



Statement of Accounts Medway Council | 2021/22



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The Statement of Accounts for Medway Council have been prepared in accordance with the Accounts and Audit Regulations 2015 and primarily, the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as adopted for the UK public sector under the oversight of the Financial Reporting Advisory Body (FRAB).



Copper Rivet Distillery,
Chatham Maritime

A. Narrative Report

Medway
COUNCIL
Serving You

Narrative Report

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Introduction:

Chief Operating Officer, Phil Watts

I am proud to present Medway Council's annual Statement of Accounts for the year ending 31 March 2022. This Statement provides information so that members of the public, including electors and residents, Council Members, partners and other interested parties can:

- understand the overarching financial position of the Council;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the Council is sound and secure.

The accompanying Narrative Report is designed to provide context and enable interested parties to understand Medway the place, how the Council operates and its strategic direction, how we are performing and how we ensure the economical, efficient and effective use of the resources available. It also provides explanations of the core financial statements, their purpose and the relationship between them.

The Statement has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2021/22.

These Statements continue to reflect the full impact of the Covid-19 pandemic on our economy, our services and therefore on our income and expenditure. We continue to operate in very challenging financial times, but significant additional funding from the Government in respect of the pandemic alongside our robust monitoring and management of resources during the year enabled us to balance and deliver on our 2021/22 budget and deliver a balanced budget for 2022/23. Despite continued restrictions and financial impacts of the pandemic in 2022/23, throughout the year we witnessed a swift recovery and our strong financial governance arrangements have ensured the Council continued to deliver services to residents delivering value for money and maintaining our robust financial standing.

Organisational Overview, External Environment and Governance

About the Council

Medway Council is a unitary authority, providing all local government services for more than a quarter of a million people. We look after frontline services such as education, social care, housing, planning, rubbish collection, events and festivals alongside the work that goes on behind the scenes to ensure services in Medway run smoothly and are cost effective.

Governance

During 2021/22 the community was represented by 55 elected Members, working on behalf of the 22 wards throughout Medway. The leadership of the Council was provided by the Conservative Group. In September 2021, Local Government Boundary Commission for England (LGBCE) reviewed the electoral arrangements in Medway and concluded that from elections to be held in May 2023 the number of wards would increase by 2 to 24 and the number of councillors would increase by 4 to 59. As a result of the May 2023 elections, the leadership of the Council changed to the Labour and Co-operative Group, with the political composition as follows:

- Labour and Co-operative Group: 33
- Conservative Group: 22
- Independent Group: 3
- Independent member: 1

The Council appointed Councillor Vince Maple as Leader for a four-year term at the Annual Council meeting on 24 May 2023. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader appointed Councillor Teresa Murray as Deputy Leader and eight other Members to form a Cabinet.

Decision Making

The Council's decision making arrangements are set out within the Constitution. The Cabinet is responsible for implementing the Council's budget

and policies as well as forming partnerships with other key organisations. The Full Council is responsible for setting the budget, considering recommendations from the Cabinet and making some decisions such as changes to the constitution. Other decisions, such as those about planning applications, are made by Committees. The Leader and Cabinet are held to account by Overview and Scrutiny Committees which are made up of councillors from all the political groups on the Council. The Mayor chairs Full Council meetings and has a traditional ceremonial role.

Chief Officer Structure

Councillors are supported by the Corporate Management Team (CMT), which is headed by the Council's Chief Executive, Richard Hicks whom succeeded former incumbent Neil Davies in July 2023. CMT are responsible for setting and monitoring overall direction and ensuring high performance in the delivery of Council services. Including the Chief Executive, CMT is made up of fourteen members;

- Chief Executive
- Director of People and Deputy Chief Executive — Children and Adults Services,
- Director of Public Health,
- Assistant Director Children's Services,
- Assistant Director Adult Services,
- Assistant Director Schools and SEND,
- Director of Place,
- Deputy Director Front Line Services,
- Assistant Director Regeneration,
- Assistant Director Culture and Community,
- Assistant Director, Legal and Governance,
- Chief Operating Officer
- Chief Organisational Culture Officer, and
- Head of Communications and Marketing.

The Monitoring Officer is responsible for ensuring council decisions and activities comply with laws and regulatory frameworks, and reports on this through the Annual Governance Statement. Codes of conduct are in place for Councillors and Officers that define the high ethical values and standards of behaviour expected from elected members and officers, to make sure that public business is conducted with fairness and integrity.

Our vision: Medway – Waterfront university city; connecting innovation, people and place, driving growth for all

The Council's Strategy for 2021/22 sets out our three key priorities and we believe concentrating our resources in these areas will lead to a better quality of life across Medway;

- People – supporting residents to release their potential;
- Place – Medway: A place to be proud of; and
- Growth – Maximising regeneration and economic growth – growth for all.

People

We want to ensure healthy and active communities, by supporting all of our residents, especially young people, to realise their potential through the provision of services and initiatives that will help Medway become an even healthier and safer place to live.

Our work to support resilient families is centred around improving everyone's health and reducing inequalities, developing and improving Children's Services and continuing to strengthen our Early Help offer which will support families to give their children the best start in life.

To ensure all children achieve their potential in schools, we are working to raise aspiration and ambition through raising standards in schools, improving the percentage of children in schools that

Organisational Overview, External Environment and Governance (continued)

are good or outstanding and engaging with young people. Implementing the actions of the School Improvement Strategy will improve the quality of leadership, governance and teaching and help all children to achieve their potential in school.

We want to ensure older and disabled people live independently in their homes for as long as possible. We work to support the people of Medway to live full, active lives and to play a full part in their local communities. We will continue to strengthen our arrangements to safeguard vulnerable adults.

Place

We work to ensure a clean and green environment because we want Medway to be a place that local residents and businesses are proud of. Maintaining a clean and green environment, enabling residents, visitors and businesses to move around Medway easily by tackling congestion hotspots will enhance the public realm and street scene.

We want to put Medway on the map. Built around our culture, tourism and regeneration strategies, including Medway 2035. By building on what makes Medway unique – the river, our heritage and sporting legacy – Medway on the Map promotes Medway as a great place to live, work, learn and visit.

Growth

We work to support a strong diversified economy. We want to ensure that Medway's regeneration drives economic development to encourage new and existing businesses to grow in Medway, which will benefit local residents through the creation of the new jobs and homes they need. By attracting high tech and science-based businesses to relocate and grow in Medway, we are creating high skilled

employment opportunities for our graduates, to retain local talent and create a strong mixed economy.

We work to promote jobs, skills and employability for our residents by equipping people with the skills needed to secure opportunities in Medway's future economy. The Medway Skills Board, established in 2017, and Medway Adult Education learning programme, will boost local skills levels for those furthest from employment.

By adopting a council-wide approach to preventing homelessness we will support people and vulnerable families to access housing and get a foot on the housing ladder. Working with landlords and agents will support households to sustain their accommodation and prevent homelessness.

Our Core Values

Our Strategy is supported by the Council Plan, which sets out the outcomes we want to achieve towards delivering on our priorities, along with the specific programmes of work we will complete and details of how we will measure our success.

The Council Plan also sets out our Core Values which underpin the delivery of everything we do:

Digital Enablement

We will use digital as an enabler of everything we do by transforming the way we provide services, the way we work and the way we communicate. We will reach out to residents and businesses who lack the skills, infrastructure, and confidence to go online by providing them with support and assistance.

Creativity and innovation

We will create a culture of creativity and innovation establishing a legacy of local pride, improving

diversity and inclusion, and identifying new ways of providing services around the needs of our residents.

Working together to empower communities

We will work together and in partnership with everyone that has an impact on the lives of our residents and businesses. We will strengthen collaboration between members of our communities, businesses, and the voluntary sector to maximise resources and knowledge.

Tackling climate change

We will take action to tackle the local and global threat of climate change, both internally and in partnership with local organisations and residents, and to minimise its environmental impact by cutting carbon, waste and pollution.

Child-friendly

We will improve the lives of children by ensuring their voices, needs, priorities and rights are an integral part of our strategies, policies, programmes and decisions.

Covid-19 Response

The Covid-19 pandemic continued to put the spotlight on local government throughout 2021/22 and into 2022/23 and we are immensely proud of how our teams and partners across the public, voluntary and private sector worked to support our residents and businesses. The Covid-19 pandemic had a profound impact on our communities and the local economy, as well the Council's direct income and expenditure. The pandemic and social distancing requirements posed significant risks to businesses and in our high streets, to residents' welfare, and their employment and training opportunities and these factors continue to drive increasing demand for statutory public services.

Organisational Overview, External Environment and Governance (continued)

During the year the Council continued to deliver the Government's financial support to businesses in Medway, distributing

- £9.151m through the Restart Grant scheme
- £1.179m through the Omicron Hospitality and Leisure Grants.
- £4.875million through the Covid Additional Relief Fund
- Additional Restrictions Grant: the unspent grant funding received in 2020/21 that was transferred to reserves along with an additional in year top up allocation of £390,000 resulted in a total of £7.897million to fund support for businesses through to the end of the 2021/22 financial year.
- During the 2021/22 financial year a total of £7.885million was distributed to businesses or used in accordance with the grant conditions, with the balance remaining due back to the government after a reconciliation exercise.

Cost of Living support for residents

Throughout the pandemic the government provided support for residents, including through a series of iterations of a grant that is now the Household

Support Fund. During 2021/22 the Council delivered £1.908m in support to vulnerable residents through this scheme.

Our people

We currently employ 2,053 Full Time Equivalent (FTE) staff to deliver services for Medway and achieve the objectives in our Council Plan. We are committed to supporting, developing and engaging with our staff and offer a wide range of professional qualification and skills-based training to ensure our specialist teams are adequately skilled to deliver high quality services. As a result, our workforce is vibrant and dedicated to our objectives and journey, and our low turnover ensures we retain experience.

As our ongoing business change programme delivers realigned, more efficient services we are reviewing how they are delivered and structured to capture the efficiencies of digitalisation. We are committed to training and developing staff within Medway to enable them to adapt and successfully deliver services in the new design and structure. While already in progress, the Covid-19 pandemic dramatically accelerated arrangements to work more flexibly with home and remote working the norm for many. This is impacting on our property strategy,

reducing demand on central officer space. We are committed to succession planning and investing in learning and development of the workforce for the future, including our award-winning Apprenticeship Academy, which maximises the use of the Apprenticeship Levy for Medway.

Alternative Service Delivery Models

Shared Services

Medway Council launched its first shared service, delivering a Building Control Service for the areas of Medway, Gravesham and Swale in 2007, but has more recently followed this up with a number of other shared services with Gravesham Borough Council. Medway currently hosts shared service arrangements with Gravesham to provide Audit and Counter Fraud Services, Legal Services, Payroll and HR services and since 2019 has operated in a shared management arrangement for the Revenues and Benefits Teams of both authorities. During 2018/19 Gravesham took the lead in hosting a shared Licencing Service for Medway. We will continue to explore opportunities to share services where this benefits our residents.

Organisational Overview, External Environment and Governance (continued)

Medway Development Company

Medway Council is making considerable investments into its urban spaces and the development of new housing is an integral part of this process. With Medway becoming increasingly attractive, the Council as a significant land holder can play an important role in helping to alleviate this pressure. New homes also reinforce economic growth for local businesses and good quality housing can revitalise areas. Subsequently, Medway Council created Medway Development Company Ltd in 2017 to bring forward housing sites. Having a directly owned company gives Medway Council the ability to control how new developments are delivered and relate to the regeneration initiatives that are being driven forward, but also to maximise its financial returns by delivering the schemes directly. Medway Council is the sole shareholder of Medway Development Company, with that role being undertaken by Cabinet. The MDC Board, comprising of two Council appointed Directors and two non-executive Directors, has met regularly to oversee the progress of projects in line with the company's Business Plan, which was approved by Cabinet in April 2018.

Two subsidiaries are also now set up Medway Development Company (Private Rental Sector – MDC PRS) Limited chaired by Councillor Doe and Medway Development Company (Land and Property – MDC L&P) Limited chaired by Councillor Gulvin. MDC PRS was established to allow the option, in the right circumstances, for units to be rented to customers in the private market. MDC L&S was established following advice from Jones Laing Lasselie (JLL) and from the Council's Legal team about a simplified ownership and sale of units once complete.

In February 2021 the Cabinet agreed to provide loans at commercial rates to the new subsidiary of MDC, MDC (Land & Projects) to enable the company to purchase land from the Council and advise Cabinet about the level of financial risk of the overall venture.

Kyndi (named Medway Commercial Services (MCG) to 21 March 2021)

Kyndi was established in 2016 as Medway Commercial Group Ltd to deliver the Council's successful CCTV and telecare services on a more commercial basis. The company then took on other areas of business, including the Council's previously in-house temporary staff agency and certain education related services traded with schools. In Autumn 2020, following a restructure and the appointments of a completely new Board and Management Team, the business was rebranded to Kyndi. Kyndi's service offer comprises three market segments:

- CCTV services through the CCTV partnership and direct provision for third parties including an 'out of hours' call centre model;
- Telecare services to both corporate clients and private individuals;
- Recruitment agency for Medway Council.

Medway Council holds 100% of the shares in Kyndi and the company now operates through one subsidiary to enable the company to trade with both the Public and Private Sector:

- Kyndi Care Ltd which trades with the private sector;
- Medway Public Services Limited (MPS), which has now been being wound up (Cabinet decision number 134/2020 refers).

Medway Norse

In March 2013, Cabinet agreed for the joint venture (JV) company, Medway Norse, to be established for the provision of facilities management (FM) services from 1 June 2013. It was established to:

- Provide services to the Council more efficiently, giving better value for money;
- Grow the business through taking on external contracts;
- Increase employment opportunities for local people.

