading on ensuring that the financial sustainability of the authority in the longer term will be addressed in the 2022/23 budget and medium term plan and reporting this to members.

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 role of the Scrutiny Committee in holding the Cabinet to account.
- (iv) The operation of the Council’s performance management frameworks, including an Annual Report and the wider approach to risk management.
- (v) The work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment.
- (vi) 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

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secure efficiency and effectiveness in its use of resources (the Value for Money conclusion).

- (vii) The roles of the Council's Statutory Officers.
- (viii) The corporate complaints procedure.
- (ix) The anti-fraud and corruption and whistleblowing framework.

5.3 In the 2020/21 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Delivery of a new senior management structure	The new senior management structure was appointed in 2021 and is developing into an effective delivery team.
Wholesale review of the constitution, possibly with a view to moving to a committee system but certainly including a significant stock-take of how well the constitution currently works to support robust decision-making and meaningful public engagement.	Council agreed the transition to committee system in October 2021. The constitution has been updated to reflect the new governance structure that was in place for the new civic year beginning May 2022.
More emphasis on prioritising delivery of administration ambitions better reflecting the capacity of the organisation	A new reporting framework for member priorities has been introduced. Regular progress updates are reported to members, with reprioritising of projects required to address capacity or issues with delivery.
Delivering our core and discretionary services with a balanced sustainable budget	The council's service provision for 2021/22 was delivered within budget, with a small underspend at outturn. A balanced budget was delivered for 2022/23, with work on the 2023/24 MTFP already underway.

6. Significant Governance Issues

6.1 There were no significant governance weaknesses in 2021/22.

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

- (i) Delivery of a smooth transition from Cabinet to Committee system.
- (ii) Produce a robust savings plan to support the delivery of a balanced budget.
- (iii) Develop a member-officer protocol to support good governance.

Agreed:

Leader of the Council

Chief Executive

July 2022

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

Grant Thornton will be carrying out an audit on these accounts and reporting to the Audit Committee on 15 November 2022.

SUBJECT TO AUDIT

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 2021/22 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 2022.

Lisa Fillery CPFA
Director of Resources

Date: 22 July 2022

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2021/22 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2022 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 at the meeting of the Audit Committee on 15 November 2022.

Councillor Derek Carnell
Chair of the Audit Committee

Date:

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

Service Departments	2021/22					Net Expenditure Accounting Basis £'000
	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Respon- sibility £'000	Other £'000	
Chief Executive	229	0	47	0	0	276
Policy, Communications & Customer Services	1,016	0	225	54	0	1,295
Democratic & Electoral Services	1,156	4	82	23	0	1,265
Director of Regeneration	485	0	41	0	0	526
Director of Resources	64	0	15	0	0	79
Housing & Community Services	3,994	52	574	17	31	4,668
Planning	1,038	0	368	244	(119)	1,531
Environment & Leisure	6,467	1,235	382	91	0	8,175
Regeneration & Economic Development	(44)	(1,195)	210	(66)	3,185	2,090
Finance	917	21	174	67	1,018	2,197
Revenues & Benefits	(549)	0	311	138	0	(100)
Environmental Health	545	9	0	2	0	556
Information Technology	1,211	131	0	(375)	0	967
Internal Audit	171	0	0	0	0	171
Human Resources	372	0	5	22	0	399
Legal	437	0	262	(217)	119	601
Corporate Items	2,736	0	0	0	(2,772)	(36)
Cost of Services	20,245	257	2,696	0	1,462	24,660
Financed by Council Tax, Business Rates & Grants	(20,349)					
(Surplus) in Year	(104)					
General Fund Balance at 1 April 2021	(4,484)					
(Surplus) in Year	(104)					
2020/21 Approved Rollovers	1,515					
General Fund Balance at 31 March 2022	(3,073)					

The local authority accounting year runs from 1 April to 31 March. Throughout the Accounts figures in brackets represent income or minus or negative figures.

The left hand column shows the final spend for the year as reported to Cabinet. 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. The figures for 2020/21 can be seen in Note 46.

Column Explanation: 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; **Budget Responsibility** – the Council reports the expenditure that services are directly responsible for, but this allocates them out to the services they were spent against; **Other** – taking out Corporate Items which are not in Comprehensive Income & Expenditure Statement Cost of Services, e.g. movement to/from reserves.

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

The table below reconciles the Cost of Services to the Deficit on the Provision of Services on the 2021/22 Comprehensive Income & Expenditure Statement:

2021/22	Net Expenditure Reported to Cabinet	Capital	Pension	Budget Responsibility	Other	Net Expenditure Accounting Basis
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services	20,245	257	2,696	0	1,462	24,660
Other (Income) and Expenditure	(31,508)	(1,434)	1,302	0	6,109	(25,531)
(Surplus)/Deficit on Provision of Services	(11,263)	(1,177)	3,998	0	7,571	(871)
Adjustments from Accounting Basis	11,159	1,177	(3,998)	0	(7,571)	767
Surplus in Year	(104)	0	0	0	0	(104)

SUBJECT TO

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

	2021/22	2021/22	2021/22	2020/21
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£'000	£'000	£'000	£'000
Chief Executive	276	0	276	147
Policy, Communications & Customer Services	1,316	(21)	1,295	1,384
Democratic Services	1,285	(20)	1,265	1,276
Director of Regeneration	240	286	526	192
Director of Resources	79	0	79	0
Housing & Community Services	13,864	(9,196)	4,668	4,576
Planning	3,388	(1,857)	1,531	1,735
Environment & Leisure	13,102	(4,927)	8,175	7,890
Regeneration & Economic Development	5,213	(3,123)	2,090	1,158
Finance	2,216	(19)	2,197	1,775
Revenues & Benefits	34,895	(34,995)	(100)	508
Environmental Health	604	(48)	556	613
Information Technology	967	0	967	883
Internal Audit	171	0	171	129
Human Resources	404	(5)	399	344
Legal	1,884	(1,283)	601	564
Corporate Items	0	(36)	(36)	171
Sub Total Cost of Services	79,904	(55,244)	24,660	23,345
Other Operating Expenditure				
Drainage Board levy	876	0	876	847
Parish and Town Council precepts	1,575	0	1,575	1,574
Disposal of assets (gains)/losses (Note 14)	54	(138)	(84)	38
Sub Total Other Operating Expenditure	2,505	(138)	2,367	2,459
Financing & Investment (Note 11)	2,066	(4,972)	(2,906)	15,898
Taxation and Non-Specific Grant Income and Expenditure				
Council Tax	0	(10,441)	(10,441)	(9,991)
Business Rates income	0	(22,271)	(22,271)	(15,170)
S31 Retail Relief Grant	0	(2,632)	(2,632)	(6,822)
Tariff & levy Business Rates	12,409	0	12,409	12,365
Contribution paid to Business Rates pool	3,059	0	3,059	2,494
Income received from Business Rates pool	0	(1,934)	(1,934)	(1,525)
Tax Income Guarantee (S31)	171	0	171	(750)
Revenue Support Grant	0	(116)	(116)	(115)
Coronavirus LA Support Grants	0	(1,659)	(1,659)	(4,234)
New Homes Bonus	0	(1,028)	(1,028)	(1,633)
Other grants and contributions	0	(550)	(550)	(314)
Sub Total Taxation and Non-Specific Grant	15,639	(40,631)	(24,992)	(25,695)
Sub Total Movement from Cost of Services			(25,531)	(7,338)
(Surplus)/Deficit on Provision of Services			(871)	16,007
Net (surplus)/deficit on revaluation of non-current assets (Note 18)			(3,882)	(7,858)
Re-measurement of net defined pension liability (Note 9)			(6,604)	5,580
Receipts from long-term debtors (Note 19)			94	66
Sub Total Other Comprehensive Income & Expenditure			(10,392)	(2,212)
Total (Surplus)/Deficit Comprehensive Income and Expenditure			(11,263)	13,795

This shows the cost of providing services on an accounting basis. There is an increase of £11.263 million in the value of the Council's assets and this is the total of the movement on the Balance Sheet mainly due to the reduction in pension liabilities and increase in the value of the Council's property assets.

Movement in Reserves Statement – The Change in the Council’s Resources

	General Fund Balance £'000	Revenue Earmarked Reserves £'000 (Note 17)	Total General Fund £'000	Capital Receipts Reserve £'000 (Note 15)	Capital Grants Unapplied £'000 (Note 16)	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
2020/21								
Balance 31 March 2020	(3,338)	(18,347)	(21,685)	(1,359)	(409)	(23,453)	10,393	(13,060)
Total Comprehensive Expenditure and (Income) 2020/21	16,007	0	16,007	0	0	16,007	(2,212)	13,795
Adjustments between accounting basis and funding basis (Note 46) 2020/21	(23,816)	0	(23,816)	(1,525)	(49)	(25,390)	25,390	0
Transfers (to)/from earmarked reserves 2020/21 (Note 17)	6,663	(6,663)	0	0	0	0	0	0
(Increase)/Decrease in 2020/21	1,146	(6,663)	(7,809)	(1,525)	(49)	(9,383)	23,178	13,795
Balance 31 March 2021	(4,484)	(25,010)	(29,494)	(2,884)	(458)	(32,836)	33,571	735
2021/22								
Balance 31 March 2021	(4,484)	(25,010)	(29,494)	(2,884)	(458)	(32,836)	33,571	735
Total Comprehensive Expenditure and (Income) 2021/22	(871)	0	(871)	0	0	(871)	(10,392)	(11,263)
Adjustments between accounting basis and funding basis (Note 45) 2021/22	3,552	0	3,552	41	(54)	3,539	(3,539)	0
Transfers (to)/from earmarked reserves 2021/22 (Note 17)	(1,269)	1,269	0	0	0	0	0	0
(Increase)/Decrease in 2021/22	1,412	1,269	2,681	41	(54)	2,667	(13,930)	(11,263)
Balance 31 March 2022	(3,073)	(23,741)	(26,814)	(2,843)	(512)	(30,169)	19,641	(10,528)

The Movement in Reserves Statement (MIRS) shows the movements in the year for the Council’s usable reserves, (those that can be used for future funding of services), and unusable reserves (there to deal with accounting entries only). It begins by showing the effect of the previous statement – the Comprehensive Income & Expenditure Statement, and then reverses out accounting entries to show the balance on each of the reserves at the end of the financial year. In summary, there was a reduction in the Council’s usable reserves of £2.667 million resulting in a balance of £30.169 million. However, this balance includes £5.6 million on reserves which are already committed to fund the Council’s share of the deficit of the Collection Fund.