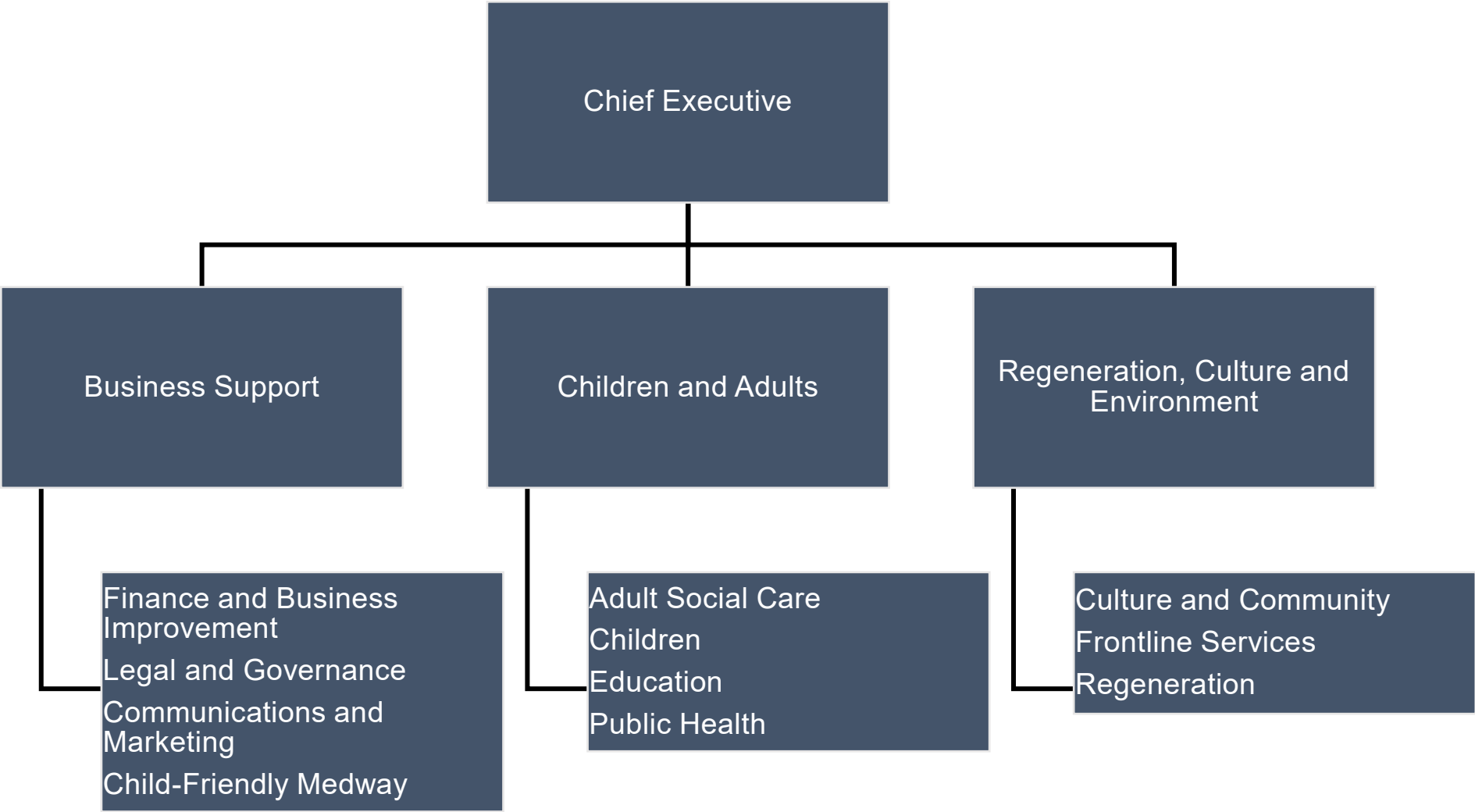
In 2014, the joint venture also took on responsibility for the grounds maintenance contract and for an initial phase of school transport for children with special educational needs attending three schools (now five). In October 2019, Medway Norse took over responsibility for the waste collection and street cleansing activities, increasing the joint venture's gross turnover to over £25million per annum. Like all significant employers Medway Norse faces a number of challenges including inflationary pressures and increases in the national living wage, however the generation of additional business and delivery of cost saving measures means the JV continues to be profitable. Under the terms of the joint venture agreement, Medway Council receives 50% of any profit received.

Other Partnership Working

We cannot achieve our vision for Medway on our own and we continue to enjoy strong working relationships with a wide variety of partners across public, private and voluntary and community sector organisations.

Operational Model

Our Directorates and the services they provide



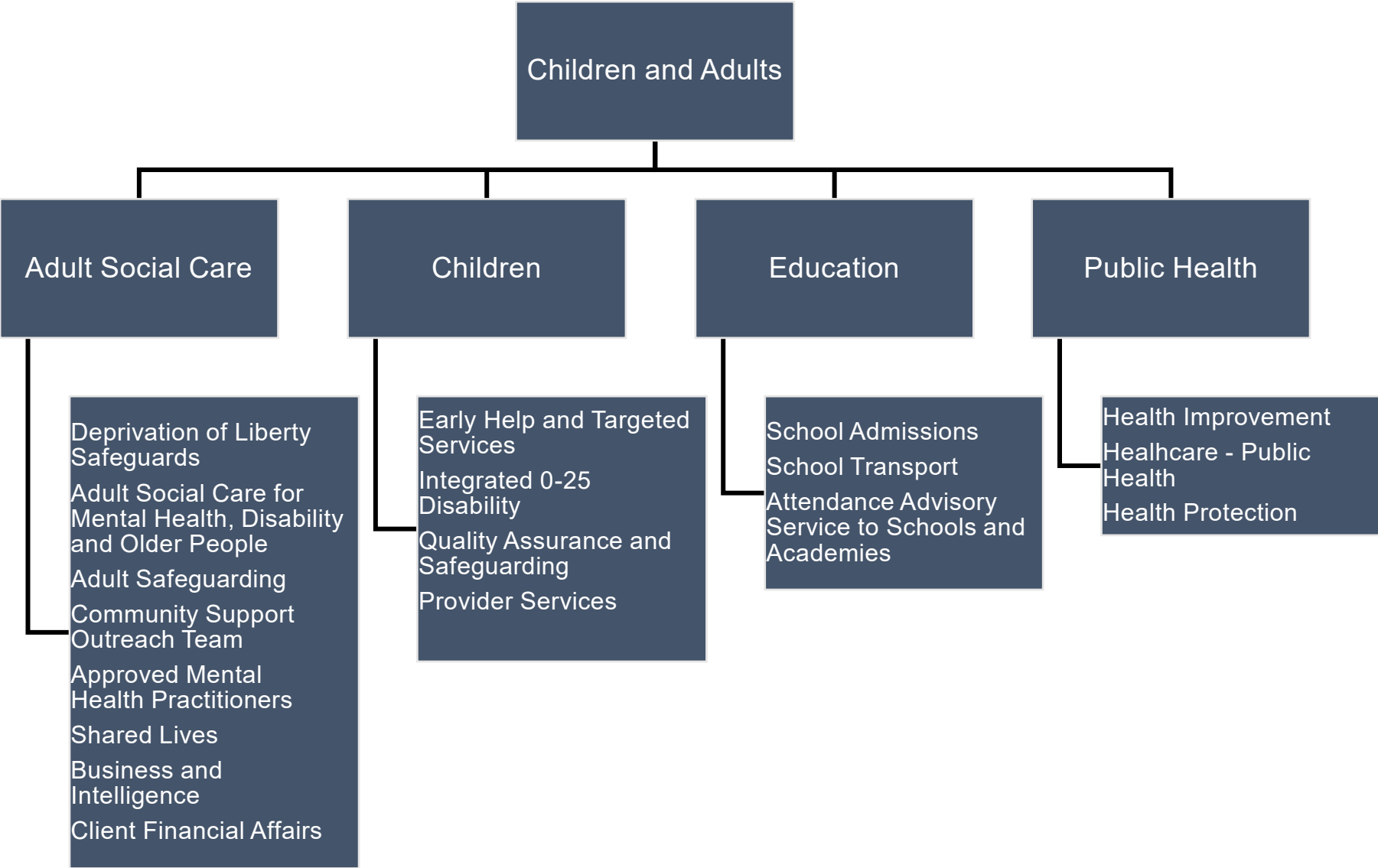
Operational Model (continued)

Business Support Directorate



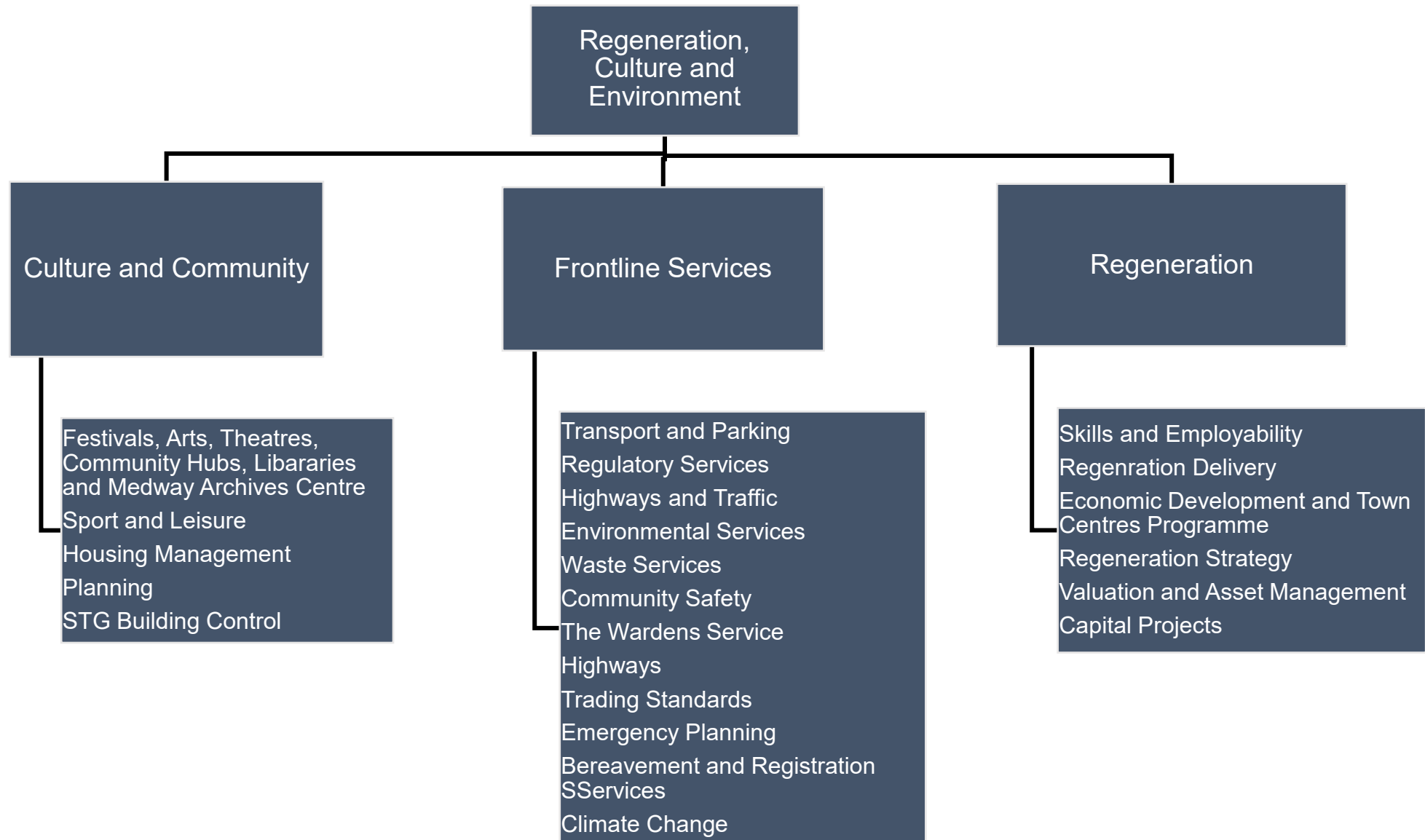
Operational Model (continued)

Children and Adults Directorate



Operational Model (continued)

Regeneration, Culture and Environment Directorate



Strategy and Resource Allocation

Delivering value for money

We are committed to delivering efficient and effective services for Medway residents, businesses and visitors. We responded to years of successive reductions in government funding by delivering significant transformation programmes, reducing the cost of service delivery while increasing efficiency and improving services. We continue to deliver more than 70 services, providing support and opportunities to residents living across the five towns while our residents continue to pay the lowest council tax in Kent.

The Council has arrangements in place to monitor performance and the achievement of our strategies and plans, with Council Plan Performance Monitoring reported quarterly to Cabinet and Overview & Scrutiny Committees. Since 2020/21 we have incorporated our Strategic Risk reviews into that report, and for 2021/22 these have been scheduled to appear on the same meeting agendas as our financial performance reporting to support Member decision making and the broader assessment of the Council's performance. Details of our performance for 2021/22 are set out on page 17.

The Council's external auditors are required each year to deliver an opinion on the Value for Money arrangements in place for securing economy, efficiency and effectiveness in the use of resources. Due to the Ofsted judgement of Inadequate for our Children's Services, for 2020/21 the conclusion was unqualified 'except for' the failure to deliver adequate Children's Services during the year and this will remain until the service is reinspected and found to be Requires Improvement or better. The full reinspection is took place in July 2023 and as a result, the service has now been rated as Good, with the inspectors concluding that the services

provided for children and families in Medway have 'substantially improved' since the inspection in 2019.

Funding

The Council's net revenue budget is funded from four principal sources:

- Grant support from central government in the form of Revenue Support Grant and other specific grants, including Public Health Grant and the Dedicated Schools Grant;
- The Council's share of local Business Rates (NDR);
- The amount raised locally by Council Tax, and
- Fees and charges.

The 2021/22 Settlement was a one-year settlement, following a four-year settlement period that had been agreed in 2015. As the year progressed the government added further tranches of funding providing support for businesses, individuals and funding to offset some pressures felt by local authorities, with these additions made to the budget using delegations/the urgency provisions during the year. Moving forward, the Treasury concluded the spending review in October 2021 and while this set out spending totals for every government department for the next three years, the local government finance settlement was limited to one year as the response to Covid-19 continued. Until longer term settlements are received that address funding pressures arising from the pandemic, and from reforms to social care, funding remains the most significant risk to the Council as set out on the Strategic Risk Register.

Our Financial Strategies

The Council's annual budget and council tax setting establishes the Council's budget framework and sets out the funding of services. Refreshed each year, the Medium-Term Financial Strategy (MTFS) identifies the key issues that need to be addressed as part of that budget preparation. The MTFS needs to be viewed in conjunction with the Council Strategy and Council Plan; the MTFS is built around the framework of priorities and outcomes set out in the Council Plan to integrate budget setting with service planning and ensure that priorities and funding are matched. However, the ongoing effects of the pandemic impacted on both expenditure and income and as the government delayed its Spending Review it was not possible to produce meaningful projections across the medium term at this point.

Our Capital Strategy provides a high-level overview of how capital expenditure and the way it is financed contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance processes for approval and monitoring of capital expenditure.

Risks and Opportunities

Risk Management

The Council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The Council's Risk Management Strategy is reviewed annually to ensure it remains up to date and sets out the process by which the Council identifies, analyses, evaluates and treats the risks and opportunities it faces both on a strategic and operational level. The process requires judgements to be made on the likelihood and impact of a potential risk and enables us to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact.

Our Strategic Risk Register is reviewed and updated on a quarterly basis, and is presented to Members alongside our quarterly Council Plan Performance Monitoring information, so assist Members making informed decisions. These combined reports were presented to the Cabinet and Overview and Scrutiny Committees throughout 2021/22 to present and appear on the same agenda as the financial monitoring reports.

Risk is considered in all Council decisions with a risk assessment required in the standard CMT and Cabinet/Committee report template.

Strategic Risk Register—Current Risks

Full details of each risk on the current register, including scores and arrangements in place to manage them, is included in the latest full version reported to the [Cabinet in March 2022](#).

Finances – Demographic pressures in adult social care, children's care and Special Educational Needs and Disabilities (SEND) remain a significant issue, but this has been further exacerbated by the impact of the Covid19 pandemic.

Medway's economic recovery from Covid-19 – Strategic Planning is one of the three key workstreams in the council's Strategic Recovery Plan, with a multi-agency cell for Medway's Economy and Infrastructure established and working closely with the Kent Resilience Forum equivalent.

Meeting the needs of older people and working age adults – The ageing of the population is likely to result in a substantial increase in costs and pressures to the health and social care system. In addition, we have seen an increase in demand following the Covid19 pandemic and this will continue as people rehabilitate from this extremely debilitating virus. This will all, of course, result in additional pressure on Adult Social Care as people are living longer and have more complex needs.

Failure to meet the needs of children and young people – Children's Early Help and Social Care services are improving, and a recent Ofsted monitoring visit noted that they found no children at risk of harm and we know ourselves well. However whilst there is improvement, our audits into social work practice are still showing that 43% of our work is Inadequate and 47% Requires Improvement.

Non-delivery of children's services improvement

– In May 2021, Ofsted visited Children's Services for a Focused Visit looking at how the council had continued to provide and improve within the Covid19 context. Findings included no child at significant risk of harm, no priority actions and three areas of improvement. The 'relentless focus on improvement' was noted along with a determination to embed change across the service – however, Covid19 new ways of working were also highlighted such as individual risk assessments to ensure the most vulnerable children continued to be visited regularly and face-to-face.