Balance Sheet – The Council's Resources

	Note	31 March 2022		31 March 2021	
		£'000	£'000	£'000	£'000
Total Property, Plant and Equipment	24		85,925		80,874
Assets Held for Sale	29	100		100	
Heritage Assets	27	2,190		2,087	
Investment Properties	28	4,030		3,599	
Intangible Assets		60		87	
Long-Term Investments	42	3,428		2,916	
Long-Term Debtors	38	2,806		3,469	
			<u>12,614</u>		<u>12,258</u>
Total Long-Term Assets			98,539		93,132
Current Assets					
Inventories		1		1	
Short-Term Investments	42	7,600		0	
Short-Term Debtors	39	19,689		17,206	
Cash and Cash Equivalents	40	15,602		17,686	
			<u>42,892</u>		<u>34,893</u>
Total Current Assets			42,892		34,893
Total Assets			141,431		128,025
Current Liabilities					
Short-Term Creditors	34	(39,548)		(24,231)	
Short-Term Loans	42	(10,000)		(15,000)	
S106 Deferred Revenue Receipts	35	(66)		(95)	
Revenue Grant Receipts in Advance	12	(1,412)		(2,827)	
Provisions	37	(2,484)		(1,064)	
			<u>(53,510)</u>		<u>(43,217)</u>
Total Current Liabilities			(53,510)		(43,217)
Total Assets less Current Liabilities			87,921		84,808
Long-Term Liabilities					
Long-Term Creditors	33	(60)		(60)	
Liability Related to Defined Benefit Pension Scheme	9(f)	(62,604)		(66,646)	
Capital Grants and Contributions	36	(12,662)		(14,896)	
S106 Deferred Revenue Receipts	35	(137)		(202)	
Provisions	37	(1,930)		(3,739)	
			<u>(77,393)</u>		<u>(85,543)</u>
Total Long-Term Liabilities			(77,393)		(85,543)
Net Assets			10,528		(735)

Balance Sheet – The Council’s Resources

	Note	31 March 2022		31 March 2021	
		£'000	£'000	£'000	£'000
Financing:					
Unusable Reserves					
Revaluation Reserve	18	(27,899)		(24,394)	
Deferred Capital Receipts Reserve		(6)		(6)	
Capital Adjustment Account	19	(18,769)		(16,180)	
Collection Fund Adjustment Account	20	3,810		7,422	
Accumulated Absences Account	22	330		0	
Pensions Reserve	23	62,604		66,646	
Pooled Fund Adjustment Account	21	(429)		83	
Total Unusable Reserves			19,641		33,571
Total Usable Reserves	MIRS page 27		(30,169)		(32,836)
Total Reserves			(10,528)		735

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 a significant increase in the value of the Council’s net assets in 2021/22 which was mainly due to the increase in the value of property and a decrease in the pension liability.

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

The movement in cash that has resulted in the Cash and Cash Equivalents balance of £15.602m 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: 22 July 2022

Director of Resources

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

	2021/22	2020/21
	£'000	£'000
Net Surplus/ (Deficit) on the Provision of Services (see Comprehensive Income & Expenditure Statement)	871	(16,007)
Depreciation	1,457	1,402
Impairment & downward valuations	(1,652)	14,065
Movement in market value of investment property and upward revaluation	(431)	(125)
Increase in creditors	13,037	9,282
(Increase)/Decrease in debtors	(654)	(4,883)
Increase in debt impairment	32	(16)
Movement in provisions	(901)	713
Movement in pension liability	2,562	2,039
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	76	1,582
Other movements	26	27
Adjustment to Net Surplus on the Provision of Services for Non-Cash Movements	13,552	24,086
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	(5,033)	138,111
Net Cash Inflows from Operating Activities	9,390	146,190
Purchase of property, plant and equipment, investment property and intangible assets	(1,532)	(7,618)
Movements of short-term investments	(7,600)	(142,010)
Other payments for investing activities	(158)	(1,284)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	51	1,467
Other receipts from investing activities	3,504	13,151
Net Cash (Outflows) from Investing Activities	(5,735)	(136,294)
Short and long-term borrowing	5,000	30,000
Council tax and business rates adjustments	(739)	(209)
Repayment of short-term borrowing	(10,000)	(40,000)
Net Cash (Outflows)/Inflows from Financing Activities	(5,739)	10,209
Net (Decrease)/Increase in Cash or Cash Equivalents	(2,084)	(313)
Cash and cash equivalents at 1 April (Note 40)	17,686	17,999
Cash and cash equivalents at 31 March (Note 40)	15,602	17,686
Net (Decrease)/Increase in Cash or Cash Equivalents During Year	(2,084)	(313)

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 £113,000 for interest received (£167,000 in 2020/21) and £49,000 for interest paid (£204,000 in 2020/21) due to lower interest rates and reduction in the level of loans.

Accounting Policies

1. Accounting Policies – General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code, supported by IFRS and other guidance. The appropriate note details the critical judgements and estimations about the future made when applying the Accounting Policies.

(a) Accounting Convention

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

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

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

(b) Accruals and Revenue Recognition

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

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

Notes to the Core Financial Statements

- 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;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- accruals are recognised where the value exceeds £1,000;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to Cost of Services for the income that might not be collected;
- exceptions are utility bills, insurance premiums and income from car parking, which are, in the main, charged or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy also covers larger payments credited to the year in which they were billed and not apportioned between years; and,
- the annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate.

In 2021/22 £8.7m of income was recognised under IFRS 15 revenue contracts with customers (£6.1m, 2020/21).

2. Accounting Policies

(a) Capital Receipts

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

(b) Cash and Cash Equivalents

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

(c) Employee Benefits – Costs

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to the Comprehensive Income & Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require that the General Fund is charged with the amount payable by the Council to the Kent Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Kent Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

(d) Employee Benefits – Post-Employment Benefits

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.6%. The discount rate is the annualised yield at the 18-year point on the annualised Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

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

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

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

(e) Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period. For 2021/22 there is a separate note on the estimation uncertainty as a result of the coronavirus and the invasion of Ukraine.

(f) Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a

Notes to the Core Financial Statements

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 2022.
- amortised cost – this category includes debtors and are initially measured at fair value and carried in the Balance Sheet at their amortised cost.

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. No impairment is calculated for assets which are classified as fair value through profit and loss as the risk is reflected in the movement in their fair value.

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

(g) Government Grants and Other External Contributions

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

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

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

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

Notes to the Core Financial Statements

finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

(h) Heritage Assets

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

(i) Intangible Assets

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

(j) Investment Property

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

(k) Leases

Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease on an accruals basis, generally meaning that rentals are charged when they become payable.

(l) Long-Term Liabilities

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

(m) Material Items of Income and Expense

Material items of income and expense are required by the Code to be shown separately on the face of the Comprehensive Income & Expenditure Statement. The Council has decided that for this purpose an item is judged to be material if it is in excess of £0.5m.

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

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

Notes to the Core Financial Statements

Investment Assets or Assets Held for Sale, are recorded as Surplus Assets.

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

The Council operates a de-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:

- Existing Use Value defined in accordance with RICS Valuation – Professional Standards for assets providing service potential to the Council where an active market exists;
- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised; and
- Fair Value, for surplus assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for Sale.

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

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

Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds.

The concept of materiality is fundamental to the preparation of the financial statements. In the public sector, as entities tend to be primarily 'spending' to provide public services rather than profit making or asset holding, it is common practice to use gross revenue expenditure as the appropriate financial reporting metric to apply materiality. However, for the purposes of disclosure requirements and adherence to relevant accounting principles and statutory requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2021/22 is £1.7 million (2020/21 £1.6m).

(o) Non-Current Assets – Charges to Revenue

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

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

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

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

(p) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

(q) Reserves

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

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

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

(s) Value Added Tax (VAT)

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

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

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

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

None of the above are expected to have a material effect on the Council's finances in 2022/23. The CIPFA/LASAAC Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases so the effective date for implementation is now 1 April 2024.

4. Accounting Estimates – Coronavirus and Invasion of Ukraine

The outbreak of the coronavirus (Covid-19) was declared by the World Health Organisation as a "global pandemic" on 11 March 2020 and Russia invaded Ukraine on 24 February 2022. The effects on the estimation uncertainty in the Statement of Accounts are as follows:

(a) Pension Scheme

Swale Council did not consider it appropriate to make an allowance for their actual member mortality experience over the accounting year as this would require a full valuation of updated membership data and would incur additional fees. Therefore, the accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete. There have not been any events relating to Covid-19 that are to be allowed for in the Council's accounts.

As a result of Russia's invasion of Ukraine, there has been volatility in the market for various asset classes globally. Therefore, the accounts reflect the actual return earned by the fund assets over the accounting period. Fundamentally, this approach will see assets as at 31 March 2022 based on actual investment return earned by the Fund without any estimation being required. Although some of these data items have been estimated, they are not likely to have a material effect on the accounts.

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

(b) Financial Instruments

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

(c) Impairment Allowance for Non-Payment of Debt

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

(d) Non-Current Assets

The outbreak of Covid-19 continued to impact on the global economy with some real estate markets having experienced lower levels of transactional activity and liquidity. Nevertheless, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the values in the accounts are not reported as being subject to 'material valuation uncertainty' as defined by Valuation Technical and Performance Standards (VPS) 3 and Valuation Practice Guidance Applications (VPGA) 10 of the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards.

To reduce estimation uncertainty, the valuation date for investment and high value assets of the Council were as at 31 March 2022.

The Russian invasion of Ukraine has added to the levels of global uncertainty during the period. As a response the international community has been united in applying sanctions against the Russian state which is now reported to be having an impact on the Russian

Notes to the Core Financial Statements

economy. The reliance on energy resource may lead to wider implications across Europe although this may be more relevant to the 2022/23 financial period. 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 invasion.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Resources on 22 July 2022. 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 2022, 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 22 July 2022.

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:

Remuneration Band	2021/22	2020/21
	Number of Employees	Number of Employees
£50,000 - £54,999	8	10
£55,000 - £59,999	8	12
£60,000 - £64,999	5	4
£65,000 - £69,999	3	0
£75,000 - £79,999	2	1
£80,000 - £84,999	0	4
£85,000 - £89,999	3	1
£100,000 - £104,999	0	1
£105,000 - £109,999	1	0
£125,000 - £129,999	1	0
Total	31	33

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

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

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

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Exit Package Cost Band (Including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £20,000	0	1	3	1	3	2	9,444	16,594
£20,001 - £40,000	0	2	0	0	0	2	0	50,451
£40,001 - £60,000	1	0	0	0	1	0	52,228	0
£100,001 - £150,000	0	1	0	0	0	1	0	103,112
Total	1	4	3	1	4	5	61,672	170,157
Total paid to employees							61,672	93,057
Total paid to KCC for contracted payments for pension scheme							0	77,100
Total							61,672	170,157

Senior Officers whose emoluments/salary is between £50,000 and £150,000 per year.

Post holder Information (Post title)	Point	2021/22	2021/22	2021/22	2020/21
		Salary, Fees & Allowances £'000	Pension Contributions £'000	Total Remuneration £'000	Total Remuneration £'000
Chief Executive	1	125	40	165	36
Chief Executive	2	0	0	0	28
Director of Regeneration		105	34	139	136
Policy & Performance Manager	3	79	25	104	107
Head of Legal Partnership	4	51	16	67	115
Head of Legal Partnership	5	38	12	50	0
Chief Financial Officer	6	70	0	70	59
Director of Resources	7	48	15	63	0
Head of Development Services	8	85	27	112	111
Head of Housing & Economy		85	27	112	111
Head of Environment & Leisure		85	27	112	108
Chief Executive Thames Gateway Kent Partnership	9	0	0	0	50
Total		771	223	994	861

Point 1: Post holder was appointed in January 2021.

Point 2: Post holder was on sick leave for 2019/20 and sadly passed away in May 2020. 2020/21 Total Remuneration relates to outstanding holiday pay.

Point 3: 2020/21 Total Remuneration includes honorarium.

Point 4: Post holder left October 2021. Includes market supplement and mileage allowance.

Point 5: Post holder was internally promoted to temporarily act up to the role of Head of Legal Services in October 2021. Includes market supplement and mileage allowance.

Point 6: Post holder left July 2021. Includes outstanding holiday pay, pay in lieu of notice and redundancy costs.

Point 7: Post holder was appointed October 2021.

Point 8: Post holder left April 2022.

Notes to the Core Financial Statements

Point 9: Post holder left mid 2020. 2020/21 Total Remuneration includes mileage allowance, outstanding holiday pay and honorarium. The salary for this post was paid by the Council and recharged to the Thames Gateway Kent Partnership. This partnership ceased on 31 March 2021.

8. Members' Allowances

	2021/22 £'000	2020/21 £'000
Basic allowance	259	255
Special responsibility allowance	180	163
Members' travel, subsistence and IT allowance	11	9
Total	450	427

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, currently 18.5%, plus an annual fixed sum.

b) Regulatory Framework of Defined Benefit Pension Schemes

The Kent Pension Fund is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This committee is responsible for setting investment strategy, appointing professional fund managers, carrying out regular reviews, monitoring of investments, monitoring the administration of the Pension Fund and determining Pension Fund policy with regard to employer admission arrangements. The committee consists of 12 members with voting rights (nine from KCC and three from district councils) and five other members without voting rights. 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.

Notes to the Core Financial Statements

d) Other Factors Affecting Pension Payments

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

e) Revenue Transactions Relating to Post-Employment Benefits

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

	2021/22 £'000	2020/21 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services comprising:		
Current service cost	4,238	3,726
Administration expenses	56	61
Net interest on the net defined benefit liability	1,302	1,297
Total Post-Employment Benefits Charged to the Provision of Services	5,596	5,084
Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure:		
Return on plan assets in excess of interest	(92)	(20,726)
Change in demographic assumptions	0	(1,552)
Experience loss on defined benefit obligation	375	(1,888)
Change in financial assumptions	(6,887)	29,746
Total Re-Measurements Recognised in Other Comprehensive Income and Expenditure	(6,604)	5,580
Total Post-Employment Benefits Credited to the Comprehensive Income & Expenditure Statement	(1,008)	10,664

	2021/22 £'000	2020/21 £'000
Movement in Reserves Statement		
Reduction of charges made to the deficit on the Provision of Services for post-employment benefits to equal actual payments in accordance with the Code (see Note 45)	(2,562)	(2,039)
Employers' Contributions Payable to the Scheme	3,034	3,045
Actual Return on Scheme Assets less Interest	92	20,726

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:

Notes to the Core Financial Statements

	2021/22	2020/21
	£'000	£'000
Present value of the defined benefit obligation	155,977	158,586
Fair value of plan assets	(95,815)	(94,577)
Sub Total	60,162	64,009
Present value of unfunded obligation	2,442	2,637
Net Liability in Balance Sheet	62,604	66,646

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:

	2021/22	2020/21
	£'000	£'000
Reconciliation of present value of the scheme liabilities		
Opening balance at 1 April – defined benefit obligation	(161,223)	(133,072)
Current service cost	(4,238)	(3,596)
Past service cost including McCloud / Sargeant judgements (see Note I)	0	(130)
Interest cost	(3,188)	(2,607)
Contributions by scheme participants	(609)	(588)
Changes in financial assumptions	6,887	(29,746)
Experience loss on defined benefit obligation	(375)	1,888
Changes in demographic assumptions	0	1,552
Benefits paid including unfunded pension payments	4,327	5,076
Closing balance at 31 March – defined benefit obligation	(158,419)	(161,223)

	2021/22	2020/21
	£'000	£'000
Reconciliation of fair value of the scheme assets		
Opening balance at 1 April – fair value of scheme assets	94,577	74,045
Interest on assets	1,886	1,310
Return on assets less interest	92	20,726
Administration expenses	(56)	(61)
Employer contributions	3,034	3,045
Contributions by scheme participants	609	588
Benefits paid including unfunded pension payments	(4,327)	(5,076)
Closing balance at 31 March – fair value of scheme assets	95,815	94,577

h) Pension Fund Assets

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

	31 March 2022	31 March 2022	31 March 2021	31 March 2021
	£'000	%	£'000	%
Equity investments	61,712	64	60,941	64
Gilts	585	1	562	1
Bonds	13,237	14	11,819	13
Property	11,261	12	9,795	10
Cash	1,927	2	4,631	5
Absolute return fund	7,093	7	6,829	7
Total	95,815	100	94,577	100

Notes to the Core Financial Statements

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 the triennial valuation of the scheme as at 31 March 2019, allowing for the different assumptions required under IAS 19.

	31 March 2022	31 March 2021
Mortality assumptions:		
Longevity at 65 if retiring today:		
Men	21.6 years	21.6 years
Women	23.7 years	23.6 years
Longevity at 65 if retiring in 20 years:		
Men	23.0 years	22.9 years
Women	25.1 years	25.1 years
Rate of inflation (Retail Price Index (RPI) increases)	3.45%	3.15%
Rate of inflation (Consumer Price Index (CPI) Increases)	3.15%	2.85%
Rate of increase in salaries	4.20%	3.80%
Rate of increase in pensions	3.20%	2.80%
Rate of discounting scheme liabilities	2.60%	2.00%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 2.10% (30.01% for the year 31 March 2021).

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

Uncertainty	Sensitivity Analysis		
	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	155,513	158,419	161,382
Projected service cost	3,738	3,863	3,992
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	158,748	158,419	158,094
Projected service cost	3,865	3,863	3,861
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	161,034	158,419	155,853
Projected service cost	3,991	3,863	3,739
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	165,712	158,419	151,471
Projected service cost	4,024	3,863	3,709

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 2019 disclosed a net deficit of £15.5m on Swale Borough Council's share of the fund, a reduction from the 2016 valuation deficit of £20.1m. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation will take effect from 1 April 2023 but the results are not yet available.

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 2022/23 is £2.879m (£2.800m, 2021/22).

The weighted average duration of the defined benefit obligation for scheme members is 19 years for 2021/22 (2020/21, 19 years).

l) Accounting for the McCloud and Sargeant Judgements in 2021/22

An allowance was made in the 2020/21 Annual Accounts shown as a past service cost. Therefore, this includes an allowance in the Current and Projected service cost in respect of the benefits members accrue each accounting period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, and therefore an adjustment will be required to the projected service cost from 1 April 2022 so that no further allowance for the McCloud remedy is made which will then feed through to the current service cost in employers' reports for 31 March 2023.

m) Accounting for the Impact of Covid in 2021/22

There has not been a full valuation of updated membership data mortality experience over 2021/22. There has been a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the Fund is complete. The actuaries were not aware of any other events relating to Covid-19 that are to be allowed for in the Council's accounting results.

Day to Day Spending – Revenue**10. Expenditure and Income Analysed by Nature**

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

	2021/22 Net Expenditure £'000	2020/21 Net Expenditure £'000
Benefit payments	32,676	37,107
Employee costs	17,371	15,975
Business rates paid to Government and pool	15,468	14,859
Other service expenses	23,455	20,658
Major contracts	7,704	7,688
Parish precepts	1,575	1,574
Drainage board levy	876	847
Trading undertakings losses	667	16,009
Investment properties	47	86
Other items	275	766
Total Expenditure	100,114	115,569
Benefit income (Note 12)	(32,152)	(36,510)
Business rates income	(24,205)	(16,695)
s31 Retail relief grant	(2,632)	(6,822)
Tax income guarantee (s31)	0	(750)
Fees, charges and other service income	(11,041)	(8,735)
Council tax	(10,441)	(9,991)
New homes bonus	(1,028)	(1,633)
Trading undertakings gains	(3,658)	(1,178)
Revenue support grant	(116)	(115)
Coronavirus LA support grant	(1,659)	(4,234)
Grant income credited to cost of services (Note 12)	(12,050)	(11,541)
Other grants and contributions	(550)	(314)
Other items	(1,453)	(1,044)
Total (Income)	(100,985)	(99,562)
(Surplus)/Deficit on Provision of Services	(871)	16,007

The loss on trading undertakings is as a result of a change in the valuation of an asset.

11. Financing and Investment Income and Expenditure

	2021/22 Net Expenditure £'000	2020/21 Net Expenditure £'000
Interest payable & similar charges	49	204
Net interest on the net defined pension liability (Note 9)	1,302	1,297
Interest receivable & similar income	(113)	(167)
Losses/(Gains) on trading undertakings	(2,992)	14,831
(Income) & expenditure – investment properties (Note 28)	(209)	(163)
Revaluation (gains) to investment properties and changes in fair value (Note 28)	(431)	(125)
Net (gains) / losses on financial assets through profit and loss (Note 42)	(512)	21
Total	(2,906)	15,898

Notes to the Core Financial Statements

The loss on trading undertakings is as a result of a change in the valuation of an asset.

12. Grant Income

Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the Comprehensive Income & Expenditure Statement.

Revenue Grants – Receipts in Advance

The revenue grants receipts in advance at 31 March 2022 were £1,412,118 (£2,827,315, 31 March 2021).

The reason for the reduction is due to the Coronavirus Grants received in 2020/21 as Receipts in Advance being applied in 2021/22.

Capital Grants and Contributions

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

Grants Credited to Services

Grant Area	Provider	2021/22 £'000	2020/21 £'000
Housing benefit grant	Department for Work & Pensions	(32,152)	(36,510)
Coronavirus Additional Restrictions Business Grants	Department for Business, Energy and Industrial Strategy	(2,856)	(2,591)
Queenborough & Rushenden Klondyke land improvement funded by Housing Infrastructure Fund (HIF)	Homes and Communities Agency	(2,808)	(1,136)
Housing repair grants – disabled facilities	Ministry for Housing, Communities and Local Government	(1,599)	(839)
Homelessness grant	Ministry for Housing, Communities and Local Government	(1,069)	(678)
Coronavirus Revenue Grants - other	Various Contributors	(716)	(545)
Coronavirus S13A Council Tax Hardship Grant	Ministry for Housing, Communities and Local Government	(618)	(1,173)
Rough Sleeper Initiative	Ministry for Housing, Communities and Local Government	(453)	(351)
Housing benefit admin subsidy	Department for Work & Pensions	(409)	(406)
Discretionary housing payment	Department for Work & Pensions	(369)	(480)
Coronavirus - Contain Outbreak Management Fund	Various Contributors	(326)	0
Localising council tax support administration subsidy grant	Ministry for Housing, Communities and Local Government	(170)	(215)
Implementing welfare reform changes	Department for Work & Pensions	(104)	(114)
Council Tax and Business Rates Grants	Department for Business, Energy and Industrial Strategy	(101)	0
Open spaces and play areas – commuted sums	Various Contributors	(96)	(101)
Sittingbourne High Street Footpath	Private Developer	(1)	(13)

Notes to the Core Financial Statements

Grant Area	Provider	2021/22 £'000	2020/21 £'000
Coronavirus Business Support Grants	Department for Business, Energy and Industrial Strategy	0	(1,501)
Coronavirus - supporting public sector leisure centres	National Leisure Recovery Fund	0	(365)
Coronavirus - emergency assistance and winter scheme grants	Kent County Council	0	(260)
Sittingbourne Town Centre road works	Kent County Council	0	(130)
Other grants	Various Contributors	(355)	(643)
Total Grant Income Credited to Cost of Services		(44,202)	(48,051)

13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

	2021/22 £'000	2020/21 £'000
Fees payable for external audit service	71	70
Fees payable for the certification of grant claims and returns	26	31
Total	97	101

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

Property valued at £75,600 was disposed of in 2021/22. A total net gain of £84,310 was incurred for 2021/22 for all disposed assets (net loss of £37,880 in 2020/21). No investment assets were disposed of in 2021/22 (with no disposals of investment assets in 2020/21). After repayment of Disabled Facilities Grants of £99,120, the largest gain in the year was £20,000 from the sale of a mobile phone mast licence in Queenborough and the largest loss in the year was £32,300 from the write out of highway costs re the Sittingbourne Town Centre redevelopment. 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 2021/22 the Council received £51,470 from the sale of land and property. This included £30,000 from the sale of beach huts at Leysdown and the Leas, Minster, and £20,000 for a mobile phone mast at Rushenden Road, Queenborough.