Data and information – Our Transformation Programme involves an increased reliance on digital technology both for customers and the council. This brings with it an increased information risk particularly regarding personal and health data. Conversely, not sharing information with partners and others minimises the council's ability to improve service delivery and reduce costs. There is also a duty to share information in the interests of client care (Caldicott 2 Report).

Alternative service delivery models – A growing number of council services are operated through alternative delivery models including outsourcing / insourcing, trusts, joint ventures, Local Authority Traded Companies, partnerships and shared services and joint commissioning. A lack of robust management of these delivery models can lead to underperformance. As a result of more new models, governance arrangements are more complex.

Risks and Opportunities (continued)

Cyber security – There are no mitigations that are completely effective against malware infection, however we work to improve resilience against malware without disrupting the productivity of services. These layers will also have multiple opportunities to detect malware, and then stop it before it causes real harm to the organisation.

Financial pressures on SEND budgets – The number of Education and Health Care Plans (EHCPs) has been rising over time (42% since 2015). Medway has a higher rate of EHCP per 10k than national in all age groups. The increase in numbers and complexity of need continues to be a pressure on the council with the budgets currently excessively overspent.

Business continuity and emergency planning – Duties under the Civil Contingencies Act require councils to have an Emergency Plan. The Emergency Management and Response Structure may not be robust enough to respond to a major emergency. Every business activity is at risk of disruption from a variety of threats, which vary in magnitude from catastrophic through to trivial, and include pandemic flu, fire, flood, loss of utility supplies and accidental or malicious damage of assets or resources.

Delivering regeneration – Medway's regeneration plans seek to meet the needs of anticipated population growth of 50,000 people in Medway, with up to 20,000 jobs and 29,000 new homes in the next 20 plus years. There are challenges for the provision and maintenance of effective infrastructure. Particular areas of concern are flood protection, highways, health and water capacity. It is vital the benefits are felt by the population of Medway, so that the new jobs are not only filled by people from outside the area, and trends of commuting out are addressed.

Climate change – The council has signed up to the Kent and Medway Energy and Low Emissions Strategy which has the vision that 'by 2050 the county of Kent has reduced emissions to Net-Zero and is benefiting from a competitive, innovative and resilient low carbon economy, where no deaths are associated with poor air quality'. There is a risk that this vision will not be achieved.

Income reduction due to Covid-19 – Following substantial falls in direct government grants from 2010-11 onwards, locally generated income from sales, fees and charges, and through more commercial investment activity has become a fundamental element of the council's budget. Front line services including leisure, parking and cultural services are budgeted to produce in excess of £13m of revenue income. The council has experienced financial pressures from falling income in recent years, particularly in leisure services following the introduction of budget gyms in the sector whose charging structures are difficult to compete with, and in parking income as shopping and working habits have changed.

Delivering £170m Housing Infrastructure Fund (HIF) programme – There are challenges to the successful delivery of the HIF programme; it may not be possible to deliver all the required improvements within the £170m budget. Delays to the programme may be caused at various stages for each of the delivery streams, which could potentially lead to slippage beyond the delivery deadline. The HIF infrastructure will create significant benefits for the local area, however, there is a risk that the HIF-funded infrastructure alone will not fully create the sustainable community that it aims to.

A new severe pandemic, e.g. flu, covid-xx, MERS or other, more serious than Covid-19 – It is therefore highly likely that at some point in the future there will be an outbreak of an infectious disease that is more fatal than Covid19, that may result in more deaths and greater economic harm than we have seen with Covid19. The likelihood of this happening at some point in the future is high, but the likelihood of it happening in any given year is probably low. The national risk assessment highlights the most likely pandemic to affect the UK will arise as a result of influenza, whether seasonal or a new novel strain.

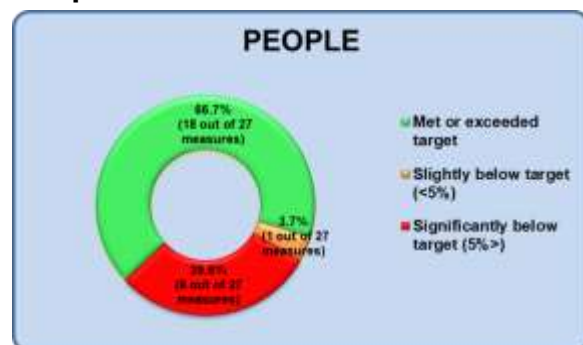
Opportunities

The Council has a strong track record of maximising opportunities alongside managing risk, most notably in delivering significant transformation programmes in response to risks around reduction in government grant and local income. Following the Response to Covid-19, we are implementing our recovery to realise the opportunities around increased digital interactions with customers, a shift to more remote/home working and increased resilience and efficiency in the delivery of our services.

Performance Management

Medway Council Strategy is our overarching strategy and sets out our vision, priorities, ways of working and the outcomes we expect to achieve. The Medway Council Plan sets out how we will achieve the outcomes outlined in our Strategy and the measures we will use to track our performance. Quarterly Council Plan monitoring reports are published via Cabinet and Overview and Scrutiny Committee agendas with full commentary on all measures and outcomes provided. The data below relates to the year end outturn for the 2021/22 financial year as reported in full to [Cabinet on 10 May 2022](#).

People



The rate of Children in Need (CIN) cases per 10,000 population has remained stable, below national averages. (Q4 21/22)

The Public Health team hosted its second Child Health Annual Conference.

74% of adults with a learning disability lived in their own home or with their family. (March 2022)

78% of clients reported an improvement on being less isolated via the Office of National Statistics (ONS) scale for loneliness score. (Q4 21/22)

94.4% of all secondary schools were judged good or better; Of the 18 secondary schools in Medway, four were classed as 'Outstanding' and 13 were 'Good'. Nationally this figure is 78%. (Q4 21/22)

96% (24 out of 25) local authority (LA) maintained primary schools in Medway were judged to be good or better, with four graded 'Outstanding'. (Q4 21/22)

Where performance is below target, arrangements are in place for 'deep dive' reviews to be carried out to understand factors driving reduced performance, and to determine actions to for improvement. The results of these activities are reported through the Quarterly Council Plan monitoring reports to Cabinet.

Place



8 green flags awarded; the national standard that recognises well managed green spaces.

Great Lines Heritage Park 'Fields of Fire' achieved the Green Heritage Site Accreditation, supported by Historic England, for the management of its historic features.

97% of streets surveyed were free from litter at the time of the inspections. (Q4 21/22)

The Animal Warden service awarded the RSPCA Gold Paw Prints Award which recognises and celebrates the council's continued work with stray dogs.

Medway Light Nights, a spectacular festival of light, transformed Rochester's historic buildings and spaces into works of art .and attracted 60,000 visitors.

Medway Council's Climate Change Action Plan ranked amongst top in the country

Growth



600 businesses supported with £3,428,823.08 of grants from the first round of Additional Restrictions Grant (ARG) funding. (Q4 21/22)

196 affordable housing units have been delivered in 2021.22. (Q4 21/22)

99.2% Medway Adult Education (MAE) achievement rate (Q2 21/22 academic year)

98.16% of square footage let at Innovation Centre Medway. (Q4 21/22)

Third Housing Test Delivery Plan (HTDP) agreed by Cabinet in July 2021. This sets out measures to increase the amount and speed of delivery of new housing.

257 jobs created and safeguarded. (Q4 21/22)

206 private sector properties improved as a result of the Council's intervention. (Q4 21/22)

Band 3 Department for Transport Highways Asset Management award achieved.

Financial Performance

Financial Review of 2021/22

We are proud of how we have managed our finances over the past decade as resources available to local government were successively reduced. We continue to levy the lowest council tax in Kent and despite that have continued to deliver excellent services and, in some cases, protect services that other local authorities have been forced to stop providing. This has been achieved by taking a forward-looking approach to everything we do including effective financial planning across all our services, our transformation programme, alternative service delivery initiatives, partnership work with other councils, taking a more commercial approach to our operations and successfully securing external funding opportunities.

At its meeting on 18 February 2021, the Council set a total revenue budget requirement of £351.862million for 2021/22. After the budget was approved, additional grant funding related to the ongoing Covid-19 pandemic was been received, primarily to deliver the Restart Grants scheme to support Medway's businesses. These additions took the final revenue outturn budget requirement to a total of £371.472million.

By the end of the year, in short, £1.206million of Covid-19 support funding was carried forward into earmarked reserves to fund grants to local businesses and individuals during 2021/22 and to fund the ongoing costs of our response to and recovery from the pandemic. Finally, the net underspend of £3.912million was transferred into general reserves, increasing them to £16.551million.

Treasury Management

The Council's Treasury Outturn was reported to Audit Committee in October 2022 confirmed that the Council complied with its legislative and regulatory requirements in the delivery of the treasury function in 2021/22. The report also confirmed that borrowing was only undertaken for a capital purpose and the statutory borrowing limit was not breached.

Total investments managed in-house as at 31 March 2022 stood at £8.4 million (2020/21, £16.9 million) and externally managed of £22.0m (£.28.9m in 2019/20). During 2020/21 the council operated a prudent investment strategy with investment priorities being security first, liquidity second and then return. Funds are invested in loans to other UK local authorities, property funds and bank deposits.

The Council also had £236.4 million long-term borrowing as at 31 March 2021 (31 March 2021,

£237.0 million), primarily in the form of PWLB and market loans. In addition, short term borrowing stood at £70.0 million at 31 March 2022 (£46.6 million at 31 March 2021).

The Council achieved an average return of 0.34% on its cash investments (0.12% in 2020/21). In addition, property fund investments yielded an overall return of 17.45% based on original cost (2.03% in 2020/21). The return on property funds comprises dividends received and the change in the capital value of the investments.

The Level of Working Balances and Reserves

The council's working balances stood at £31.833 million as at 31 March 2022 (£28.084 million 31 March 2021). The council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2022 is £44.375 million (£57.704 million at 31st March 2021) which includes £10.1million of Section 31 grant paid to offset the business rate reliefs, £1.2million of Covid-19 grant carried forward for use in 2022/23 and £4.7million into a fund to offset future increases in Minimum Revenue Provision required.

Financial Performance (continued)

Financial outlook

Commencing in Summer 2020, during formulation of the MTFS, and continuing throughout the overview and scrutiny process, officers worked closely with portfolio holders to identify savings, efficiencies and income generating measures to achieve a balanced budget, without recourse to reserves and whilst attempting to minimise the impact on service delivery. On 18 February 2021 Council approved the balanced budget for 2021/22.

Following our initial response to Covid-19 we are now working to delivery on our recovery plans, embedding the best of new practices and realise the benefits of changed ways of working and interacting with our customers.

During 2021/22 we received significant additional funding, including non-ringfenced emergency support for local authorities, to enable us to meet additional cost pressures and income shortfalls arising from Covid-19. The revenue monitoring for 2021/22 forecast use of this funding however primarily due to significant and growing demand and cost pressures across social care, the first and second rounds of monitoring projected an overspend of around £8.5million. Further funding was received in the third and fourth quarters of 2021/22 which enabled the forecast overspend to be reduced to £2.2million at the end of the third round of monitoring.

Though the Spending Round 2021 set departmental spending for a three year period, local government again only received a one year settlement. The sector as a whole will need significant additional financial support from the government to offset continued expenditure and income pressures arising from the pandemic, from the implementation of SEND reforms in 2014 and the upcoming implementation of the Health & Social Care reforms and the Levy. We continue to lobby government to

ensure local authorities are adequately supported throughout 2021/22 and beyond.

Financial Performance (continued)

How the Authority's Budget has Changed

	£'000	£'000
Budget requirement 2020/21	429,840	
Changes in function and funding	(106,282)	
Adjusted Base Budget		323,558
Inflation	11,692	
Other cost pressures	30,232	
Service pressures	18,532	
Efficiency and other savings	(12,544)	
Total		47,913
Budget Requirement 2021/22		371,471
<u>Financed By:</u>		
Retained Business Rates	48,107	
Baseline Need Funding	11,793	
Other Specific Grant	170,234	
Council Tax	137,333	
Reserves	4,005	
Total		371,471

Summary of the Local Government Finance Settlement 2021/22

	Final 2020/21	Final 2021/22	Change	Change
	£'000	£'000	£'000	%
NNDR Redistribution	45,620	48,107	2,487	5.5%
Revenue Support Grant/Baseline Need Funding	16,177	11,793	(4,384)	(27.1%)
Total	61,797	59,990	(1,897)	(3.1%)

The tables above show that whilst 2020/21 was a financially difficult year, funding from the Local Government Finance Settlement has been reduced by 3.1% in 2021/22.

Financial Performance (continued)

During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the www.medway.gov.uk. The final outturn position for the year is shown in the table below, together with how this expenditure was financed:

Directorate	Expenditure	Income	Net	Budget	Variation
	£'000	£'000	£'000	£'000	£'000
Business Support Department	97,744	(88,949)	8,795	11,616	(2,820)
Children & Adult Services (inc. Public Health)	375,986	(110,175)	265,811	256,174	9,637
Regeneration, Culture & Environment	128,274	(52,502)	75,772	88,636	(12,864)
Covid-19 Grant Expenditure	35,106	(10,759)	24,347	25,503	(1,155)
Sub-total Included in Cost of Services in Statutory Accounts	637,110	(262,385)	374,726	381,928	(7,203)
Amounts included within management accounts but excluded from services within statutory accounts:					
Investment Properties (included in BSD in Management Accounts)	9	(825)	(816)	(820)	3
Sub-total included within Business Support Department in Management Accounts but included within Other Operating Income and expenditure within the Statutory Accounts	9	(825)	(816)	(820)	3
Medway Norse	0	(1,023)	(1,023)	(460)	(563)
Levies	1,646	(33)	1,614	1,577	37
Interest & Financing	11,580	(27,785)	(16,205)	(10,754)	(5,451)
Sub-total Other Operating Income and Expenditure within the Statutory accounts	13,234	(29,665)	(16,431)	(10,457)	(5,974)
Repayment of Debt	6,720	0	6,720	12,171	(5,451)
Depreciation Credit	0	(22,925)	(22,925)	(22,925)	0
Amounts included within Interest & Financing in Management Accounts but excluded from Surplus or Deficit on the Provision of Services within the Statutory Accounts	6,720	(22,925)	(16,205)	(10,754)	(5,451)
Total Management Accounts Variance against Budget Requirement	650,345	(292,050)	358,295	371,472	(13,177)

Financial Performance (continued)

Directorate	Expenditure	Income	Net	Budget	Variation
	£'000	£'000	£'000	£'000	£'000
Funding:-					
Contribution To/(From) Reserves	0	0	0	(4,005)	4,005
Baseline Need Funding	0	(11,044)	(11,044)	(11,044)	0
Covid-19 Non-Ringfenced Grant	0	(8,912)	(8,912)	(14,173)	5,261
Covid-19 Ringfenced Grant	0	(25,503)	(25,503)	(25,503)	0
Retained Business Rates	0	(48,856)	(48,856)	(48,856)	0
Council Tax	0	(137,333)	(137,333)	(137,333)	0
Dedicated Schools Grant	0	(93,824)	(93,824)	(93,824)	0
Other School Grants	16	(4,207)	(4,191)	(4,191)	0
Social Care Grants	0	(13,976)	(13,976)	(13,976)	0
New Homes Bonus	0	(986)	(986)	(986)	0
Public Health Grant	0	(17,581)	(17,581)	(17,581)	0
Total Funding	16	(362,221)	(362,206)	(371,472)	9,266
Total Funding and Expenditure Variance			(3,911)	0	(3,911)

Amounts shown above for Council Tax and Non-Domestic rates are derived from the Collection Fund. These figures differ from the amounts shown in the Comprehensive Income and Expenditure Account due to timing differences in the recognition of surpluses and deficits.

Full details, including notes on individual variances within directorates can be found within the Outturn Report that was considered at Cabinet on 8 June 2021.

Housing Revenue Account

The Housing Revenue Account (HRA) reflects the income and expenditure related to the provision of housing accommodation by the Council.

	Expenditure	Income	Net	Budget	Variation
	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	15,004	(14,892)	113	352	(239)
Total Management Accounts Variance against Budget Requirement	15,004	(14,892)	113	352	(239)
Funding:-					
Contribution To/(From) Reserves	(113)	0	(113)	(352)	239
Total Funding	(113)	0	(113)	(352)	239
Total Funding and Expenditure Variance			239	0	0

Financial Performance (continued)

Capital Expenditure

Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the council's strategic objectives and priorities. In 2021/22 the Council spent £77.601million on General Fund and £7.362million Housing Revenue Account capital schemes. Of this, £53.884million on the creation of new fixed assets or enhancement of existing assets used in the provision of services in the Medway area. Major schemes completed included the provision of new classrooms, improvements to school infrastructure, highways improvements, regeneration schemes, improvements to the Council's housing stock and building of new housing stock. The remainder of expenditure of £10.92million relates to "Revenue Expenditure Funded from Capital under Statute" (see Note 28 Accounting Policies page 131) and a further £20.158m related to schemes held within the Council's capital programme for which assets were produced by Medway Development Company (MDC), for which the funding has been provided in the form of a long-term loan to MDC. The final capital outturn position for the year is shown in the table below together with how this expenditure was financed:

Capital Budget 2021/22	Approved Programme	Forecast Spend	Outturn	Variation to Forecast	Budget c/fwd
	2021/22+	2021/22	2021/22	2021/22	2022/23+
	£'000	£'000	£'000	£'000	£'000
Directorate/Service					
Business Support	1,498	1,420	834	(586)	664
Children and Adults (inc. Public Health)	27,396	7,876	7,939	63	19,956
Regeneration, Culture & Environment	428,170	80,611	68,828	(11,783)	358,784
Member Priorities	363	3	0	(3)	363
Housing Revenue Account	21,656	13,054	7,362	(5,692)	14,294
Total	477,083	102,964	84,963	(18,001)	394,062
Funding source			£'000		
Borrowing (supported capital expenditure and unsupported)			26,378		
Government Grants and Other Contributions			26,688		
Major Repairs and Other Contributions			3,680		
Capital Receipts			4,757		
Developer Contributions			2,092		
Revenue and Reserves			1,210		
Long Term Debtors			20,158		
Total			84,963		

Commentary on Financial Statements

Statement of Accounts

The Statement of Accounts includes the financial statements of the Authority, the Statement of responsibilities to prepare the Statement of Accounts and the independent auditor's opinion on the financial statements.

Statement of responsibilities

This Statement sets out the responsibilities of the Authority and the Chief Operating Officer in respect of the proper administration of the financial affairs of the Authority and for the preparation of the Statement of Accounts. The Chief Operating Officer has to certify that the accounts present a 'true and fair' view of the financial position of the Authority as at 31 March 2022 and its income and expenditure for the year.

Annual Governance Statement

The Authority is required to carry out an annual review of the effectiveness of the system of internal control and to include a report accompanying the Statement of Accounts. This Statement explains how the Authority has complied with the 'CIPFA/SOLACE Delivering Good Governance' Framework during the year and up to the date of the approval for publication of the Statement of Accounts. The Annual Governance Statement is set out on pages 26 to 35.

Independent auditor's report

The independent auditor is required to publish an opinion on the financial statements as to whether they give a true and fair view of the financial position and the expenditure and income of the Authority for the year in question.

The Auditor also has a responsibility to satisfy himself/herself that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources by review and examination of the Authority's corporate performance management and financial management arrangements against criteria specified.

Core Financial statements and notes

The financial statements comprise the core financial statements of the Authority (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement), the notes to the core financial statements (the accounting policies and supplementary information), and supplementary information required by proper practices (Housing Revenue Account Income and Expenditure Statement, Movement on Housing Revenue Account Statement and Collection Fund). The core statements are set out on pages 46 to 53.

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt) and unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the 'adjustments between accounting basis and funding basis under regulations' line. The total comprehensive income and expenditure line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Balance Sheet

The Balance Sheet shows the value as at the end of the accounting period of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Commentary on Financial Statements (continued)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the principal financial statements

The notes to the principal financial statements present information about the basis of preparation of the financial statements and the specific accounting policies used, disclose additional information required by the Code that is not presented elsewhere in the financial statements, and provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them. These notes are set out on pages 54 to 175. The supplementary financial statements are set out on pages 176 to 191 and are presented as follows:

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the accounting cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Movement on the Housing Revenue Account Statement

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year end.

Collection Fund

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

Group Accounts

The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2022 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kyndi Ltd and Medway Development Company Ltd and are set out on pages 192 to 207.

Glossary

A glossary of terms has been included in this document to explain some of the technical accounting language used to assist the reader and is set out on pages 208 to 215.



**Capstone Country Park,
Chatham**

B. Annual Governance Statement

Medway
COUNCIL
Serving You

Annual Governance Statement

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Scope of responsibility

Medway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In 2016, CIPFA and the Society of Local Authority Chief Executives (SOLACE) published a revised 'Delivering Good Governance' framework that "defines the principles that should underpin the governance of each local government organisation". The Council approved a local code of corporate governance based on the original guidance at its meeting on 13 November 2008. This Annual Governance Statement for 2021/22 has been prepared in line with the revised code of corporate governance and the 2016 framework.

Corporate governance is overseen by the Audit Committee each year when it reviews this statement, under delegation from the full Council. The operational elements of the Council's governance framework are the responsibility of the Chief Operating Officer and the Monitoring Officer within their statutory roles. Cabinet as the Executive also plays a significant role in ensuring that decision making and policy setting is undertaken appropriately.

This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (1b) of the Accounts and Audit Regulations 2015 in relation to the publication of a governance statement.

Account has been taken of the 7 April 2020 CIPFA Better Governance Forum briefing paper, and references are made throughout to the impact of the Covid-19 pandemic on the Council, which started shortly before the period this statement relates to.

The purpose of the governance framework

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

The system of internal control is a significant part of the 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 can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

Review of effectiveness of the governance framework

Medway Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the executive managers within the council who have responsibility for the development and maintenance of the governance environment, the Head of Audit & Counter Fraud's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

In maintaining and reviewing the effectiveness of the governance framework, the review has considered the following:

- The corporate and business planning processes of the council;
- The corporate performance management framework and the corporate performance reporting processes of the council;
- Reviews carried out by Internal Audit, External Audit and other review bodies which generate reports commenting on the effectiveness of the systems of internal control employed by the council;
- The consideration of External Audit reports by the Audit Committee;
- The opinion on the overall adequacy and effectiveness of the council's overall control environment from the Head of Audit & Counter Fraud.

The detailed results of the review have been considered by the Council's Corporate Management Team in advance of their endorsement of this Annual Governance Statement; assurances have been provided by members of the Corporate Management Team that key elements of the control framework were in place during the year in their divisions and control weaknesses were identified and addressed.

The following section of the statement summarises the results of this review; presenting the governance framework that has been in place at Medway Council for the year ended 31 March 2022 and up to the date of approval of this Statement.

Core Principle How we have complied in 2021/22

Core Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

How we have complied in 2021/22

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Constitution, Contract Standing Orders and Financial Regulations; the Monitoring Officer is responsible for reviewing and updating these as required.

Codes of conduct are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Councillor Conduct Committee is regularly updated on compliance with the Code of Conduct.

The outcome of complaints made under the whistle blowing policy are reported to the Audit Committee on an annual basis, in order that they can keep them under review. The policy has recently been reviewed, redrafted and renamed the Speak Up policy and was approved by full Council in January 2021.

The Council seeks feedback from the public through its complaints and comments procedures and responds to the outcomes, as appropriate.

Core Principle B

Ensuring openness and comprehensive stakeholder engagement

How we have complied in 2021/22

Council meetings are held in public unless there are good reasons for not doing so on the grounds of considering “exempt” information within the meaning of the Local Government Act 1972, Schedule 12A.

Unless confidential, decisions made by Council, the Cabinet or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.

During the Covid-19 Pandemic, virtual meetings have been held to conduct Council business and where necessary urgent decisions allowed for in the Constitution have been taken by the Leader and/or Chief Executive, which have then been reported. Virtual meetings ceased with effect from 7 May 2021 as the relevant legislation permitting virtual meetings expired.

Core Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

How we have complied in 2021/22

The Council works with its partners to set the vision and priorities for the area. The Council manages a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities.

In 2019 the Council reviewed the Council Plan 2016/17-2021/22, its corporate business plan, to an aligned timetable with the resources strategy and budget. In February 2019 the council refreshed the Council Plan performance indicators. The Plan forms an essential part of the Council's governance framework, setting out the council's priorities and the measures against which success will be judged.

All reports to the Council or Cabinet are checked by the Chief Operating Officer (the section 151 Officer) and the Chief Legal Officer (the Monitoring Officer) for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. Cabinet reports include a mandatory paragraph on risk to enable the Council to consider the implications of its decisions.

Equalities are considered during the decision making process to promote fair access to services.

All Cabinet and Council decisions are made on the basis of formal reports, which all follow a standard Council template. The template includes guidance on report writing which specifically refers to Diversity Impact Assessments (“DIA”) and provides a link to the Council’s DIA guidance which sets out how and when these should be completed.

During the Covid-19 pandemic lockdown to minimise risk and to follow Government Guidance, Council meetings which would normally be open to the public have been livestreamed, via Microsoft TEAMS. Since physical meetings resumed after 7 May 2021, live streaming has and will continue until 21st June 2021 and will be reviewed in accordance with government guidance.

Core Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

How we have complied in 2021/22

Decision makers receive objective analysis on a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council Plan.

Core Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

How we have complied in 2021/22

The corporate management team consists of the Chief Executive, three Directors (one of whom is the Deputy Chief Executive), the Chief Operating Officer (Section 151 Officer), Chief Legal Officer (Monitoring Officer), five Assistant Directors, the Head of HR and the Head of Communications and Marketing.

The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance and development review (PDR) process.

The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

The Member development programme has included a focus on scrutiny of Children's Services to support the work to improve that area of the Council.

Core Principle F

Managing risks and performance through robust internal control and strong public financial management

How we have complied in 2021/22

The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The “executive committee” or Cabinet is the key decision-making and monitoring committee and the various scrutiny committees for reviewing policy decisions before and after implementation.

The Council has a risk management strategy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public.

The Chief Operating Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council’s system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.

A Medium Term Financial Strategy and associated Risk Register, and plans for revenue and capital income and expenditure based on corporate priorities are developed, led by the Cabinet and Corporate Management Team, and presented for approval by Council in February each year.

Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a quarterly basis for monitoring and control purposes including the annual outturn.

Core Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

How we have complied in 2021/22

The Head of Audit & Counter Fraud provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The opinion of the Head of Audit & Counter Fraud over the Council's overall control environment, delivered in the Audit & Counter Fraud Annual Report 2021/22 is:

The Accounts & Audit Regulations 2015 require local authorities to ensure that they have: a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Audit & Counter Fraud Team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme.

In their capacity as Chief Audit Executive (CAE), with responsibility for the provision of internal audit services to the council, the CAE is required to provide the organisation, and the Chief Executive, with a statement as to their opinion of the adequacy and effectiveness of the organisation's risk management, control and governance processes. This opinion is intended to support the council's annual governance statement.

The overall scope of Internal Audit work is defined in the Audit & Counter Fraud Charter and the specific scope of work for the year 2021-22 was detailed in the Internal Audit & Counter Fraud Plan, both of which were approved by the Audit Committee. The Plan cannot address all risks across the council, but available resources are focused on the highest areas of risk to the authority and those linked to its corporate objectives. There are no specific limits of our scope to report to the Committee.

The Internal Audit Team operates in accordance with the working practices set out in the Internal Audit Manual and work is subject to supervision and quality review. This means we can be satisfied that the team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme.

In forming my opinion, I have considered the outcomes of work completed during the year, which is based on the plan agreed by Members on 18 March 2021 and the subsequent amendments to that plan that were agreed on 4 January 2022 to address changes in resource and risk priorities. While placing no specific reliance on Appendix 1 sources of external assurance, these have been considered alongside the work completed by the Internal Audit Team.

The council has a duty to manage its resources in a proper, economic, efficient, and effective manner to achieve its objectives. It applies internal controls to manage risks to an acceptable level as it is not possible to remove risks to achieving these objectives completely. Internal Audit can only provide reasonable and not complete assurance of effectiveness. The work completed as part of the Internal Audit & Counter Fraud Plan for 2021-22 is summarised in this report, assessing the effectiveness of managing the risks identified by the council, and forms the basis of evidence for my overall opinion.

In addition to planned assurance reviews, the monitoring of progress to implement agreed actions identified in earlier reviews have also been considered. While not all risks have been examined within our work programme, I am satisfied that those not directly examined have a sufficient assurance approach in place to provide reasonable assurance of effective management.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review since my last opinion was issued in June 2021, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the council's exposure to risk. Where such findings have been identified, actions have been agreed by management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these actions and follow up arrangements are in place to ensure that appropriate action is taken.

I am therefore satisfied that there is sufficient evidence to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, system of internal control and governance processes.

Annual Opinion 2021-22

It is my opinion that during the year ended 31 March 2022, Medway Council's risk management, system of internal control, and framework of governance, were sufficient and effective, and contributed to the proper, economic, efficient, and effective use of resources in achieving the council's objectives.

James Larkin

Head of Internal Audit & Counter Fraud Shared Service

Update on actions identified in the 2020/21 Annual Governance Statement

The Annual Governance Statement for 2020/21 did not identify any areas for review and possible enhanced arrangements.

Proposed enhancements to the Council's governance arrangements

The review of the effectiveness of the Council's governance framework for 2021/22 did not highlight any specific areas of concern. Where internal audit work has indicated additional controls could be in place, officers are focused on making the necessary changes to do so.

Conclusion

Based on the results of the review, reasonable assurance can be placed upon the adequacy and effectiveness of Medway Council's systems of internal control and governance. Although areas for further enhancement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively, and that the Council complies with that Local Code in all significant respects.

Certification by the Leader of the Council

I confirm that the 2021/22 Annual Governance Statement has been considered and approved by Medway Council at the meeting of the Audit Committee on 05 October 2022:



.....
Date: 26 October 2023

Certification by the Chief Executive

I confirm that the 2021/22 Annual Governance Statement has been considered and endorsed by Medway Council's Corporate Management Team:



.....
Date: 26 October 2023



The Lines, Gillingham

C. Written Statements

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Statement of Responsibilities

The Authority's Responsibilities

The authority 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 authority, that officer is the chief financial officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

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

The chief financial officer has also:

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

Certificate of the Chief Operating Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2022.

Signed:



Phil Watts

Chief Operating Officer, Section 151 Officer

Dated: 26/10/2023

Approval of the Statement of Accounts

In accordance with Accounts and Audit Regulations 2015 I certify that the Statement of Accounts for the period ending 31 March 2022 was approved at the meeting of Audit Committee held on 26 November 2024.