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	2021/22	2020/21
	£'000	£'000
Balance at 1 April	(2,884)	(1,359)
Capital receipts in year from sale of assets	(52)	(1,466)
Capital receipts in year from repayment of grants	(108)	(83)
Capital receipts applied during the year – financing long-term assets	201	24
Balance at 31 March	(2,843)	(2,884)

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 2022 of £511,151 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.

17. Revenue Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22 and 2020/21.

	Balance 31 March 2020 £'000	Transfers out 2020/21 £'000	Transfers in 2020/21 £'000	Balance 31 March 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Balance 31 March 2022 £'000
Budget Contingency Reserve	0	0	0	0	0	(2,000)	(2,000)
Kent Pool Economic Development Business Rates	(1,326)	1,000	(768)	(1,094)	286	(931)	(1,739)
North Kent Housing & Commercial Growth Business Rates	(1,706)	33	0	(1,673)	93	0	(1,580)
Special Project Fund	(964)	909	(1,000)	(1,055)	648	(1,000)	(1,407)
Business Rates Volatility	(3,943)	1,446	(330)	(2,827)	2,048	(616)	(1,395)
Revenue and Benefits	(809)	52	(658)	(1,415)	833	(350)	(932)
Covid Recovery	0	0	0	0	225	(1,043)	(818)
Improvement and Resilience	0	0	(1,000)	(1,000)	206	0	(794)
Building & Assets Maintenance	(706)	166	(23)	(563)	0	(118)	(681)
Repairs & Renewals	(376)	82	(161)	(455)	206	(200)	(449)
Town Centres / High Streets	(800)	42	0	(758)	334	0	(424)
Communities	(556)	145	0	(411)	73	0	(338)
Parking	(373)	94	0	(279)	9	(25)	(295)
Stay Put	(283)	45	0	(238)	0	0	(238)

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	Balance 31 March 2020 £'000	Transfers out 2020/21 £'000	Transfers in 2020/21 £'000	Balance 31 March 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Balance 31 March 2022 £'000
Preceptors Council Tax Support	(1,071)	47	(134)	(1,158)	1,066	(134)	(226)
Refuse and Recycling	(172)	0	0	(172)	2	(50)	(220)
Performance	(432)	161	0	(271)	55	0	(216)
Local Development Framework	(220)	53	0	(167)	0	(44)	(211)
Heritage Strategy	(250)	24	0	(226)	53	0	(173)
Wheeled Bins	(118)	0	(161)	(279)	142	(35)	(172)
Financial Services	(180)	1	0	(179)	19	0	(160)
Environmental Initiatives	(101)	0	(25)	(126)	0	(30)	(156)
Visitor Economic Framework	(189)	10	0	(179)	30	0	(149)
Pension & Redundancy	(94)	170	(128)	(52)	54	(145)	(143)
Housing	(153)	12	(5)	(146)	10	(1)	(137)
Electoral Registration	(107)	58	(52)	(101)	0	0	(101)
Cemeteries	(60)	0	0	(60)	0	(20)	(80)
Milton Creek Access Road	(75)	0	0	(75)	0	0	(75)
General Democratic	(37)	0	(30)	(67)	0	0	(67)
HR Shared Services	(74)	0	0	(74)	8	0	(66)
Licensing	(54)	0	0	(54)	14	(25)	(65)
Tree Survey and Works in Closed Churchyards	(63)	0	0	(63)	0	0	(63)
Food and Health Safety	(60)	0	0	(60)	0	0	(60)
ICT	(55)	0	0	(55)	0	0	(55)
Sheppey Lower Road Improvements	(50)	0	0	(50)	0	0	(50)
Development Control	0	0	0	0	0	(50)	(50)
Closed Churchyards and War Memorials	(52)	0	0	(52)	40	(14)	(26)
Regeneration	(152)	0	0	(152)	152	0	0
Insurance	(83)	0	0	(83)	83	0	0
Faversham Creek Footpath	(60)	0	0	(60)	60	0	0
CCTV	0	0	(50)	(50)	50	0	0
Collection Fund Deficit	0	0	(6,546)	(6,546)	6,037	(2,632)	(3,141)
Covid-19 Additional Relief Fund	0	0	0	0	0	(1,247)	(1,247)
Coronavirus - S13A	0	0	(94)	(94)	0	(734)	(828)
Council Tax Hardship	0	0	(750)	(750)	334	0	(416)
Income Guarantee (TIG)	0	0	(750)	(750)	334	0	(416)
STC Retail Park	(417)	38	0	(379)	38	0	(341)
STC Bourne Place	0	0	(165)	(165)	0	(170)	(335)

Notes to the Core Financial Statements

	Balance 31 March 2020 £'000	Transfers out 2020/21 £'000	Transfers in 2020/21 £'000	Balance 31 March 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Balance 31 March 2022 £'000
Commuted Sums	(266)	0	0	(266)	0	(4)	(270)
Local Loan Fund	(175)	0	0	(175)	0	0	(175)
Disabled Facilities Grants (Revenue)	(85)	6	0	(79)	1	0	(78)
Miscellaneous	(1,600)	999	(176)	(777)	359	(681)	(1,099)
Total	(18,347)	5,593	(12,256)	(25,010)	13,568	(12,299)	(23,741)

Budget Contingency Reserve	Cabinet 16 March 2022 approved the creation of this reserve. Minute 695/03/2022
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. Minute 350/12/2020.
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. Minute 350/12/2020.
Special Project Fund	The Cabinet meeting 10 July 2019 proposal to set up a Special Projects Fund was agreed. The fund is being used to deliver tangible projects for the residents of the borough. Minute 122/07/2019.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
Revenues and Benefits	Savings made in the Revenues and Benefits section, including unspent grants are transferred to this reserve. This is used to cover the shortfall in Government grant.
Covid Recovery	Cabinet 14 July 2021 allocated funds from the general fund underspend in 2020/21 to create this fund for the purpose of meeting additional costs or loss of income arising from the pandemic. Minute 154/04/2021.
Improvement and Resilience	The Cabinet meeting on 16 December 2020 agreed the creation of this fund. Minute 350/12/2020.
Building & Assets Maintenance	To meet items of backlog building maintenance as identified in the Council's medium-term maintenance plan as well as urgent or unexpected items. Each year the reserve is topped up by any underspend on the building maintenance revenue budget.
Repairs & Renewals	Regular contributions are made to this fund from the General Fund for a number of services to fund the future cost of significant items of expenditure.
Town Centres/ High Street.	The Cabinet meeting 16 December 2020 agreed that £800k of shared business rates would be allocated to Town Centres. Minute 350/12/2020.
Communities	This is to support the Council's Localism Agenda.
Parking	Any surplus from on-street parking is transferred to the ring fenced on-street parking account under Section 55 of the Road Traffic Act 1984.
Stay Put	To support the Council's Stay Put service which offers advice, support and help to the elderly and disabled, who are owner occupiers or private tenants and who need practical assistance to repair, adapt or improve their homes.
Preceptors Council Tax Support	Paid by KCC, Police and Fire to reflect the costs of Council Tax support localisation.
Refuse and Recycling	To fund on-going review of additional roads from new developments to be added onto the Refuse contract and services including clinical, bulky and weekly collections.

Notes to the Core Financial Statements

Performance	To improve overall performance. Officers can submit a bidding list of proposals.
Local Development Framework	Any underspend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund Local Development Framework associated work.
Heritage Strategy	The Cabinet meeting 18 December 2019 agreed to the creation of this reserve. Minute 402/12/2019.
Wheeled Bins	To fund the purchase of new wheeled bins and replacements.
Financial Services	To fund continuous system developments for the financial systems, and meeting the costs of the professional advice and staff development on accounting, taxation, payments, etc.
Environmental Initiatives	Income from Fixed Penalty notices used to support various environmental initiatives. It is a requirement of the legislation that any money generated is used to create a cleaner and greener environment.
Visitor Economic Framework	The Cabinet meeting 7 February 2018 agreed that the Visitor Economy Framework 2018-2023 be adopted and this fund be created to contribute to the delivery of the framework. Minute 475/02/2018.
Pension & Redundancy	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement and to fund all other redundancy costs.
Housing	To fund the homelessness service.
Electoral Registration	To fund one-off costs of Local Authority elections in future years.
Cemeteries	Used to cover the costs of purchasing an electronic burial records system as part of the transformation review recommendations and further expected costs at the Iwade burial site.
Milton Creek Access Road	Reserve will be used for access road to Milton Country Park and increased security around the car park to stop unauthorised encampments.
General Democratic	This reserve was created to support the Democratic Services.
HR Shared Services	This reserve was funded from an underspend on this service to support future costs.
Licensing	Any surplus or deficit from Licensing is transferred to the ring-fenced Licensing account under Local Government (Miscellaneous Provisions) Act 1982.
Tree Survey and Works in Closed Churchyards	Funding required to undertake tree condition surveys across the Council's Green Spaces and to fund a rolling programme of tree works.
Food and Health Safety	To meet Council Key Performance Indicators as well as statutory duties.
Information and Communication Technology (ICT)	This funds future IT related expenditure in future years. Any surplus or deficit on ICT expenditure on software and equipment is transferred to this fund.
Sheppey Lower Road Improvements	The Cabinet meeting 18 December 2019 agreed to create this fund. Minute 402/12/2019.
Development Control	To support the Development Control service in costs associated with significant major applications.
Closed Churchyards and War Memorials	This reserve is to fund continuing works at closed churchyards.
Regeneration	To fund regeneration projects in the Borough.
Insurance	To fund insurance claims.
Faversham Creek Footpath	To fund a footpath in Faversham - part of the regeneration of the Faversham Creek.
CCTV	To fund a new CCTV system.
Collection Fund Deficit	To be fully used to offset the business rate collection fund deficit as a result of increased business rate reliefs announced by Government in response to the coronavirus pandemic.
Covid-19 Additional Relief Fund (CARF)	To be fully used to offset the business rate collection fund deficit as a result of the CARF business rate reliefs announced by Government in response to the coronavirus pandemic.