Signed:



Councillor Hazel Browne

Chair of the Audit Committee

Dated: 26 November 2024

Independent Auditors Report to the Members of Medway Council

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Independent Auditors Report to the Members of Medway Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Medway Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page 36], the Authority 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 authority, that officer is the Chief Operating Officer. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except:

- on 3 November 2022 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness in Children's Services. Ofsted concluded in October 2021 that most children in Medway who require support are not yet receiving a good enough service. We recommended the Council model the impact of rising complex case costs in the Children's Service over the medium-term; develop risk management policies for the Children's Service as a whole and continue work to stabilise the Children's Service workforce and achieve consistent standards of practice within the Children's Service;

- As part of our work on the Authority's arrangements for governance for improving economy, efficiency and effectiveness ended 31 March 2022 reported on 1 August 2023, we reviewed the progress against the issue identified. Insufficient progress had been made, therefore the significant weakness in arrangements remains in place.
- on 1 August 2023 we identified a significant weakness in the Authority's governance arrangements. The Council did not produce financial statements for 2021/22 by the statutory deadline of 31 July 2022 and were not yet published by 1 August 2023. We recommended the Authority publish the draft financial statements at the earliest opportunity.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Medway Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

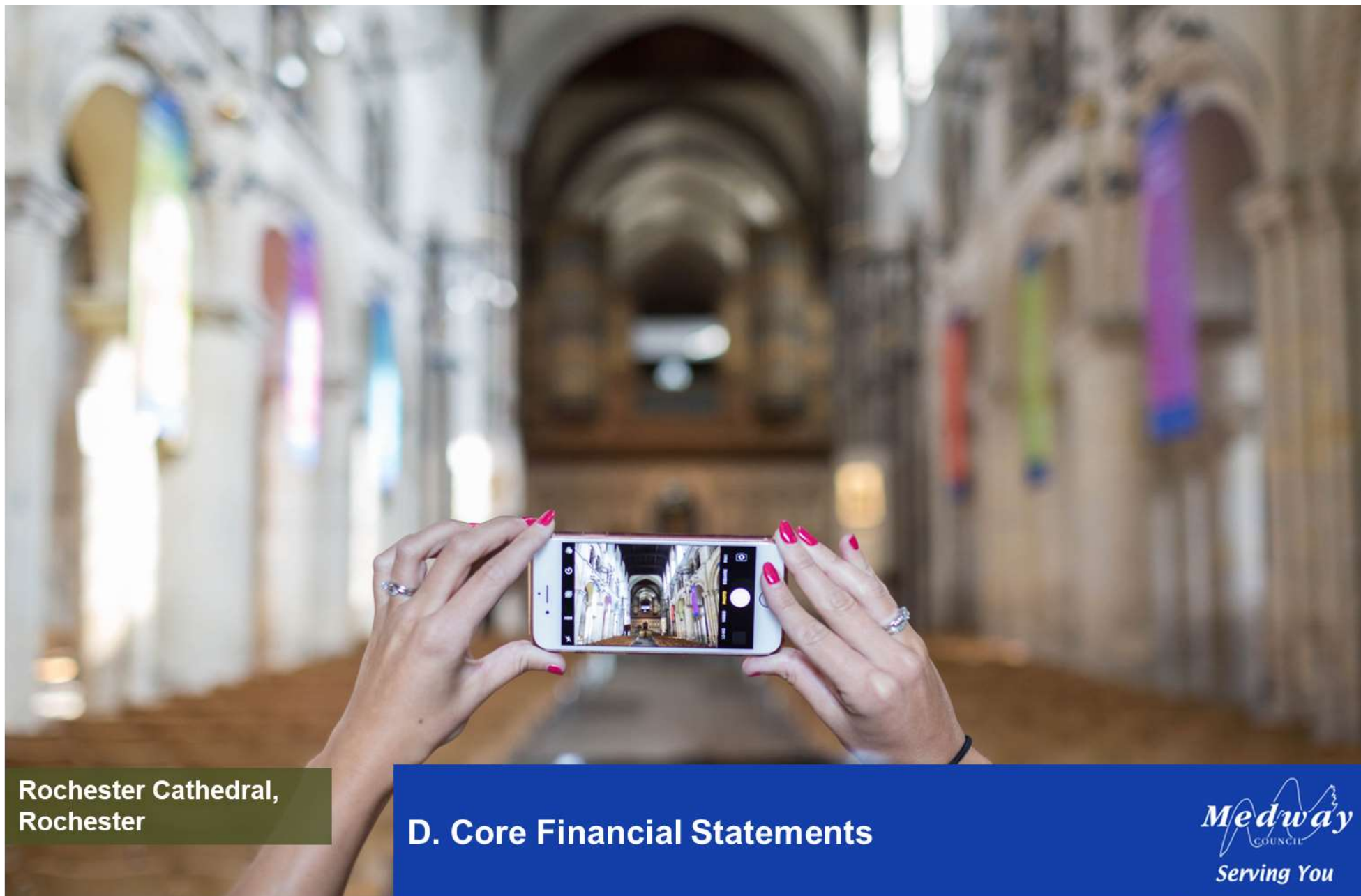


Darren Wells, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

09 December 2024



Rochester Cathedral,
Rochester

D. Core Financial Statements

Medway
COUNCIL
Serving You

Core Financial Statements

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Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure	2020/21 Gross Income	Net Expenditure	Service	Notes	Gross Expenditure	2021/22 Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
108,460	(81,347)	27,113	Business Support Department		70,276	(42,213)	28,063
321,419	(158,240)	163,179	Children's and Adults (inc. Public Health)		334,089	(174,319)	159,770
21,026	(14,097)	6,929	Local authority housing (HRA)		10,432	(14,445)	(4,014)
0	0	0	Revaluation of HRA Non-Current Assets		(15,451)	0	(15,451)
115,218	(24,579)	90,639	Regeneration, Culture & Environment		130,325	(41,944)	88,381
566,123	(278,263)	287,860	Cost of Services		529,670	(272,921)	256,749
10,425	0	10,425	Other operating expenditure	<u>9</u>	1,259	0	1,259
19,579	(4,341)	15,238	Financing and investment income and expenditure	<u>10</u>	10,474	(6,779)	3,695
0	(242,641)	(242,641)	Taxation and non-specific grant income and expenditure	<u>11</u>	0	(239,780)	(239,780)
0	(16,687)	(16,687)	- Sec.31 75% Tax Income Guarantee & Business	<u>11</u>	0	0	0
596,127	(541,932)	54,195	(Surplus) or Deficit on Provision of Services		541,403	(519,480)	21,923
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(26,559)	Surplus on revaluation of property, plant and equipment assets	36			(9,833)
		21,675	Revaluation losses on non-current assets charged to the Revaluation Reserve	36			2,795
		42,063	Re-measurement of net defined pension liability/(asset)	<u>37</u>			(45,390)
		37,179					(52,427)
		0	Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		0	(Surplus)/deficit on revaluation of available for sale financial assets	36			0
		37,179	Other Comprehensive Income and Expenditure				(52,427)
		91,374	Total Comprehensive Income and Expenditure				(30,504)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

A summary of the purpose of each reserve is as follows:

General Fund Balance – *This is the 'working balance' of the Authority and acts as a contingency to fund unforeseen eventualities.*

Housing Revenue Account – *This contains any surplus or deficit arising from the provision of Authority housing by the Authority and earmarked Housing Revenue Account reserves. It can only be used for local authority housing provision.*

Earmarked General Fund Reserves - *These are reserves created to fund specific revenue or capital expenditure relating to the General Fund.*

Dedicated Schools Grant Reserve - *Significant increase in Special Educational Needs (SEN) expenditure in 2018/19 and 2020/21 was transferred here. The deficit on this reserve was transferred to an unusable reserve, the Dedicated Schools Grant Adjustment Account during 2021/22, the purpose of which will be to manage the deficit on Schools Budgets that would otherwise impact on the Earmarked Schools Reserves. Statutory arrangements require that the impact on the General Fund Balances is neutralised by this transfer. This reserve is disclosed on the face of this statement for transparency purposes.*

Earmarked HRA Reserves - *These are reserves created to fund specific revenue or capital expenditure relating to the Housing Revenue Account.*

Capital Receipts Reserve – *Proceeds from the sale of Authority assets are paid into this reserve which can be used to finance capital expenditure or repay debt.*

Major Repairs Reserve – *This reserve receives a transfer from the Capital Financing Account equivalent to the total depreciation charged to the Housing Revenue Account and can only be used to fund major Housing Revenue Account repairs.*

Capital Grants Unapplied – *This reserve contains Government grants and other contributions which are held to finance future capital expenditure.*

Unusable Reserves – *The major reserves included in this category are the Revaluation Reserve, Pension Reserve and Capital Adjustment Account. Their purpose is of a technical accounting nature and cannot be used to support the services of the Authority. They are explained in more detail in note 36.*

Movement in Reserves Statement (continued)

2021/22	Notes	Revenue Reserves General Fund Balance	Revenue Reserves Earmarked General Fund Reserves	Revenue Reserves Dedicated Schools Grant Reserve	Revenue Reserves Total General Fund Balance	Revenue Reserves Housing Revenue Account	Revenue Reserves Earmarked Housing Revenue Account Reserves	Revenue Reserves Total Housing Revenue Account	Capital Reserves Capital Receipts Reserve	Capital Reserves Major Repairs Reserve	Capital Reserves Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2021		(22,689)	(57,398)	(0)	(80,088)	(5,395)	(306)	(5,701)	(6,674)	0	(25,916)	(118,379)	(17,657)	(136,036)
Movement in reserves during 2021/22														
Total Comprehensive Expenditure and Income		39,204	0	0	39,204	(17,281)		(17,281)	0	0	0	21,923	(52,427)	(30,505)
Adjustments between accounting & funding basis under regulations	19	(28,192)	0	0	(28,192)	17,699		17,699	(3,289)	0	4,825	(8,957)	8,957	0
Net (increase)/decrease before transfers to Earmarked Reserves		11,012	0	0	11,012	418	0	418	(3,289)	0	4,825	12,965	(43,470)	(30,505)
Movements in Earmarked Reserves	20	(14,874)	13,024	0	(1,850)	(306)	306	0	1,850	0	0	0	0	0
(Increase)/Decrease in 2021/22		(3,862)	13,024	0	9,162	112	306	418	(1,440)	0	4,825	12,965	(43,470)	(30,505)
Balance at 31 March 2022 carried forward		(26,551)	(44,374)	(0)	(70,925)	(5,283)	0	(5,283)	(8,113)	0	(21,092)	(105,413)	(61,127)	(166,540)

The restatement relates to the separation of the Dedicated Schools Grant Reserve, which was previously held within Earmarked General Fund Reserves but has been shown separately to enable a greater understanding of the financial position of this reserve for the reader.

Movement in Reserves Statement (continued)

2020/21	Notes	Revenue Reserves General Fund Balance	Revenue Reserves Earmarked General Fund Reserves	Revenue Reserves Dedicated Schools Grant Reserve	Revenue Reserves Total General Fund Balance	Revenue Reserves Housing Revenue Account	Revenue Reserves Earmarked Housing Revenue Account Reserves	Revenue Reserves Total Housing Revenue Account	Capital Reserves Capital Receipts Reserve	Capital Reserves Major Repairs Reserve	Capital Reserves Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2020		(13,924)	(21,532)	(0)	(35,457)	(5,145)	(1,601)	(6,746)	(5,463)	0	(18,764)	(66,429)	(160,980)	(227,409)
Reporting of schools budget deficit to new adjustment account at 1 April 2020		0	0	(9,346)	(9,346)	0	0	0	0	0	0	(9,346)	9,346	0
Restated Balance at 1 April 2020		(13,924)	(21,532)	(0)	(35,457)	(5,145)	(1,601)	(6,745)	(5,463)	0	(18,764)	(66,429)	(160,980)	(227,409)
Movement in reserves during 2020/21														
Total Comprehensive Expenditure and Income		45,203	0	0	45,203	8,992	0	8,992	0	0	0	54,195	37,179	91,374
Adjustments between accounting & funding basis under regulations	19	(89,834)	0	0	(89,834)	(7,947)	0	(7,947)	(1,210)	0	(7,152)	(106,144)	106,144	0
Net (increase)/decrease before transfers to Earmarked Reserves		(44,631)	0	0	(44,631)	1,045	0	1,045	(1,210)	0	(7,152)	(51,949)	143,323	91,374
Movements in Earmarked Reserves	20	35,866	(35,866)	0	0	(1,295)	1,295	0	0	0	0	0	0	0
(Increase)/Decrease in 2020/21		(8,765)	(35,866)	0	(44,631)	(250)	1,295	1,045	(1,210)	0	(7,152)	(51,949)	143,323	91,374
Balance at 31 March 2021 carried forward		(22,689)	(57,398)	(0)	(80,087)	(5,395)	(306)	(5,701)	(6,674)	0	(25,916)	(118,378)	(17,657)	(136,035)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

31 March 2021 £'000	Balance Sheet Summary	Notes	31 March 2022 £'000
673,566	Property Plant & Equipment	21	722,920
18,223	Heritage Assets	22	18,723
16,869	Investment Property	24	17,629
563	Intangible Assets		73
21,535	Long Term Investments	26	25,011
16,640	Long Term Debtors	30	37,655
747,396	Long Term Assets		822,011
18,392	Assets Held for Sale <1 Year	25	15,205
113	Inventories		121
490	Short Term Investments	26	19,206
88,581	Short Term Debtors	30	81,284
24,606	Cash and Cash Equivalents	32	8,465
132,182	Current Assets		124,282
(7,670)	Cash and Cash Equivalents	32	(3,096)
(553)	Grants Receipts in Advance - Revenue		(17,797)
(48,183)	Short Term Borrowing	26	(71,509)
(72,802)	Short Term Creditors	33	(85,292)
(276)	Finance Leases < 1 Year	29	(276)
(1,930)	Provisions (Short Term)	34	(1,391)
(131,414)	Current Liabilities		(179,359)
(30,795)	Long Term Creditors	33	(29,437)
(5,806)	Provisions (Long Term)	34	(7,428)
(235,433)	Long Term Borrowing	26	(237,260)
(336,097)	Other Long-Term Liabilities	29,37	(322,377)
(3,997)	Grants Receipts in Advance - Capital	17	(3,890)
(612,128)	Long Term Liabilities		(600,393)
136,036	Net Assets		166,540
(118,379)	Usable Reserves	31	(105,413)
(17,657)	Unusable Reserves	36	(61,127)
(136,036)	Total Reserves		(166,540)

These financial statements replace the unaudited financial statements confirmed by the Chief Operating Officer on 26 October 2023 and were authorised for issue on 26 November 2024.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or the recipients from services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2020/21		Notes	2021/22
£'000			£'000
54,195	Net (Surplus) or deficit on the provision of services		21,923
(70,172)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements		(57,803)
30,865	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities		31,371
14,888	Net cash flows from Operating Activities	<u>38</u>	(4,509)
(8,449)	<u>Investing Activities</u>	<u>39</u>	41,228
15,306	<u>Financing Activities</u>	<u>40</u>	(25,154)
21,745	Net (increase) or decrease in cash and cash equivalents		11,566
38,682	Cash and cash equivalents at the beginning of the reporting period		16,936
16,936	<u>Cash and cash equivalents at the end of the reporting period</u>	<u>32</u>	5,370





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E1. Statement of Accounting Policies

Statement of Accounting Policies

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Note 1. Accounting Policies

General Principles

The financial statements summarise the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

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

Qualitative Characteristics of Financial Statements

Relevance

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

Faithful Representation

The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, material error and contain all the information necessary to aid understanding.

Comparability

The accounts must comply with the Code which establishes proper practice in relation to consistent financial reporting, allowing for the possibility to compare over time and to similar entities.