Notes to the Core Financial Statements

Coronavirus - S13A Council Tax Hardship	This represents the balance remaining on the S13A Council Tax Hardship Fund. The Council must spend this in the provision of support to vulnerable households.
Collection Fund Tax Income Guarantee (TIG)	The Government announced funding of irrecoverable losses in council tax and business rates. This funds the Council's share of the deficit on the collection fund due in future years.
Sittingbourne Town Centre (STC) Retail Park	This reserve is for the accounting adjustment between the value of income received and the value included in the accounts.
STC Bourne Place	This reserve is for the accounting adjustment between the value of income received and the value included in the accounts.
Commuted Sums	To fund play area and open space maintenance in future years.
Local Loan Fund	To support voluntary, community or not-for-profit organisations and town and parish councils in Swale to enable management and delivery of local services and facilities.
Disabled Facilities Grants (Revenue)	This reserve is related to the Better Care Fund (BCF) incorporating Disabled Facilities Grants (DFG). Funding is from the Government and administered via KCC. To be used for new or committed work to support the DFG service.
Miscellaneous	This is made up of other smaller earmarked reserves. A full list of these reserves is available upon request.

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).

This year gains included the Swallows Leisure Centre £1,779,830, new Cinema building Sittingbourne Town Centre £704,060, Sheerness Swimming Pool £541,510, new hotel building Sittingbourne Town Centre £476,770, Faversham Swimming Pool £414,010, and the former library, Trinity Road, Sheerness £223,110.

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.

Only two losses greater than £100,000 were incurred, being the heating component for the Swallows Leisure Centre £325,580 and Princes Street Retail Park £219,350.

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.

Notes to the Core Financial Statements

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(24,394)	(17,096)
(Upward) revaluation of assets	(4,814)	(9,779)
Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	932	1,921
Sub Total	(3,882)	(7,858)
Write down re gains derived from depreciation differences, between historic costs and current value	363	316
Write down of accumulated gains on disposed assets	14	244
Balance at 31 March	(27,899)	(24,394)

19. Capital Adjustment Account

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

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(16,180)	(31,196)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Depreciation of tangible non-current assets	1,457	1,402
Amortisation of intangible assets	26	27
Write down Revenue Expenditure Funded by Capital under Statute (REFCUS) (Note 30)	4,900	2,528
Revaluation losses taken to Comprehensive Income & Expenditure Statement – other assets	943	15,960
Revaluation losses taken to Comprehensive Income & Expenditure Statement – investment assets	0	5
Revaluation gains and reversal of prior losses taken to Comprehensive Income & Expenditure Statement – other assets	(2,595)	(230)
Revaluation gains taken to Comprehensive Income & Expenditure Statement – investment assets	(431)	(130)
Impairment losses / reversal of prior impairment losses taken to Comprehensive Income & Expenditure Statement – other assets	0	(1,665)
Disposal & derecognition of assets – write out of notional net book value	76	1,582
Write down of Revaluation Reserve:		
Write down of Revaluation Reserve depreciation (gains) (Note 18)	(363)	(316)
Write down of Revaluation Reserve accumulated gains on disposed assets (Note 18)	(14)	(244)
Capital financing applied in the year:		
Capital financing – capital receipts (Note 32 and Note 15)	(201)	(24)
Capital financing – Government grants and external contributions (Note 32)	(4,829)	(2,308)

Notes to the Core Financial Statements

	2021/22	2020/21
	£'000	£'000
Capital financing – capital reserves (Note 32)	(573)	(832)
Capital financing – direct revenue funding (Note 32)	(29)	(27)
Minimum revenue provision (Note 32)	(1,050)	(778)
Write down of financing long-term debtors	94	66
Balance at 31 March	(18,769)	(16,180)

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 deficit and the surplus for renewable energy income retained by the Council. The total movement in 2021/22 was a reduction in the deficit of £3,612,000 (£7,820,000 movement from surplus to deficit in 2020/21).

21. Pooled Fund Adjustment Account

The movement in year of £511,856 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 forward at 31 March 2022. 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 2021/22 was an increase of £329,767. It had been agreed that this did not have to be calculated in 2020/21. The Executive Management of the Council have stated that from 31 March 2023 any rollforward of surplus leave will be limited to one week's worth for each employee.

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 £62,604,000 therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them 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 2021/22 are shown on Note 9 (f).

Long-Term Spending – Capital**24. Property, Plant and Equipment (PPE) Assets**

Movements in 2021/22:

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

Comparative movements in 2020/21:

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	
Cost or Valuation at 1 April 2020	60,318	6,936	2,679	7,169	661	17,991	2,184	97,938
Additions	4,752	146	0	162	0	1,999	0	7,059
Revaluations	(13,314)	(93)	0	0	0	0	(171)	(13,578)
Disposals	(495)	(1,487)	0	0	(12)	0	(1,060)	(3,054)
Reclassified	16,962	0	(430)	430	0	(16,962)	94	94
At 31 March 2021	68,223	5,502	2,249	7,761	649	3,028	1,047	88,459

Notes to the Core Financial Statements

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	
Accumulated Depreciation and Impairments								
At 1 April 2020	(6,019)	(5,239)	(835)	(758)	(661)	0	(5)	(13,517)
Depreciation charge	(1,024)	(246)	(40)	(92)	0	0	0	(1,402)
Depreciation written out on revaluations	795	94	0	0	0	0	2	891
Impairment written out on loss	4,972	0	0	0	0	0	0	4,972
Disposals	3	1,453	0	0	12	0	3	1,471
Reclassified	0	0	0	0	0	0	0	0
At 31 March 2021	(1,273)	(3,938)	(875)	(850)	(649)	0	0	(7,585)
Net Book Value at 31 March 2021	66,950	1,564	1,374	6,911	0	3,028	1,047	80,874
Net Book Value at 31 March 2020	54,299	1,697	1,844	6,411	0	17,991	2,179	84,421

The movement from 'Assets Under Construction' is mainly the reclassification of costs previously attributed as highway costs for the Sittingbourne Town Centre regeneration project now being recognised as relative to the new buildings and public space. Other movements included the completion of assets which became operational in 2021/22 – new Public Toilets at Minster Leas and Milton Country Park and the new footbridge at Bartons Point – and a small area of land in St. Michael's Road Sittingbourne now being classified as a Surplus asset.

The economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for operational buildings would increase by £28,740 should the useful life of each property be reduced by one year.

Surplus Land & Buildings

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

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

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's surplus assets were to reduce by 10% this would result in £106,330 being charged to the Comprehensive Income & Expenditure Statement.

25. Non-Current Asset Valuation

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

In 2021/22 Wilks Head and Eve valued Property, Plant and Equipment assets to a total value of £61,522,100. This total value comprises of valuations carried out on the following dates: 1 January 2022 totalling £2,520,100 and 31 March 2022 totalling £59,002,000. Capital Expenditure of £511,590 in the year added to the total closing assets value of £62,033,690.

In 2021/22 all of the asset valuations provided by Wilks Head and Eve totalled £65,725,520, being dated 1 January 2022 £2,520,100 and 31 March 2022 £63,205,420.

An impairment review was also carried out by Wilks Head and Eve as part of the valuation contract. The impairment review considered if there were material differences to the valuations performed at 1 January 2022 which would require these to be updated at 31 March 2022, but the result was that there were no material changes to the valuations advised. Mr K Parker, a member of the Royal Institution of Chartered Surveyors (RICS) and an employee of the Council, reviewed both tasks.

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

	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construc-tion £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
Carried at historical cost	0	0	2,282	7,845	0	2,085	0	12,212
Carried at depreciated historical cost	0	5,638	0	0	646	0	0	6,284
Valued at current value as at:								
Previous years	0	0	0	0	0	0	0	0
2017/18	1,370	0	0	0	0	0	0	1,370
2018/19	1,278	0	0	0	0	0	0	1,278
2019/20	2,067	0	0	0	0	0	0	2,067
2020/21	8,505	0	0	0	0	0	0	8,505
2021/22	60,971	0	0	0	0	0	1,063	62,034
Total Cost/ Valuation at 31 March 2022	74,191	5,638	2,282	7,845	646	2,085	1,063	93,750

The Council has undertaken a review of all assets that were valued before 2021/22 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

Notes to the Core Financial Statements

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.

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 2021/22 the Council has recognised a net gain / reversal of prior loss of £2,083,130 in respect of its non-current assets (recognition of net decrease / losses of £13,939,710 in 2020/21).

	PPE Assets £'000	Investment Assets £'000	Heritage Assets £'000	2021/22 Total £'000	2020/21 Total £'000
Revaluation – increase recognised in the Provision of Services [due to gain or reversal of prior loss] (a decrease / loss is shown in brackets)	2,391	0	0	2,391	(159)
Depreciation written out to the Provision of Services (gain – reversal prior loss)	204	0	0	204	389
Total Reversal Prior Loss (credit to deficit) (Note 19)	2,595	0	0	2,595	230
Revaluation – increase recognised in the Provision of Services [due to gain or reversal of prior loss] (a decrease / loss is shown in brackets) (Note 19)	0	431	0	431	130
Total Gain (credit to deficit)	2,595	431	0	3,026	360
Revaluation – decrease recognised in the Provision of Services (loss)	(1,102)	0	0	(1,102)	(16,278)
Depreciation written out to the Provision of Services (loss)	159	0	0	159	318
Revaluation – decrease recognised in the Provision of Services (loss)	0	0	0	0	(5)
Total Losses (debit to deficit) (Note 19)	(943)	0	0	(943)	(15,965)
Revaluation – increase recognised in the Provision of Services (impairment reversal)	0	0	0	0	1,898
Depreciation written out to the Provision of Services (impairment reversal)	0	0	0	0	(233)
Total Impairment reversal (debit to deficit) (Note 19)	0	0	0	0	1,665
Net Total (Loss)/Reversal-Gain Debited/Credited to the Provision of Services	1,652	431	0	2,083	(13,940)

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The greatest revaluation gains, reversals of previous losses, on PPE assets (£50,000 and over) were incurred on four properties (16 assets including component assets), the gains being the cinema building, Bourne Place, Sittingbourne £2,089,530 (all components except the lift), the hotel building Bourne Place, Sittingbourne £181,290 (structure, heating, electrical and lift components), Swale House council offices, Sittingbourne £120,270 (structure, roof and lift components) and the multi-storey car park, St. Michael's Road, Sittingbourne £71,850 (structure, electrical and external components). Eleven other properties (15 assets) incurred reversed losses, averaging £12,050 per property.

Three investment properties (three assets) incurred gains totalling £431,000. These were the Trading Estate, West Lane, Sittingbourne £326,700, New Road Industrial Units Phase 1 Sheerness £52,500 and New Road Industrial Units Phase 2 Sheerness £51,800.

The greatest revaluation losses on PPE assets (£50,000 and over) were incurred on five properties (12 assets including component assets), the losses being the hotel building, Bourne Place, Sittingbourne (£401,930) (land, roof and external components), Swallows Leisure Centre, Sittingbourne (£279,610 (roof component), Princes Street Retail Park, Sittingbourne (£85,900) (structure, roof and external components), cinema building Bourne Place, Sittingbourne (£67,380) (lift component) and Swale House council offices, Sittingbourne (£63,390) (heating, electrical and external components). Six other properties (seven assets) incurred losses, averaging (£7,490) per property.