Verifiability

Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness

The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local Government. Every effort has been made to use plain language and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

Underlying Assumptions

Accruals Basis

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure are recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

Note 1. Accounting Policies (continued)

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. However, it is the Authority's policy not to accrue for amounts less than £5,000 unless it is considered significant to the service. There are particular areas where accruals are considered:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments for them are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this are payments of:

- Regular quarterly accounts (e.g., telephones, electricity, ICT contracts for software and hardware)
- Employee expenses and overtime allowances.

These have been consistently applied each year and therefore do not have a material effect on the year's accounts.

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount, calculated on a prudent basis, determined by the Authority in accordance with statutory guidance. Depreciation, revaluation, and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision [MRP]), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Note 1. Accounting Policies (continued)

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with

the Authority’s arrangements for accountability and financial performance.

VAT

VAT, whether of capital or revenue nature, is included in the Comprehensive Income and Expenditure Statement only to the extent it is unrecoverable.

Note 2. Accounting standards issued but not yet adopted

International Accounting Standard 8 requires the Authority to disclose the expected impact of new standards that have been issued but not yet adopted, which may require disclosure in 2021/22 accounts. The following are listed in Appendix C of the 2021/22 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

None of the above forthcoming standards are expected to have a material impact on the Authority's financial judgements.

The following forthcoming standard was included in this note for the previous reporting period, but is included here to assist the reader:

- **IFRS 16 Leases** This standard was issued in January 2016 and was planned to be adopted by Local Authorities in 2020-21 but has been deferred for local government to 1 April 2024. The impact of adopting this standard is that most of the Council's leases where it is the lessee will require a 'right of use asset' to be recognised on the Balance Sheet with corresponding lease liabilities. This is different from the current accounting standard where leases are classified as operating and finance leases, with only the assets and liabilities relating to finance leases recognised on the Balance Sheet. This accounting change is likely to have a significant impact on the Council's accounts, but this it is not possible to quantify the potential effect this will have on the Statements until further works are carried out.

Note 3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in these Statements, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of accounts are:

- **Future funding for Local Government:**

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision.

- **Interests in Companies and Other Entities:**

The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in both Kyndi Ltd and Medway Development Company as subsidiaries are considered material to the Council's overall financial position and therefore have been consolidated within group accounts for 2021/22. The Council's interest in Medway Norse Ltd, who reported net assets as at 20 March 2021 of £1.178m, as a joint venture is not currently considered material and therefore has not been consolidated into Group Accounts, but this position will remain under review for future financial years.

- **Joint Working:** The Council operates a number of joint working arrangements with other neighbouring local authorities. The Council believes that it is not necessary to impair any non-current assets in light of these working arrangements and any

current proposals for changes to the way the services are to be delivered by the Council.

Medway Council provided the following shared services and received contributions from Gravesham Borough Council in 2021/22:

- Legal (£350k)
- Audit & Counter Fraud (£209k)
- Payroll (£ 40k)
- HR (£179k)
- Information Governance (£34k)
- MRBS Shared Management (£74k)
- Monitoring Officer (£10k)

Gravesham Brough Council ran the following shared service on behalf of Medway Council leading to a contribution for 2021/22 of:

- Licensing £192k

Medway Council contributed to the South Thames Gateway Building Control Partnership (STG), an organisation working with other Local Authorities to run Building Control Services for 2021/22 as follows:

- Building Control £123k

- **Property, Plant & Equipment:** The Authority recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Authority recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or

transferred from another entity. Where the land and building assets used by the school are owned by an entity other than the Authority, school or school Governing Body then it is not included on the Authority's Balance Sheet. The Authority has completed a school by school assessment across the different types of schools it controls within Medway. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. Voluntary aided schools the legal ownership of the land and buildings rests with the relevant Dioceses. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Authority's Balance Sheet. Remaining land relating to playing fields associated with the schools is however recognised on the Authority's Balance Sheet as 12 Voluntary Aided and Voluntary Controlled Schools with a recognised land value of £172,000.

Academies are not considered to be maintained schools in the Authority's control, thus the land and building assets are not owned by the Authority and not included on the Authority's Balance Sheet.

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

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

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Public sector consultants Barnett Waddingham are engaged to provide the Authority with expert advice about the assumptions applied in producing the estimations.	<p>The following sensitivity analysis relating to the present value of obligations of £964.609m as detailed within the sensitivity analysis table within Note 37 to the financial statements, are based upon complex judgements:</p> <p>A 0.1% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £19.573m.</p> <p>A 1 year reduction in life expectancy assumptions would result in a £39.523m decrease in the pension liability.</p>
Property, Plant & Equipment, Investment Properties & Assets Held for Sale - Useful Lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall.</p> <p>The useful lives applied to our assets for depreciation calculations are provided by RICS qualified external valuers and we therefore consider this to be the most accurate estimate we can obtain. However, if assumptions do not materialise then there could be a material difference to depreciation and carrying amounts of assets.</p>

Property, Plant & Equipment, Investment Properties & Assets Held for Sale – Valuation Assumptions	<p>The Council's internal valuers provided valuations as at March 2022 for all of the Council's investment portfolio and approximately 20% of its operational portfolio, all council dwellings and investment properties. Different valuation methods are undertaken for different types of assets and each of these can be affected by external factors such as BCIS rates for those valued using depreciated replacement cost, and assumptions for rents and yields relating to those valued on an existing use basis and those such as Surplus Assets that are valued on a fair value basis.</p> <p>The value of the assets subject to revaluation during 2022/23 were as follows:</p> <ul style="list-style-type: none"> • Council Dwellings £174.676m • Other land & buildings £185.360m • Surplus Assets £ 18.763m • Investment Assets £ 18.534m • Assets Held for Sale £ 15.802m 	<p>Were there to be a 5% negative impact on the value of the assets valued in 2022/23, this would mean a reduction in the non-current assets in the balance sheet of £20.657m together with the associated unusable reserves.</p>
Fair Value Measurements	<p>Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 21, 24 and 26.</p>	<p>Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value</p>



**E2. Notes Supporting both the Comprehensive
Income and Expenditure and the
Movement in Reserves Statements**

Notes Supporting both the Comprehensive Income and Expenditure and the Movement in Reserves Statements

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Note 5. Expenditure and Funding Analysis

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

2020/21	2020/21	2020/21	2020/21	2020/21		2021/22	2021/22	2021/22	2021/22	2021/22
Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis (See Note 6)	Net Expenditure Chargeable to the General Fund and HRA Balances	Directorate	Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis (See Note 6)	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
20,788	5,639	26,426	(18,216)	8,211	Business Support Department	8,113	7,616	15,729	(8,474)	7,255
270,733	(107,042)	163,692	(23,975)	139,717	Children's and Adults (Inc. Public Health)	276,938	(107,300)	169,639	(20,894)	148,744
87,024	3,679	90,704	(22,375)	68,329	Regeneration, Community, Environment and Transformation	77,494	12,539	90,033	(22,348)	67,684
(365)	7,404	7,038	(7,947)	(909)	Housing Revenue Account	113	(18,764)	(18,651)	17,699	(952)
378,180	(90,320)	287,860	(72,513)	215,347	Net Cost of Services	362,657	(105,909)	256,749	(34,018)	222,731
7,644	(241,309)	(233,665)	(25,269)	(258,933)	Other operating income and expenditure	4,882	(239,708)	(234,826)	23,525	(211,301)
385,824	(331,629)	54,195	(97,781)	(43,586)	(Surplus) or Deficit	367,539	(345,617)	21,923	(10,493)	11,430
				(32,856)	Opening General Fund and HRA Balance					(85,788)
				(9,346)	Reporting of schools budget deficit to new adjustment account at 1 April 2020 ¹					
					Adjustment for Use of Capital Receipts to fund Transformation Programme ³					(1,850)
				(43,586)	Add Surplus on General Fund and HRA Balance in Year					11,430
				(85,788)	Closing General Fund and HRA Balance ²					(76,208)

Note 5. Expenditure and Funding Analysis (continued)

¹ The 2021/22 opening balance for General Fund has increased by £9.346m, being the transfer of the Dedicated Schools Grant deficit to the Dedicated Schools Grant Adjustment Account within unusable reserves

²for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

³ A decision was made to move transformation programme expenditure from the capital programme to revenue expenditure, funded from the flexible use of capital receipts.

Management Accounts

These relate to the direct net costs of providing services and these figures are communicated directly to Council through the quarterly revenue monitoring reporting cycle.

Amounts Not Reported to Management/Corporate Amounts

These figures show accounting movements through the Comprehensive Income and Expenditure Statement (CIES) that do not form part of the Management Accounts. This includes:

- Directorate Specific:
Appropriations relating transfers to/from reserves from/to management accounts
- Service related funding e.g. Dedicated Schools Grant etc.
- Recognition of capital grants used to fund Revenue Expenditure Funded by Capital Under Statute
- Impairment of non-current assets charged to the CIES
- Revenue Expenditure Funded by Capital Under Statute charged through the CIES
- IAS 19 adjustments
- Accumulated absences adjustments

Other Operating Income & Expenditure:

- Parish council precepts
- Non service specific funding e.g. Council Tax/NDR/Government Grants
- Pooling of capital receipts costs
- Profit/loss on the disposal of non-current assets
- Interest income & expenditure
- Gain/loss on the revaluation of financial assets
- Pension interest costs and return on assets charged to the CIES

Note 6. Note to Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis						2021/22
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Statutory Differences (Note c)	Total Statutory Differences	Other (Non-statutory) Adjustments (Note d)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Business Support Department	(4,183)	(4,391)	0	(8,574)	100	(8,474)
Children's and Adults (Inc. Public Health)	(7,513)	(13,488)	0	(21,001)	107	(20,894)
Regeneration, Culture & Environment	(15,733)	(6,679)	0	(22,411)	63	(22,348)
Housing Revenue Account	18,178	(483)	0	17,694	5	17,699
Net Cost of Services	(9,251)	(25,041)	0	(34,292)	275	(34,018)
Other income and expenditure from the Expenditure and Funding Analysis	18,151	(6,862)	(3,720)	7,569	15,956	23,525
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	8,899	(31,903)	(3,720)	(26,723)	16,231	(10,493)

Adjustments between Funding and Accounting Basis						2020/21
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Statutory Differences (Note c)	Total Statutory Differences	Other (Non-statutory) Adjustments (Note d)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Business Support Department	(14,457)	(3,592)	0	(18,049)	(167)	(18,216)
Children's and Adults (Inc. Public Health)	(11,880)	(11,711)	0	(23,591)	(384)	(23,975)
Regeneration, Culture & Environment	(17,230)	(5,104)	0	(22,234)	(41)	(22,375)
Housing Revenue Account	(7,518)	(424)	0	(7,942)	(5)	(7,947)
Net Cost of Services	(51,084)	(20,831)	0	(71,915)	(598)	(79,035)
Other income and expenditure from the Expenditure and Funding Analysis	15,441	(6,677)	(7,313)	1,451	(26,720)	(25,269)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(35,643)	(27,508)	(7,313)	(70,464)	(27,318)	(97,781)

Note 6. Note to Expenditure and Funding Analysis (continued)

Adjustments for Capital Purposes

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

b) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

c) Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Services** this represents Amount by which officer remuneration charged to the Comprehensive I&E account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- For **Financing and investment income and expenditure** this recognises adjustments to the General Fund for the timing differences for premiums and discounts and adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund. This also contains adjustments to service segments e.g. for unringfenced government grants.

Other Non-statutory Adjustments

d) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For **Taxation and Non-Specific Grant Income and Expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

Note 7. Segmental Income

Income received on a segmental basis is analysed below:

	2020/21 Income from Services	2020/21 Revenues from Transactions with Other Operating Segments of the Council	2021/22 Income from Services	2021/22 Revenues from Transactions with Other Operating Segments of the Council
	£'000	£'000	£'000	£'000
Business Support Department	(7,938)	(29,008)	(3,804)	(22,332)
Children's and Adults (inc. Public Health)	(11,880)	(28,095)	(16,678)	(47,602)
Regeneration, Community, Environment and Transformation	(17,445)	(5,699)	(29,407)	(22,105)
Housing Revenue Account	(13,996)	(75)	(14,475)	(416)
Total income analysed on a segmental basis	(51,259)	(62,877)	(64,364)	(92,456)

Note 8. Expenditure and income Analysed by Nature

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

	Management Accounts 2020/21	Management Accounts Business Support	Management Accounts Children's and Adults /Inc	Management Accounts Regeneration, Culture & Community	Management Accounts Total General Fund	Management Accounts Housing Revenue	Total Management Accounts	Amounts Not Reported to Management	Allocation of Recharges	Net Cost of Services	Corporate Amounts	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure/Income												
Expenditure												
Employee benefits expenses	146,021	17,338	84,068	25,078	126,483	1,369	127,852	24,389	(2,251)	149,990	6,862	156,852
Other services expenses	376,064	73,661	269,122	83,463	426,246	9,184	435,429	(20,277)	(21,542)	393,610	(3,375)	390,235
Support service recharges	644	6,755	9,073	10,974	26,802	772	27,573	0	(26,989)	584	0	584
Depreciation, amortisation and impairment	50,126	998	4,613	17,315	22,925	3,680	26,606	(14,032)	0	12,573	(4,960)	7,613
Interest payments	12,444	0	0	0	0	0	0	0	0	0	11,948	11,948
Precepts and levies	2,073	0	0	0	0	0	0	0	0	0	2,170	2,170
Payments to Housing Capital Receipts Pool	179	0	0	0	0	0	0	0	0	0	349	349
Loss on the disposal of assets	8,174	0	0	0	0	0	0	0	0	0	(1,260)	(1,260)
Pension Adjustments	405	0	0	0	0	0	0	377	0	377	0	377
Total expenditure	596,129	98,751	366,875	136,830	602,456	15,004	617,460	(9,543)	(50,782)	557,135	11,734	568,869
Income												
Fees, charges and other service income	(46,369)	(26,136)	(64,280)	(51,512)	(141,928)	(14,892)	(156,820)	43,252	48,984	(64,584)	(825)	(65,409)
Interest and investment income	(3,534)	0	(10)	0	(10)	0	(10)	0	0	(10)	(5,954)	(5,964)
Income from council tax and non-domestic rates	(138,184)	0	0	0	0	0	0	0	0	0	(191,612)	(191,612)
Government grants and contributions	(353,847)	(64,502)	(25,646)	(7,825)	(97,973)	0	(97,973)	(139,617)	1,798	(235,792)	(48,159)	(283,951)
Total income	(541,934)	(90,638)	(89,936)	(59,337)	(239,911)	(14,892)	(254,803)	(96,365)	50,782	(300,386)	(246,550)	(546,936)
Surplus or Deficit on the Provision of Services	54,195	8,113	276,938	77,494	362,545	113	362,657	(105,909)	0	256,749	(234,816)	21,933



**Chatham Waterfront
Regeneration**

E3. Notes Supporting the Comprehensive Income and Expenditure Statement

Notes Supporting the Comprehensive Income and Expenditure Statement

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Note 9. Other Operating Expenditure

	2020/21	2021/22
	£'000	£'000
Parish Council Precepts	509	524
Levies	1,564	1,646
Payment to the Government Housing Capital Receipts Pool	179	349
Gains/losses on disposal of non-current assets	8,174	(1,260)
Total	10,425	1,259

Note 10. Financing & Investment Income and Expenditure

	2020/21	2021/22
	£'000	£'000
Interest payable and similar charges	12,443	12,014
Net interest on the net defined benefit liability (asset)	6,677	6,862
Gain/(Loss) on Financial Assets at Fair Value through Profit and Loss	444	(3,476)
Interest receivable and similar income	(3,411)	(5,928)
Income and expenditure in relation to investment properties and changes in their fair value	(915)	(5,777)
Total	15,238	3,695

Note 11. Taxation & Non-Specific Grant Income and Expenditure

	2020/21	2021/22
	£000s	£000s
Council tax income	(121,844)	(136,308)
Non-domestic rates income and expenditure	(16,340)	(55,314)
Non-ringfenced government grants	(98,762)	(31,999)
Capital grants and contributions	(22,383)	(16,160)
Total	(259,328)	(239,781)

Note 12. Pooled Budgets

Better Care Fund (BCF)

The Council operated a Better Care Fund of £29.907m (20/21 £28.858m) with Kent & Medway Clinical Commissioning Group under a s75 arrangement throughout 2021/22. For 2021/22 the s75 arrangement included the Council's allocation in respect of the Improved Better Care Fund. The arrangements for each scheme within the Better Care Fund have been reviewed in accordance with both IFRS 11 (Joint Arrangements) and IFRS 15 (Revenue from Contracts with Customers) to determine the appropriate accounting treatment by both the Council and the Kent & Medway CCG. Control of the commissioning arrangements has been key to determining the nature of each scheme within the fund.

Within the Better Care Fund there are elements under Medway Council control, elements under CCG control and elements where there is deemed to be joint control.

The Council and the Kent & Medway CCG will continue to work towards greater integration and joint commissioning of services in future years and the accounting of the Better Care Fund will be reviewed each year.

Better Care Fund (BCF)	2020/21	2020/21	2021/22	2021/22
	£'000	£'000	£'000	£'000
Funding provided by each partner:				
Medway Council (included in the authority's Comprehensive Income & Expenditure Statement)	(9,563)		(9,564)	
Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	(4,654)		(5,903)	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	(14,640)		(14,440)	
		(28,858)		(29,907)
Expenditure paid as part of the agreement:				
Medway Council/Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	14,218		15,467	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	14,640		14,440	
		28,858		29,907
Net surplus/(deficit) arising on the pooled budget during the year		0		0
Authority share of 50% of the net surplus arising on the pooled budget		0		0

Note 12. Pooled Budgets (continued)

In 2015 the government committed to deliver a regional adoption system where adoption agencies would come together to deliver services on a larger scale and expected all Local authorities to be part of a regional adoption agency (RAA) by March 2021.

The Council entered into an RAA with Kent County and the London Borough of Bexley worth £1.857m during 2021/22. The RAA known as Adoption Partnership South East went live on 1st November 2020 with Kent County Council acting as the lead partner. Medway have only included the income and expenditure associated with their share of the partnership in our statement of accounts and not the other partners' shares.

The RAA aims to promote early permanence planning across the region; improve the timeliness of children's adoption journey; reduce the length of time children wait to be adopted; improve post-adoption support service to families who have adopted children from care and reduce the number of agencies that provide adoption services thereby improving efficiency and effectiveness.

The partnership agreement outlines how any surplus generated will be reimbursed or how deficits will be funded by each of the partners. A partner's percentage share is based on the income each partner contributed to the total overall funding of the partnership. Medway's percentage is therefore 20% of any surplus or deficits generated.

2021/22 was a transitional year for the partnership and some of the planned expenditure was delayed due to Covid and the change in working arrangements such as homeworking. At their meeting in March, the partnership board agreed the surplus generated during the year would be transferred into reserves to be spent in the next financial year rather than returning the surplus to partners.

Regional Adoption Agency (RAA)	2020/21	2020/21	2021/22	2021/22	
	£'000	£'000	£'000	£'000	
Funding provided by each partner:					
Medway Council	418		929		
Kent County Council & London Borough of Bexley	1,439		3,123		*2
		1,857		4,051	
Expenditure paid as part of the agreement:					
Medway Council	162		857		
Kent County Council & London Borough of Bexley	1,349		2,877		*2
		1,510		3,734	
Net surplus/(deficit) arising on the pooled budget during the year		347		318	
Opening Reserve Balance		0		69	
Net surplus/(deficit) transferred into or (out) of the reserve.		347		318	
Closing Reserve Balance		347		318	*1
Authority share of the reserve balance is 20%		69		64	*1

*1 Not shown in our reserves statement as it is held by the lead partner in trust.

*2 not shown in our income and expenditure accounts.

Note 13. Members Allowances

The Authority paid the following amounts to members of the Authority during the year:

	2020/21	2021/22
	£000	£000
Basic Allowance	582	585
Special Responsibility Allowance	316	316
Expenses	1	1
Total	899	902

Medway Council is comprised of 55 Members. In 2021/22, 58 Members were entitled to claim allowances including 6 who served for only part of the year (55 for the whole of in 2020/21).

A total of £307.45 was paid to 7 councillors in April 2022 in respect of travel claims relating to 2021/22. (£13.50 paid to one councillor in April 2021 in respect of a claim relating to 2020/21).

Note 14. Officers' Remuneration

The remuneration paid to the Authority's senior employees during 2021/22 was as follows:

Post	Salary	Fees and Allowances	Salaries, Fees and Allowances	Expenses	Compensation for Loss of Office	Total Excluding Pension Contribution	Pension Contribution	Total
	£	£	£	£	£	£	£	£
Chief Executive (Neil Davies)	141,686	7,228	148,913	0	0	148,913	26,038	174,952
Director Of People - Children And Adults (Leanne Farach)	123,916	8,084	132,000	0	0	132,000	22,813	154,813
Director Of Place & Deputy Chief Executive (Richard Hicks)	125,156	8,084	133,240	0	0	133,240	23,040	156,280
Director Of Public Health	116,802	8,084	124,886	0	0	124,886	21,511	146,397
Chief Finance Officer	113,045	5,597	118,642	0	0	118,642	19,053	137,696
Assistant Director Adult Social Care	76,254	5,597	81,851	0	0	81,851	14,091	95,942
Assistant Director Front Line Services	91,193	5,597	96,790	0	0	96,790	16,825	113,615
Deputy Director Of Public Health	82,185	0	82,185	0	0	82,185	15,040	97,225
Assistant Director Regeneration (From 1 February 2022)	29,004	1,896	30,900	187	0	31,087	5,354	36,441
Assistant Director Education And Send (Left 07 November 2021)	38,777	14,516	53,293	0	0	53,293	0	53,293
Assistant Director Culture & Community	76,254	5,597	81,851	0	0	81,851	14,091	95,942
Assistant Director Legal & Governance (Started 01 July 2021)	64,197	4,198	68,395	0	0	68,395	11,851	80,245
Assistant Director - Children's Services (Started 23 August 2021)	54,819	9,476	64,295	0	0	64,295	11,227	75,521

Note 14. Officers Remuneration (continued)

Comparative figures for 2020/21 are as follows:

Post	Salary	Fees and Allowances	Salaries, Fees and Allowances	Expenses	Compensation for Loss of Office	Total Excluding Pension Contribution	Pension Contribution	Total
	£	£	£	£	£	£	£	£
Chief Executive (Neil Davies) ¹	145,044	8,030	153,074	0	0	153,074	26,665	179,739
Director of People - Children & Adults ²	121,986	8,003	129,989	0	0	129,989	7,486	137,475
Director of Regeneration, Culture & Environment and Deputy Chief Executive	121,986	8,003	129,989	0	0	129,989	22,459	152,448
Director of Public Health	115,645	8,003	123,648	0	0	123,648	21,298	144,946
Chief Finance Officer	107,528	5,540	113,068	0	0	113,068	18,110	131,178
Assistant Director - Adult Social Care (left 13/07/2020)	22,495	1,385	23,880	0	0	23,880	3,787	27,667
Assistant Director - Adult Social Care (started 02/11/2020)	31,248	2,293	33,541	0	0	33,541	5,774	39,315
Assistant Director - Children's Services (started 11/05/2020)	97,876	8,978	106,854	0	0	106,854	18,773	125,627
Assistant Director - Education and SEND ³ (started 24/08/2020)	54,611	20,582	75,193	3,000	0	78,193	0	78,193
Chief Legal Officer (Monitoring Officer)	93,882	5,540	99,422	0	0	99,422	17,316	116,738
Assistant Director - Culture and Community (started 11/01/2021)	16,845	1,236	18,081	0	0	18,081	3,113	21,194
Assistant Director - Front Line Services (started 11/02/2021)	85,995	5,707	91,701	0	0	91,701	15,872	107,573
Assistant Director - Physical and Cultural Regeneration (left 13/12/2020)	60,821	4,155	64,976	0	0	64,976	11,232	76,208
Assistant Director - Physical and Cultural Regeneration (started 11/02/2021)	12,317	808	13,125	0	0	13,125	2,274	15,399

¹ During 2020/21 the hours of the Chief Executive post were reduced from five to four days a week.

² The final Pension Contribution was made in July 2020.

³ Postholder not in pension scheme.

Note 14. Officers Remuneration (continued)

Officers Remuneration > £50,000

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees Schools 2020/21	Number of Employees Schools 2021/22	Number of Employees Non-Schools 2020/21	Number of Employees Non-Schools 2021/22
£50,000 to £54,999	15	23	47	59
£55,000 to £59,999	8	9	22	35
£60,000 to £64,999	7	7	15	14
£65,000 to £69,999	5	10	14	23
£70,000 to £74,999	4	5	11	6
£75,000 to £79,999	2	4	2	4
£80,000 to £84,999	3	5	2	2
£85,000 to £89,999	0	0	0	0
£90,000 to £95,999	0	0	0	0
£95,000 to £99,999	0	0	0	0
£100,000 to £104,999	0	0	0	0
£105,000 to £109,999	0	0	0	0
£110,000 to £114,999	0	1	0	0
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	0	0	0	0
£125,000 to £129,999	1	0	0	0
£130,000 to £149,999	0	1	0	0
£150,000 to £154,999	0	0	0	0
Total	45	65	113	143

Note 14. Officers Remuneration (continued)

Accounting Policy

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept redundancy in exchange for those benefits, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at either when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring, whichever is earlier.

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

Note 14. Officers Remuneration (continued)

Numbers of Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies 2021/22 Schools	Number of compulsory redundancies 2021/22 Non-School	Number of compulsory redundancies 2021/22 Total	Number of other departures agreed 2021/22 Schools	Number of other departures agreed 2021/22 Non-School	Number of other departures agreed 2021/22 Total	Total number of exit packages by cost band 2021/22 Schools	Total number of exit packages by cost band 2021/22 Non-School	Total number of exit packages by cost band 2021/22 Total	Total cost of exit packages in each band 2021/22 Schools	Total cost of exit packages in each band 2021/22 Non-School	Total cost of exit packages in each band 2021/22 Total
										£	£	£
£0 - £20,000	0	0	0	2	5	7	2	5	7	680	38,071	38,750
£20,001 - £40,000	0	0	0	0	1	1	0	1	1	0	22,589	22,589
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	2	6	8	2	6	8	680	60,660	61,339

The total cost of £0.061m detailed in the table above for exit packages agreed during 2021/22. An amount of £0.61m has been charged to the Authority's Comprehensive Income and Expenditure Statement in that financial year.

Exit package cost band (including special payments)	Number of compulsory redundancies 2020/21 Schools	Number of compulsory redundancies 2020/21 Non-School	Number of compulsory redundancies 2020/21 Total	Number of other departures agreed 2020/21 Schools	Number of other departures agreed 2020/21 Non-School	Number of other departures agreed 2020/21 Total	Total number of exit packages by cost band 2020/21 Schools	Total number of exit packages by cost band 2020/21 Non-School	Total number of exit packages by cost band 2020/21 Total	Total cost of exit packages in each band 2020/21 Schools	Total cost of exit packages in each band 2020/21 Non-School	Total cost of exit packages in each band 2020/21 Total
										£	£	£
£0 - £20,000	1	11	12	2	7	9	3	18	21	8,459	164,072	172,531
£20,001 - £40,000	1	1	2	0	0	0	1	1	2	30,278	32,376	62,655
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	2	12	14	2	7	9	4	19	23	38,737	196,448	235,186

The total cost of £0.235m detailed in the table above for exit packages agreed during 2020/21. An amount of £0.243m has been charged to the Authority's Comprehensive Income and Expenditure Statement in that financial year.

Note 15. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2020/21	2021/22
	£'000	£'000
Scale fees payable to GT with regard to external audit services carried out by the appointed auditor for the year	110	113
Fees payable to GT with regard to additional external audit services carried out by the appointed auditor for the year	74	TBC
Fees payable to GT for the certification of Grant Claims and other services provided by GT	30	TBC
Total	213	113

The 2020/21 audit plan presented to the Councils Audit Committee in July 2021 detailed the need for additional fees (in addition to the core fee) of £80.4k. Following the completion of the audit in October 2023, the Council were notified that a final additional fee of £69.525k was approved by the Public Sector Audit Appointments Limited (PSAA) on 18 October 2023.

For 2021/22 the audit plan has yet to be presented to Audit Committee detailing additional fees (in addition to the core fee) so therefore have not been included in the table above.

Note 16. Dedicated Schools Grant

Accounting Policy — Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves, and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council.

The Council has the following types of maintained schools:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Recognition of Schools' Non-current Assets

Maintained schools' non-current assets should be recognised in the local authority financial statements in accordance with the requirements of chapter four of the Code (Non-current Assets). The area likely to be of most concern is the land and buildings from which schools operate.

If a school obtains academy status, then all responsibilities transfer to the Academy. The only exception to this will be where the school was previously a maintained school where the Authority had a form of control over the future ability to provide a school, whereby the responsibility for the non-current assets will be transferred to the Academy by way of a long-term lease, and therefore, the present value of that lease relating to the freehold will be all that remains within the Authority's Balance Sheet.

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet

expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2019. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

During 2021/22 the Council incurred an overspend of £7.268m on DSG funded services. After taking account of the deficit of £16.262m brought forward from 2020/21), £23.530m was carried forward to 2022/23.