Revaluation losses were incurred on two Investment properties (three assets), the Old Fire Station House, Court Street, Faversham (£100) (land and building assets) and land at Kwik Fit, St. Michael's Road, Sittingbourne (£100).

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
Cost or Valuation					
At 1 April 2021	107	401	115	1,464	2,087
Additions/Recognised	0	0	0	103	103
Revaluations	0	0	0	0	0
At 31 March 2022	107	401	115	1,567	2,190
Net Book Value at 31 March 2022	107	401	115	1,567	2,190
Net Book Value at 31 March 2021	107	401	115	1,464	2,087

The War Memorials and Public Statues includes the Rushenden Hill stone sculpture, the 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 £1.25 million is for the clock and tower in Sheerness High Street, a grade II listed structure of cast iron construction, built in 1902 to commemorate the coronation of King Edward VII.

Notes to the Core Financial Statements

28. Investment Properties

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

	2021/22	2020/21
	£'000	£'000
Rental income from investment properties	(256)	(249)
Direct operating expenses arising from investment properties	47	86
Net (Gain)/Loss	(209)	(163)

The net gain on revaluation for investment properties in the year was £430,800 (£124,500 gain in 2020/21 from reversed prior losses). 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).

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	3,599	3,568
Gains from revaluation	431	125
Reclassification of asset	0	(94)
Balance at 31 March	4,030	3,599

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 £402,950 being charged to the Comprehensive Income & Expenditure Statement.

29. Assets Held for Sale

The sole asset has a current net book value of £99,600. The value of the property was assessed to its highest and best use, input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels); however, the value is restricted to no greater than its original net book value as an asset Held for Sale in accordance with accounting requirements (any higher assessed value may only be recognised when actual gain is achieved upon its disposal).

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

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

Notes to the Core Financial Statements

Grant Area	Funding Provider	2021/22 £'000	2020/21 £'000
Queenborough & Rushenden Klondyke Land	Homes and Communities Agency	2,808	1,136
Disabled Facilities Grants (DFG) Mandatory Grants	Department for Levelling Up, Housing & Communities	1,572	824
Shared Information Technology service	Swale Borough Council	131	42
Sheerness War Memorial	Swale Borough Council	60	0
Faversham Creek Footpath	Swale Borough Council	60	0
Rainbow Homes (SBC housing company)	Swale Borough Council	57	0
Coastal monitoring	Environment Agency	50	47
Kemsley Community Facilities - SBC grant	Swale Borough Council	47	0
Winter Warmth Grants	Department for Levelling Up, Housing & Communities	25	13
Murston Old Church	Swale Borough Council	20	100
Thistle Hill Community Centre, Solar PV installation	Swale Borough Council	20	0
Play Improvements, Diligent Drive	Swale Borough Council	16	0
Sheerness War Memorial	Sheerness War Memorial Trust	16	0
Sheppey Sea Cadets Building Works grant	Swale Borough Council	15	0
Housing repair grants	Swale Borough Council	2	1
Sittingbourne High Street footpath	Spirit of Sittingbourne	1	13
Highways works Sittingbourne Town Centre	Kent County Council	0	130
Milton High Street Clock & Clocktower	Swale Borough Council	0	53
Land Regeneration/Improvement Works at Dolphin Barge Museum and Sittingbourne Skate Park	Swale Borough Council	0	52
Sheppey Hall Improvements	Swale Borough Council	0	40
West Faversham Community Association New Building & Facilities	Swale Borough Council	0	25
Allotment Improvements at St. Nicholas Road, Faversham	Private Developer	0	21
Footpath Improvements Newington Recreation Ground	Swale Borough Council	0	20
Leaky Lucy Minibus Replacement	Swale Borough Council	0	10
The Mill Project, Sittingbourne Skate Park	Private Developer	0	1
Total		4,900	2,528

31. Commitments under Capital Contracts

The contractual commitments and commitment to spend at 31 March 2022 totalled £530,590 (£1,754,300 at 31 March 2021). The major commitments were:

- £169,120 Queenborough & Rushenden land improvement works
- £103,600 Redevelopment of Masters House, Sheerness
- £81,970 Coronation clock tower, Sheerness
- £73,830 Minster Leas Promenade and footpaths
- £25,900 Play area, Festival Playing Field, Sheerness
- £17,440 Sports Improvements Kemsley Recreation Ground

Notes to the Core Financial Statements

- £16,370 Open Spaces project, Diligent Drive
- £14,000 Swale Rainbow Homes housing company
- £13,040 Sittingbourne town centre regeneration works
- £15,320 Other schemes (commitments less than £10k).

The reduced level of capital commitments reflects the general lower value of pre-committed capital works.

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 Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2021/22	2020/21
	£'000	£'000
Opening Capital Financing Requirement	48,373	42,739
Total capital investment	6,051	9,588
Add long-term debtors – loans	32	15
Sources of Finance:		
Capital receipts (Note 15)	(201)	(24)
Government grants & external contributions (Note 19)	(4,829)	(2,308)
Sums set aside from revenue:		
Capital reserves (Note 19)	(573)	(832)
Direct revenue funding (Note 19)	(29)	(27)
Minimum revenue provision (MRP) (Note 19)	(1,050)	(778)
Total Sources of Finance	(6,682)	(3,969)
Closing Capital Financing Requirement	47,774	48,373
Explanation of Movements in Capital Financing Requirement in Year:		
Capital expenditure to be funded from future MRP when assets are operational	451	6,412
(Reduction) in underlying need to borrow (MRP)	(1,050)	(778)
Total Increase in Capital Financing Requirement	(599)	5,634

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.

Notes to the Core Financial Statements

34. Short-Term Creditors

	31 March 2022	31 March 2021
	£'000	£'000
Business rate relief grant funding - Department of Levelling Up, Housing & Communities (DLUHC)	(6,821)	(9,291)
Business rates – pool share	(4,210)	(2,722)
Coronavirus business support grants:		
Closed business lockdown 3	(2,229)	(2,306)
Local restrictions grant (closed) addendum lockdown 3 tier 3	(2,209)	(2,138)
Restart grant	(1,262)	0
Local restrictions grant (closed) November lockdown 2	(765)	(764)
Local Restrictions Grant (Open) Tier 4	(644)	(641)
Business rates – central Government share	(1,782)	0
Business rates and council taxpayers	(1,963)	(970)
Renewable Energy – KCC	(1,636)	0
S106 Payments (KCC)	(1,425)	0
Business rates – KCC and Kent & Medway Fire & Rescue Service shares	(356)	0
Her Majesty's Revenue and Customs (HMRC) – VAT	(225)	(568)
Capital grants – Receipts in advance	(168)	(547)
Waste and cleansing contracts	(79)	(446)
Sittingbourne regeneration	0	(105)
Receipts in advance	(8,297)	(42)
Other	(5,477)	(3,691)
Total	(39,548)	(24,231)

Additional business rate relief grant funding was received from central Government to aid council cash flows during 2021/22.

During the year the Council acted as an agent for the government in several areas, where grant was received and then distributed externally to support businesses, or individuals. To reflect that the Council acted as agent for the government, amounts outstanding are shown in the Balance Sheet as a net creditor. The most significant grants provided additional support to small businesses, and businesses in the retail, hospitality, and leisure sectors and those subsequently required to close due to local or national lockdown. These grants are shown separately on the table above. None of the income or expenditure has been included in the Comprehensive Income and Expenditure Statement.

The increase in major precepting authorities and central Government shares for business rates, is due to a decrease in the deficit on the Collection Fund for 2021/22 (deficit in 2020/21).

In 2021/22 the Council received £8.3m from the Government as a receipt in advance to fund the Council Tax Energy Rebate payment of £150 per qualifying person to be paid in 2022/23.

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

35. S106 Deferred Revenue Receipts

Section 106 (S106) of the Town and Country Planning Act 1990 and Section 278 of The Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised. These sums

Notes to the Core Financial Statements

represent monies received from developers as part of an agreement to maintain a designated piece of land, typically for leisure/recreation purposes, split between short and long-term use.

36. Capital Grants and Contributions

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

	1 April 2021	Expenditure	Income	31 March 2022
	£'000	£'000	£'000	£'000
S106 held for third parties	(7,800)	7,427	(4,180)	(4,553)
Disabled facilities grants	(3,430)	1,946	(2,526)	(4,010)
Levelling Up Fund	0	8	(125)	(117)
Klondyke land at Queenborough & Rushenden Home of England grant	0	2,807	(2,858)	(51)
Redevelopment of Masters House	(240)	231	(9)	(18)
Sheerness Decarbonisation Grant				
Faversham Recreation	(33)	68	(35)	0
Other	(299)	97	(81)	(283)
S106 Capital Funding:				
Housing	(644)	0	0	(644)
Open spaces	(308)	10	(308)	(606)
Play areas	(332)	136	(131)	(327)
Air Quality & Ecology	(90)	0	(149)	(239)
Town Centre improvements	(145)	107	0	(38)
The Meads Community Centre	(31)	0	0	(31)
Other	(2,099)	0	178	(1,921)
Total	(15,451)	12,837	(10,224)	(12,838)

	31 March 2022	31 March 2021
	£'000	£'000
Due to spend within one year (short-term creditors)	(176)	(555)
Due to spend in more than one year (long-term liabilities)	(12,662)	(14,896)
Total	(12,838)	(15,451)

In 2021/22 nothing was repaid. The S106 monies held for third parties is largely due to developments (£4,553m) 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

In 1992 the Council's previous insurer, Municipal Mutual Insurance (MMI) declared that it would be going into "run off" which is similar to a company going into administration. Control of MMI has passed to a Scheme Administrator who has implemented a "Scheme of Arrangement". The provision for future claims has been calculated as £59,105 as at 31 March 2022 (£59,105, 31 March 2021). This sum will be revised as further information becomes available.

Notes to the Core Financial Statements

The Council has made a provision of £4,355,000 for business rate appeals based on its best estimates of the actual liability as at 31 March 2022. £1,871,000 has been identified as a long-term provision. See Note 51 for further details.

38. Long-Term Debtors – Other

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

	31 March 2022	31 March 2021
	£'000	£'000
Housing repair loans	1,949	2,002
Council tax – KCC, Kent & Medway Fire & Rescue Service and Kent Police & Crime Commissioner shares	497	994
Business rates – central Government share	46	92
Business rates – KCC and Kent & Medway Fire & Rescue Service shares	10	19
Rent deposit scheme – gross debt	103	61
Rent deposit scheme – allowance for impairment of debts	(78)	(46)
Assisted car purchase loans	80	138
Opportunities for Sittingbourne Limited	118	118
Faversham Town Football Club Limited	36	39
Queenborough Harbour Trust Community Interest Company (CIC)	18	24
Borden Sport Limited	12	12
Other long-term loans	15	16
Total	2,806	3,469

39. Short-Term Debtors

	31 March 2022	31 March 2021
	£'000	£'000
Debtors		
Council tax – KCC, Kent & Medway Fire & Rescue Service and Kent Police & Crime Commissioner shares	4,877	4,502
Business rates and council taxpayers	4,215	2,926
Business rates – central Government share	0	2,511
Housing benefits overpayments	2,052	2,257
Sundry debtors	1,311	1,659
Business rates – pool share	1,981	1,574
Additional coronavirus funding (DLUHC)	229	1,394
Legal services income - Tunbridge Wells Borough Council (TWBC) & Maidstone Borough Council (MBC)	589	0
Her Majesty's Revenue and Customs (HMRC) – VAT	497	651
Business rates – KCC and Kent & Medway Fire & Rescue Service shares	0	502
Department for Works and Pensions (DWP) – housing benefits	4,617	414
Heritage Lottery Fund – Faversham Recreation Ground	0	66
Payments in advance	10	54
Other	2,841	2,091
Total Debtors	23,219	20,601
Impairment for Doubtful Debt		
Housing benefit overpayments	(1,296)	(1,462)

Notes to the Core Financial Statements

	31 March 2022	31 March 2021
	£'000	£'000
Debtors		
Other	(2,234)	(1,933)
Total Impairment for Doubtful Debt	(3,530)	(3,395)
Net Short-Term Debtors	19,689	17,206

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

There has been no impairment for debt outstanding from other local authorities or from central Government departments and all debt is less than 12 months old.

As at 31 March 2022 the Council has a gross balance for sundry debtors of £5.4m. A review of significant balances suggested that an impairment for doubtful debts of 41% (£2.2m) was appropriate. However, if collection rates were to fall, the cost of covering the impairment of doubtful debts would require an additional £22,000 to be set aside for every 1% reduction in collection rates.

The decrease in major precepting authorities and central Government shares for business rates, is due to a reduction in the deficit on the Collection Fund for 2021/22 (deficit in 2020/21).

40. Cash and Cash Equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Cash (overdrawn) by the Council	(133)	(2,429)
Money market funds (see Note 42 Table 4)	15,735	20,115
Total Cash and Cash Equivalents	15,602	17,686

The Council's bank balance had a surplus of £7,346.39 at 31 March 2022, but cash is shown as overdrawn in the above note because it includes payments which had been put through as expenditure in the Council's accounts, but which had not yet been cleared as payments to the bank account.

Leases

41. Leases

Disclosures in Relation to Operating Leases – Council as Lessee

Plant and equipment – as at 31 March 2022 the Council had 15 vehicles on a contract hire-operating lease basis (four service vehicles, ten electric cars and one Mayor's electric car).

The expenditure charged to the Cost of Services in the Comprehensive Income & Expenditure Statement during 2021/22 in relation to these leases was £59,166 (£67,847 in 2020/21).

Disclosures in Relation to Operating Leases – Council as Lessor

The Council holds a number of operating leases with third parties.

Notes to the Core Financial Statements

Main Classifications of Usage of Operating Leases with Third Parties	Rentals Payable		Rentals Payable	
	2021/22		2020/21	
	£'000		£'000	
Business premises	1,468	1,405		
Industrial units	112	112		
Other	101	117		
Total	1,681	1,634		

Future Minimum Lease Payments Under Non-Cancellable Leases Expiring in Future Years	2021/22		2020/21	
	£'000		£'000	
	Not later than 1 year	78	83	
Later than 1 year and not later than 5 years	2,252	620		
Later than 5 years	29,617	30,231		
Total	31,947	30,934		

Financial Instruments

42. Financial Instruments

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

a) Financial Instruments – Classifications

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

b) Financial Instruments – Balances

Financial instruments have a specific definition and exclude some items which are included on the Balance Sheet and therefore the figures below differ from those shown on the Balance Sheet. For reconciliation to cash and cash equivalents please see Table 4 below and Note 40. A reconciliation is available on request to the Finance Department on finance@swale.gov.uk.

Table 1

Financial Liabilities	Long-Term		Current	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Cash and cash equivalents	0	0	(133)	(2,428)
Loans from other local authorities	0	0	(10,000)	(15,000)
Other creditors	0	0	(7,697)	(3,936)
Total Financial Liabilities	0	0	(17,830)	(21,364)

Table 2

Financial Assets	Long-Term		Current	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Amortised Cost				
Housing interest free loans	1,949	2,002	0	0
Employee car loans	80	138	0	0
Mortgages	0	0	0	0

Notes to the Core Financial Statements

Financial Assets	Long-Term		Current	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Short-term investments	0	0	7,600	0
Other debtors	225	224	3,815	2,522
Fair Value Through Profit and Loss				
Money market funds	0	0	15,735	20,115
CCLA property fund (long-term investment)	3,428	2,916	0	0
Total Financial Assets	5,682	5,280	27,150	22,637

The amortised cost assets are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council of £0.2m (£0.2m, 2020/21). The loss allowance has been calculated by reference to the Council's historic experience of default and to adjust for current and forecast economic conditions. Amortised cost assets that have not been impaired are £12.3m (£4.0m, 2020/21).

c) Employee Car Loans

The Council had loans for car purchases to 17 employees at 31 March 2022 (23 at 31 March 2021). The interest charged on new loans is 2.25% and an unsubsidised rate for such loans would have been 3.25%.

d) Gains and Losses on Financial Instruments

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

Table 3

	2021/22 £'000	2020/21 £'000
Financial Liabilities		
Interest costs on loans	49	204
Financial Assets – Interest Income:		
Amortised cost: fixed term deposits and call accounts	(2)	(7)
Fair value through profit and loss: money market funds and CCLA	(111)	(159)
(Gains)/ Losses from change in fair value (Note 11)	(512)	21
Net (Gain)/ Loss for the Year	(576)	59

e) Fair Value of Assets and Liabilities

Financial instruments assets which are classified at amortised cost and financial instruments liabilities are carried in the Balance Sheet at amortised cost. Financial instruments which are not classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and the Church, Charities and Local Authorities (CCLA) Property Fund, their fair value is taken from the market price. The Council has invested £3m in the CCLA Property Fund which is carried in the Balance Sheet at its fair value as at 31 March 2022 of £3.428m the difference being posted to the Pooled Fund Adjustment Account. When comparing the Balance Sheet value of financial instruments valued at amortised cost to what their value would be at fair value, the only difference is for the two external loans whose fair value at 31 March 2022 is £9.982m (£15.103m, 31 March 2021).

f) Nature and Extent of Risks Arising from Financial Instruments

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

Notes to the Core Financial Statements

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 2021/22 Treasury Management Strategy was approved by Council on 24 February 2021 and can be obtained from the Council's website using the following link:

<http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&Mid=2302&Ver=4>

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

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

Credit Risk

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

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

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

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

The table below summarises the Council's investment and borrowing portfolio at 31 March 2022. 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 2022.

Notes to the Core Financial Statements

Table 4

Counterparty (MMF = Money Market Funds)	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2022 £'000			Total	Balance Invested at 31 March 2021 £'000
			Up to 1 month	Up to 3 months	Greater than 3 Months		
Invesco MMF	AAAmmf	1	735	0	0	735	3,000
JPM Liquidity MMF	AAAmmf	1	0	0	0	0	3,000
SSgA MMF	AAAmmf	1	3,000	0	0	3,000	2,275
Goldman Sachs MMF	AAAmmf	1	3,000	0	0	3,000	0
Morgan Stanley MMF	AAAmmf	1	3,000	0	0	3,000	2,840
Black Rock MMF	AAAmmf	1	3,000	0	0	3,000	3,000
Aberdeen MMF	AAAmmf	1	3,000	0	0	3,000	3,000
Deutsche MMF	AAAmmf	1	0	0	0	0	3,000
Total Cash & Cash Equivalents			15,735	0	0	15,735	20,115
Debt Management Office	AA-	1	5,700	1,900	0	7,600	0
Total Short-Term Investments		1	5,700	1,900	0	7,600	0
CCLA Property Fund		1	0	0	3,428	3,428	2,916
Total Long-Term Investments			0	0	3,428	3,428	2,916
Total Investments			21,435	1,900	3,428	26,763	23,031
London Borough of Havering		2	0	0	0	0	(5,000)
Derbyshire County Council Loan		2	0	(5,000)	(5,000)	(5,000)	0
London Borough of Islington Loan		2	0	(5,000)	(5,000)	(5,000)	(5,000)
Brighton and Hove City Council Loan		2	0	0	0	0	(5,000)
Total External Borrowing			0	(10,000)	(10,000)	(10,000)	(15,000)

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 2022 (nil as at 31 March 2021).

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

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

Descriptions of the fair value level ratings are given below:

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

The Council's Relationship with Other Organisations

43. 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 2021/22 is shown on 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 2021/22 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 2021/22, 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 company owned by the Council (see Note 44).

44. Group Accounts

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

- Opportunities for Sittingbourne Limited (Company Number 09400214) – This company was incorporated in 2015 and is a joint venture between the Council and U&I, the lead partner in the Spirit of Sittingbourne consortium. The only transaction undertaken has been the purchase of 34 High Street Sittingbourne which is currently being re-let. The Council's interest in the entity has been assessed to be non-controlling but having a significant influence and so needs to be accounted for as an Associate.
- 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

Notes to the Core Financial Statements

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.

- 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 2021/22 the Council paid this Company £68,000 to fund development costs. The Company will publish its own separate accounts for 2021/22. 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 2022 the total investment in these entities has been assessed as immaterial and the Council has decided that group accounts are not required.

Further Adjustments Between Accounting Basis and Funding Basis

45. 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.

	2021/22 Usable Reserves			2021/22 Unusable Reserves £'000	2020/21 Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to Revenue Resources					
Pension costs	(2,562)	0	0	2,562	2,039
Pooled Fund Adjustment Account	512	0	0	(512)	21
Holiday Pay	(330)	0	0	330	0
Council tax and business rates	3,613	0	0	(3,613)	7,820
Capital grants moved to Capital Grants Unapplied	86	0	(86)	0	0
Reversal of entries for capital expenditure	(4,353)	0	0	4,353	17,984
Total Adjustment to Revenue Resources	(3,034)	0	(86)	3,120	27,864
Adjustments Between Revenue & Capital Resources					
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve (CRR)	139	(159)	0	20	1,495
Statutory provision for financing of capital investment (MRP)	1,050	0	0	(1,050)	(778)
Capital expenditure charged to the General Fund	600	0	0	(600)	(860)
Total Adjustments Between Revenue & Capital	1,789	(159)	0	(1,630)	(143)
Use of the CRR to finance capital expenditure	0	140	0	(140)	(10)
Capital Grants used to finance capital expenditure	4,797	60	32	(4,889)	(2,321)
Total Adjustment to Capital Resources	4,797	200	32	(5,029)	(2,331)
Total Adjustments	3,552	41	(54)	(3,539)	25,390

Notes to the Core Financial Statements

46. Expenditure and Funding Analysis 2020/21

Service Departments	2020/21						Net Expenditure Accounting Basis £'000
	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Responsibility £'000	Other £'000		
Chief Executive	127	0	20	0	0	147	
Policy, Communications & Customer Services	1,112	1	211	60	0	1,384	
Democratic Services	1,169	3	66	38	0	1,276	
Director of Regeneration	161	0	24	0	7	192	
Housing, Economy & Community Services	3,762	240	480	54	(27)	4,509	
Planning	1,324	0	314	97	0	1,735	
Commissioning, Environment & Leisure	8,148	(647)	316	76	(3)	7,890	
Finance	760	86	140	59	730	1,775	
Revenues & Benefits	127	0	257	124	0	508	
Property	467	333	94	(44)	308	1,158	
Licensing & Resilience Planning	24	2	39	2	0	67	
Environmental Health	603	9	0	1	0	613	
Information Technology	1,241	41	0	(399)	0	883	
Internal Audit	129	0	0	0	0	129	
Human Resources	323	0	0	21	0	344	
Legal	348	0	266	(50)	0	564	
Corporate Items	2,193	15,767	2	(39)	(17,752)	171	
Cost of Services	22,018	15,835	2,229	0	(16,737)	23,345	
Financed by Council Tax, Business Rates & Grants	(23,355)						
Surplus in Year	(1,337)						
General Fund Balance at 1 April 2020	(3,338)						
Deficit in Year	(1,337)						
2019/20 Approved Rollovers	191						
General Fund Balance at 31 March 2021	(4,484)						

The left hand column shows the final spend for the year as reported to Cabinet. The middle columns show changes that have to be made to the figures reported to Cabinet in order to report the Council's expenditure on an accounting basis which is shown in the column on the right.

The table below reconciles the Cost of Services to the Surplus on the Provision of Services on the 2020/21 Comprehensive Income & Expenditure Statement:

2020/21	Net Expenditure Reported to Cabinet			Budget Responsibility	Other	Net Expenditure Accounting Basis
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services	22,018	15,835	2,229	0	(16,737)	23,345
Other Income and Expenditure	(8,223)	(250)	1,297	0	(162)	(7,338)
Deficit on Provision of Services	13,795	15,585	3,526	0	(16,899)	16,007
Adjustments from Accounting Basis	(15,132)	(15,585)	(3,526)	0	16,899	(17,344)
Surplus in Year	(1,337)	0	0	0	0	(1,337)

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 and Crime Commissioner and Kent & Medway Fire and Rescue Service, and collects business rates on behalf of the Government, KCC and Kent & Medway 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 2021/22	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income				
Council tax receivable	48	0	(93,237)	(93,237)
Transfer for S13A(1)(C) Reliefs		0	(502)	(502)
Business rates receivable	49	(48,102)	0	(48,102)
Sub Total		(48,102)	(93,739)	(141,841)
Contribution towards previous year's Collection Fund forecast deficit				
Central Government		(7,547)	0	(7,547)
Swale Borough Council		(6,037)	(113)	(6,150)
Kent County Council		(1,358)	(719)	(2,077)
Kent Fire & Rescue Service Precept		(151)	(42)	(193)
Kent Police & Crime Commissioner		0	(108)	(108)
Sub Total		(15,093)	(982)	(16,075)
Total Income		(63,195)	(94,721)	(157,916)
Expenditure				
Precepts, demands and shares:				
Central Government		25,303	0	25,303
Swale Borough Council		4,554	10,430	14,984
Kent County Council		506	68,157	68,663
Kent & Medway Fire and Rescue Service		20,242	3,883	24,125
Kent Police and Crime Commissioner		0	10,480	10,480
Sub Total		50,605	92,950	143,555
Cost of collection		186	0	186
Disregard amounts – renewable energy		3,406	0	3,406
Transitional protection payments		167	0	167
Allowance for debt impairment	50	1,084	698	1,782
Appeals charged to the collection fund		(1,121)	0	(1,121)
Change in provision for check, challenge and appeals	51	150	0	150
Sub Total		3,872	698	4,570
Total Expenditure		54,477	93,648	148,125
Surplus Movement for the Year		(8,718)	(1,073)	(9,791)
Deficit at 1 April 2021		17,922	2,213	20,135
Deficit at 31 March 2022	47	9,204	1,140	10,344

Collection Fund 2020/21	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income				
Council tax receivable	48	0	(87,142)	(87,142)
Transfer for S13A(1)(C) Reliefs		0	(1,079)	(1,079)
Business rates receivable	49	(34,716)	0	(34,716)
Sub Total		(34,716)	(88,221)	(122,937)
Contribution towards previous year's Collection Fund forecast deficit				
Central Government		(355)	0	(355)
Sub Total		(355)	0	(355)
Total Income		(35,071)	(88,221)	(123,292)
Expenditure				
Precepts, demands and shares:				
Central Government		24,689	0	24,689

Notes to the Core Financial Statements

Collection Fund 2020/21	Note	Business Rates £'000	Council Tax £'000	Total £'000
Swale Borough Council		19,752	10,196	29,948
Kent County Council		4,444	64,959	69,403
Kent & Medway Fire and Rescue Service		494	3,812	4,306
Kent Police and Crime Commissioner		0	9,766	9,766
Sub Total		49,379	88,733	138,112
Cost of collection		187	0	187
Disregard amounts – renewable energy		1,026	0	1,026
Transitional protection payments		223	0	223
Allowance for debt impairment	50	707	1,281	1,988
Appeals charged to the collection fund		(1,725)	0	(1,725)
Change in provision for check, challenge and appeals	51	3,453	0	3,453
Sub Total		3,871	1,281	5,152
Contribution towards previous year's Collection Fund forecast surplus				
Swale Borough Council		149	3	152
Kent County Council		575	21	596
Kent & Medway Fire and Rescue Service		4	1	5
Kent Police and Crime Commissioner		0	3	3
Sub Total		728	28	756
Total Expenditure		53,978	90,042	144,020
Deficit Movement for the Year		18,907	1,821	20,728
(Surplus)/Deficit at 1 April 2020		(985)	392	(593)
Deficit at 31 March 2021	47	17,922	2,213	20,135

47. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund deficit is £3,811,000 as at 31 March 2022 (£7,423,000 deficit in 2020/21) and is shown in the Balance Sheet within the Collection Fund Adjustment Account (Note 20). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

The collection fund balance at 31 March 2022 split into its attributable parts is shown below:

	2021/22 Business Rates £'000	2021/22 Council Tax £'000	2021/22 Total £'000	2020/21 Total £'000
Central Government	4,602	0	4,602	8,961
Swale Borough Council	3,682	129	3,811	7,423
Kent County Council	828	835	1,663	3,233
Kent & Medway Fire & Rescue Service	92	48	140	274
Kent Police and Crime Commissioner	0	128	128	244
Balance at 31 March	9,204	1,140	10,344	20,135

The decline in the deficit in 2021/22 is mainly relating to further increases in business rates reliefs announced by government as a direct response to the coronavirus pandemic. The deficit will be offset in 2022/23 from government grants received.

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 and Crime Commissioner, Kent & Medway Fire and Rescue Service and Swale Borough Council by the tax base for Swale which is 48,040.12 (48,072.67 in 2020/21). 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 2021/22 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
	128.88	6/9	4,136.00
	143.36	7/9	9,489.34
	163.84	8/9	12,585.46
	184.32	9/9	9,964.20
	225.28	11/9	6,307.48
	266.24	13/9	3,443.94
	307.20	15/9	1,924.21
	368.64	18/9	
Total			48,040.12

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

<https://services.swale.gov.uk/meetings/documents/s16195/Officer%20Delegation%20for%20Council%20Tax%20Base%202021-22%20002.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 2021/22 was 1.06% (0.76% in 2020/21). The original anticipated income from the tax base of 48,040.12, (calculated on 10 December 2020), and Band D of £1,934.83 (Band D £1,902.05 plus average parish precept of £32.78) was £92,949,667. The actual income was £93,738,825.

The council tax income receivable has been reduced to the Council using discretionary powers under S13A(1)(C) of the Local Government Finance Act 1992 to reduce the council tax liability of individuals in the borough in response to the coronavirus pandemic. £502,000 was fully funded by Council by way of a transfer from the general fund to the collection fund. The Council was reimbursed in full via S31 grant funding from Kent County Council.

49. Income Collectable from Business Ratepayers

The Council 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. The remaining amount for 2021/22 is paid to the Government (50%), KCC (9%), and Kent & Medway Fire and Rescue Service (1%). The business rate income after reliefs and deductions for 2021/22 was £44,230,740 (£30,844,316 in 2020/21).

The rateable value for the Council's area at the end of the financial year 2021/22 was £136,327,580 (£130,699,135 for 2020/21).

Notes to the Core Financial Statements

The business rate multiplier set for 2021/22 was 51.2p (2020/21 was 51.2p). Small businesses have a lower rate multiplier of 49.9p (2020/21 was 49.9p).

50. Debt Impairment

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

	2021/22 Business Rates £'000	2020/21 Business Rates £'000	2021/22 Council Tax £'000	2020/21 Council Tax £'000
Balance brought forward 1 April	(2,688)	(1,981)	(3,184)	(2,364)
Less amounts written off	581	0	454	461
(Increase) in provision	(1,084)	(707)	(698)	(1,281)
Balance at 31 March	(3,191)	(2,688)	(3,428)	(3,184)
Swale Borough Council's proportion	(1,276)	(1,075)	(384)	(357)

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 2022, the total council tax outstanding debt was £9.566 (£8.4m in 2020/21) of which debt one year old was £3.921, debt between two to five years old was £5.764m and debt over five years old was £0.515m.

The provision for business rate debt impairment is based on an assessment of the likelihood of recovery of each debt in respect of each financial year since 2004/05. The provision takes into account the recovery action to date, the legal status of the debtor and potential absconders. At 31 March 2022, the total business rates outstanding debt was £6.039m (£3.7m in 2020/21) of which debt one year old was £4,045, debt between two to five years old was £1.476 and debt over five years old was £0.16m.

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

	2021/22 £'000	2020/21 £'000
Balance brought forward 1 April	(11,859)	(10,131)
Less amounts charged to appeals	1,121	1,725
(Increase) in provision	(150)	(3,453)
Balance at 31 March	(10,888)	(11,859)
Swale Borough Council's proportion	(4,355)	(4,744)

Amounts refunded as a result of appeals against the 2010 Rateable Valuations (RV) and the Check, Challenge Appeal (CCA) against the 2017 RV are charged directly to the provision for alteration of lists and appeals. Any amounts refunded in excess of the provision will be a charge to the Collection Fund.

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

Notes to the Core Financial Statements

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 £62,000 for every 1% increase in total rateable value, under appeal.

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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 2021/22 (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 & Medway Fire and Rescue Service, Kent Police and 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:

CCA	Check, Challenge, Appeal
CCLA	Church, Charities and Local Authorities
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grants
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department of Works and Pensions
HIF	Housing Infrastructure Fund
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council

LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MBC	Maidstone Borough Council
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services
MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute

Glossary

RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RV	Rateable Value
S106	Section 106 – See Note 35
SMT	Strategic Management Team
STC	Sittingbourne Town Centre

TWBC	Tunbridge Wells Borough Council
VAT	Value Added Tax
VPGA	Valuation Practice Guidance Applications
VPS	Valuation Technical and Performance Standards

SUBJECT TO AUDIT

Contacting Swale Borough Council

The Customer Service Centre deals with all enquiries across the Council; it should be your first stop when contacting us.

Copies of this Statement of Accounts for the year ended 31 March 2022 are available on the council website