Note 16. Dedicated Schools Grant (continued)

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central Expenditure	Individual Schools Budget	Total 2021/22	Total 2020/21
	£'000	£'000	£'000	£'000
Final DSG for 2021/22 before Academy recoupment			273,544	250,614
Less: Academy figure recouped for 2021/22			(179,720)	(161,419)
Total DSG after Academy recoupment for 2021/22			93,824	89,195
Plus: Brought forward from 2020/21			(16,261)	(9,346)
Less: Carry forward to 2021/22 agreed in advance			0	0
Final budget distribution in 2021/22	4,592	72,971	77,563	79,849
Less: Actual central expenditure	(4,591)		(4,591)	(3,970)
Less: Actual Individual Schools Budget deployed to schools		(96,502)	(96,502)	(92,140)
Carried forward to 2022/23	1	(23,531)	(23,530)	(16,261)
Add: Carry forward to 2022/23 agreed in advance			0	0
Total carried forward to 2022/23			(23,530)	(16,261)

Note 17. Grant Income

Accounting Policy - Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Note 17. Grant Income (continued)

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2020/21 £'000	2021/22 £'000
Credited to Taxation and Non Specific Grant Income		
<u>Department for Levelling Up, Housing & Communities</u>		
- DLUHC Other	(150)	0
- Formula Grant / Revenue Support Grant	(6,151)	(6,549)
- New Homes Bonus	(1,221)	(986)
- Small Business Rate Relief Grant	(11,271)	0
- Covid 19 Additional Small Business Rate Relief Grant	(26,884)	0
- Covid 19 Council Tax Hardship Fund Grant	(2,056)	(2,197)
- Covid-19 Emergency Funding	(16,441)	(7,864)
- Covid-19 Next Steps Accommodation Fund	(234)	0
- Covid-19 Compliance and Enforcement Grant	(153)	0
- Covid-19 Supporting Clinically Extremely Vulnerable People	(809)	0
- Covid-19 Test and Trace Isolation Payment scheme (discretionary fund)	(409)	(567)
- Covid-19 Local Additional Restrictions Grant (discretionary grant to support businesses)	(8,046)	(390)
- Covid-19 Test and Trace Isolation Payment Scheme (new burdens funding)	(197)	(95)
- Covid-19 Local Restrictions Support Grant New Burdens Funding	(305)	(176)
- Covid-19 Sales Fees & Charges Income Compensation Scheme	(7,033)	(1,048)
- Covid-19 Business Support Grants Scheme	(1,858)	0
<u>Department for Education</u>		
- Wellbeing for Education Return Grant	(37)	(132)
- Additional Dedicated Home to School and College Transport	(527)	(160)
- Holiday Activities & Food Programme	(112)	(1,002)
<u>Department for Environment, Food and Rural Affairs</u>		
- Emergency Assistance Grant for Food & Supplies	(337)	0
<u>Department for Work & Pensions</u>		
- Covid-19 Winter Grant Scheme	(780)	0
- Covid-19 Local Support Grant Extension	0	(977)
- Household Support Grant	0	(1,908)
<u>Department of Health & Social Care</u>		
- Covid-19 Rapid Testing Funding	(383)	0
- Covid-19 Workforce Capacity Grant	(365)	(1,854)
- Covid-19 Infection Control Fund	(4,092)	(928)
- Covid-19 Contain Outbreak Management Fund	(7,004)	(2,030)
- Covid-19 Practical Support Funding	(65)	(639)
- Covid-19 Test, track and trace fund	(1,593)	(249)
- Adult Social Care Infection Control and Testing Fund	0	(2,215)
<u>Department of Transport</u>		
- COVID 19 - Active Travel Fund Phase 1 & 2	(215)	0
<u>Kent & Essex Inshore Fisheries Conservation Authority</u>		
- Inshore Fisheries Conservation Authorities Grant	(32)	(32)

Recognition of Capital Grants and Contributions	(22,383)	(16,160)
Total	(121,144)	(48,158)

Note 17. Grant Income (continued)

Credited to Services		
<u>Cabinet Office</u>		
- Individual Register of Electors Grant	(18)	0
- Elections Grant	(91)	(404)
- C/Tax Data ONS New Burden Fund	(1)	0
<u>Department for Digital, Culture, Media & Sport</u>		
- DCMS Other		
- Cultural Strategy	(2)	0
- Guardians of the Deep	(2)	0
- Theatre 31	(179)	(325)
- Soldiers on our Streets	(4)	0
- NPO Guildhall Museum	(39)	(39)
- Picture Medway	(2)	4
- Windrush	0	(1)
<u>Department for Education</u>		
- Dedicated Schools Grant	(93,349)	(93,824)
- Pupil Premium Grant	(3,265)	(3,513)
- Education Funding Agency	(154)	(136)
- Sixth Form Grant	(560)	(694)
- Student Loan Company	(23)	(12)
- Sec 31 Extension of the Role of Virtual School Heads to Certain Previously Looked after Children Implementation	(30)	(130)
- Teachers Pensions Supplementary Grant	(94)	(80)
- Covid 19 SEN Independent Providers	(26)	(222)
- Teachers Pay, Teachers Pension, PE&SG	(664)	(517)
- Teachers' Pension Employer Contribution Grant (TPECG)	(20)	0
- Extended Rights to Free HTS Transport	(82)	(75)
- Adoption Support Fund	(173)	(76)
- Social Work Teaching Partnerships Programme.	(233)	(154)
- Stay Put and PA Support	(209)	(230)
- Home to School Transport	(1)	0
- School Covid Catch Up	0	(801)
- Leaving Care	0	(34)
- Child Improvement	0	(64)
- DFE Other	(1,781)	(2,786)

Note 17. Grant Income (continued)

Department of Health & Social Care		
- Public Health Grant	(17,408)	(17,581)
- Local Reform & Community Voices Grant/ War Pensions Scheme Disregard Grant/Social Care in Prisons Grant	(254)	(247)
- Covid 19 Lateral Flow Test Grant	(1,433)	(1,803)
-Clinical Weight Management	0	(275)
Department for Levelling Up, Housing & Communities		
- DLUHC Other	(12)	(95)
- Tax Collection & Benefit Administration	(265)	(264)
- Housing Benefit Administration	(763)	(739)
- Benefit Subsidy	(68,211)	(61,206)
- Troubled Families Programme	(1,177)	(894)
- Transparency Code Set Up	(13)	(70)
- Rough Sleeper Initiative	(902)	(1,310)
- Flexible Homelessness Support	(895)	(1,221)
- Homelessness Reduction Act New Burdens Funding	(342)	(770)
- Trading Standards Grant	(1)	0
- Domestic Abuse Grant	(10)	(35)
- Covid-19 Re Opening The High Streets Safely	(160)	(20)
- Oast Pocket Park Project	(7)	(1)
- Administering Council Tax Reduction Scheme Grant	(477)	(287)
- Neighbourhood Planning Grant	(67)	0
- Future High Streets Fund (Pre Contract Support)	(2)	(3)
- Future High Street Fund (Development Phase)	(56)	0
- Former Independent Living Fund Grant	(720)	(720)
- Winter Pressures Grant	(998)	0
- Social Care Support Grant	(5,492)	(6,098)
- Improved Better Care Fund	(6,095)	(7,093)
- Welcome Back Fund	0	(257)
Department for Environment, Food and Rural Affairs		
- Urban Tree Challenge Fund	(10)	0
Department for Transport		
- DoT Other	(9)	(66)
- Bikeability Grant	(15)	(11)
- Covid-19 Operation Stack	(7)	0
- Bus Recovery Grant	(28)	0
- Bus Shelters Grant	(26)	0
- Bus Service Operator Grant	(496)	(403)

Note 17. Grant Income (continued)

<u>Department for Work & Pensions</u>		
- Be Yourself Project	(41)	0
- Reducing Parental Conflict	(9)	0
- LA Funding Allocations/New Burdens Grant	(300)	(195)
- Kickstart Grant	0	(319)
- Multiple Youth Grant	0	(143)
<u>Home Office</u>		
- IAG Grant	(300)	(300)
- Unaccompanied Asylum-Seeking Children Grant	(417)	(301)
- Afghan Citizens Resettlement Scheme	0	(14)
<u>Ministry of Justice</u>		
- Contributions from the Youth Justice Board	(443)	(691)
- MoJ Other	(116)	(118)
<u>Department for Business, Energy & Industrial Strategy</u>		
- Skills Funding Agency	(1,919)	(1,843)
- Heat Network Grant	0	(76)
Other Miscellaneous Grants	(539)	(485)
Contributions from NHS Partners	(12,894)	(13,305)
Contributions from Other Local Authorities	(3,565)	(3,874)
Miscellaneous Contributions	(2,960)	(2,530)
Recognition of Capital Grants and Contributions	(2,779)	(7,815)
Total	(233,640)	(237,591)

Note 17. Grant Income (continued)

The Authority has received a number of grants, contributions or donations that have yet to be recognised as income as they have conditions attached to them that, should they not be met, would require the monies to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance (Capital Grants)	31 March 2021	31 March 2022
	£'000	£'000
Applicable Section Agreements	(3,997)	(3,890)
Total	(3,997)	(3,890)

The following revenue grants were received in the indicated financial year, but relate to the subsequent reporting period, and therefore have been treated as grants received in advance within current liabilities in the balance sheet:

Grants Receipts in Advance - Revenue	31 March 2021	31 March 2022
	£'000	£'000
<u>Ministry of Housing, Communities & Local Government</u>		
- Capacity Building Grant	(40)	0
- Prevention Activity Funding	(100)	0
- Cladding Survey New Burden Fund	(11)	0
- Future High Street Fund Development	(2)	0
- Energy Rebate Scheme	0	(15,512)
- Levelling Up Housing	0	(120)
- Rough Sleeper Initiative	0	(68)
Domestic Abuse Grant	0	(597)
- Digital Funding	0	(400)
<u>Home Office</u>		
- Home Office Grant	(14)	0
- PCC Grant	(8)	0
- Safer Streets 1&3	0	(42)
<u>Department for Culture, Media & Sport</u>		
- ESC Lottery Funding	(1)	0
- Arts Council for England Picture Medway Grant	(4)	(8)
<u>Department for Business, Energy & Industrial Strategy</u>		
- Climate Change HNDU Grant	(25)	0
- BIS084 BEIS GRANT 11. PIA		(25)
<u>Department for Environment, Food and Rural Affairs</u>		
- Food Standards Grant	0	(7)
<u>Department for Transport</u>		
- Funding for Supported Bus Services	(109)	(61)
- Covid 19 BSSG	(26)	0
- LTP Travel Plan funding	0	(179)
- Active Travel Tranche 2 under	0	(166)
-Bus Capacity Work	0	(215)

- Bus Recovery funding (LTA BRG)	0	(41)
<u>Department of Health & Social care</u>		
- Health Education England PHWD Funding	(12)	0
Contributions from NHS Partners		
- NHS Medway CCG Self Harm Project	(153)	0
- Miscellaneous Other grants	0	(3)
Contributions from other organisations		
- Historic England High Street HAZ funding	0	(51)
- Arts Council for England - ACE T31 funding	0	(10)
- Good Things Foundation	0	(199)
- Reading Agency	0	(17)
- Libraries Connected	0	(15)
- S106 Developer Contribution Re Market Review	0	(1)
- Chatham Dockyard Grant	0	(4)
- Royal Opera House Grant	(45)	(55)
- Royal Opera House Bridge Funding	(1)	0
Total	(553)	(17,797)

Grants - Medway Council as Agent	31 March 2021	31 March 2022
	£'000	£'000
<u>Department of Business, Energy and Industrial Strategy</u>		
- Covid 19 Christmas Support Payment for Wet Led Pubs	(69)	0
- Covid 19 Local Restrictions Grant Mandatory: Business Grants for Closed Businesses (LRSG)	(9,647)	(1,256)
- Covid 19 Local Restrictions Grant Mandatory: Closed Business Lockdown Payment	(5,954)	0
- Covid 19 Restart Grants	0	(9,021)
- Covid 19 Omicron Hospitality and Leisure Grant	0	(1,179)
<u>Ministry of Housing, Communities & Local Government</u>		
- Covid 19 Test and Trace Isolation Payment scheme (Mandatory Isolation Support Payments)	(447)	(725)
Total	(16,117)	(12,181)

The Authority received a number of grants whereby Medway Council were acting as an Agent and therefore were not recognised through the Comprehensive Income & Expenditure Statement but are shown within the Balance Sheet as liabilities until such time as they are discharged. All the above grants were discharged within 2021/22.

Note 18. Interests in Companies and Other Entities

Accounting Policy

Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries that require it to prepare group accounts, but its interests in its associates, joint control and joint ventures are not considered to be controlling. Therefore, in the Authority's own single-entity accounts, the interests in subsidiaries, associates, joint control and joint ventures are recorded as financial assets at cost, less any provision for

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Authority has any form of interest in an entity
- Assess the nature of the relationship between the Authority and the entity
- Determine on the grounds of materiality whether group accounts should be prepared

Having considered the accounting requirements and the Authority's involvement with all companies and organisations, Group Accounts have been prepared.

Medway Norse Limited

Medway Norse Limited provides a package of services including Corporate Cleaning, Building Maintenance, Security Services, Window Cleaning, Printing Services and Catering.

The Board of Medway Norse Ltd. consists of five directors. Two directors are appointed by Medway Council. Under a Service agreement Medway Council receives a discount on the cost of services supplied to the Authority equivalent to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Ltd is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse net of rebate in the Income and Expenditure Account and have included the investment at cost in the Balance Sheet.

Medway Norse Transport

Medway Norse Transport provides transport services to the Council. The Authority's relationship with Medway Norse Transport is identical to that with Medway Norse Ltd.

The Authority owns 20% of the share capital of Medway Transport. Under a Service Agreement Medway Council receives a discount on the cost of services supplied to the Authority equal to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Transport is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse Transport net of rebate in the Income and Expenditure Account and have included the investment at cost in the Balance Sheet.

Kyndi Ltd

Kyndi Limited (formerly Medway Commercial Group) is a company wholly owned by Medway Council. Group accounts have been prepared for the first time in 2021/22 and are shown elsewhere within these statements.

Kyndi Ltd is responsible for the delivery of CCTV, Telecare, out-of-hours, lone worker solutions, other personal alarm services and via Ocelot People Services, trading via MCG, a new staffing agency.

Medway Development Company (MDC)

Medway Development Company Limited is a company wholly owned by Medway Council. Group accounts have been prepared for the first time in 2021/22 and are shown elsewhere within these statements.

MDC has been set up to maximise the opportunities to invest in or develop property within and outside Medway and in the first instance to enable the development of a number of Council-owned sites. This will enable the generation of new and alternative revenue income streams for the Council and to deliver housing units principally in Medway.



Innovation Studios,
Strood

E4. Notes Supporting the Movement in Reserves Statement

Notes Supporting the Movement in Reserves Statement

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Note 19. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made to the comprehensive income and expenditure recognised by the Authority in accordance with proper accounting practice to the resources that are specified by statute as being available to the Authority to meet future revenue and capital expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 19. Adjustments between accounting basis and funding basis under regulations (continued)

Adjustments for 2021/22	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	31,420	483	0	0	0	(31,903)
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	(3,549)	0	0	0	0	3,549
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(10,996)	0	0	0	0	10,996
Holiday pay (transferred to the Accumulated Absences Account)	(270)	(5)	0	0	0	275
Amount by which Schools Deficit has moved in year (transferred to Dedicated Schools Grant Adjustment Account)	7,268	0	0	0	0	(7,268)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	11,661	(10,966)	0	0	5,982	(6,677)
Total Adjustments to Revenue Resources	35,535	(10,488)	0	0	5,982	(31,029)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,804)	(1,592)	7,396	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	349	0	(349)	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(3,680)	0	3,680	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,612)	0	0	0	0	1,612
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(276)	(1,939)	0	0	0	2,215
Total Adjustments between Revenue and Capital Resources	(7,343)	(7,211)	7,047	3,680	0	3,827
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,758)	0	0	3,758
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,680)	0	3,680
Application of capital grants to finance capital expenditure	0	0	0	0	(10,807)	10,807
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(3,758)	(3,680)	(10,807)	18,245
Total Adjustments 2021/22	28,192	(17,699)	3,289	0	(4,825)	(8,957)

Note 19. Adjustments between accounting basis and funding basis under regulations (continued)

Adjustments for 2020/21	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	27,084	424	0	0	0	(27,508)
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	397	0	0	0	0	(397)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	27,063	0	0	0	0	(27,063)
Holiday pay (transferred to the Accumulated Absences Account)	592	5	0	0	0	(598)
Amount by which Schools Deficit has moved in year (transferred to Dedicated Schools Grant Adjustment Account)	6,916	0	0	0	0	(6,916)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	35,223	13,986	0	0	13,823	(63,032)
Total Adjustments to Revenue Resources	97,275	14,416	0	0	13,823	(125,514)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,332)	(371)	5,703	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	179	0	(179)	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(481)	0	0	0	0	481
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(3,698)	0	3,698	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,307)	0	0	0	0	1,307
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(500)	(2,400)	0	0	0	2,900
Total Adjustments between Revenue and Capital Resources	(7,441)	(6,469)	5,524	3,698	0	4,687
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,314)	0	0	4,314
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,698)	0	3,698
Application of capital grants to finance capital expenditure	0	0	0	0	(6,670)	6,670
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(4,314)	(3,698)	(6,670)	14,682
Total Adjustments 2020/21	89,834	7,947	1,210	0	7,152	(106,144)

Note 20. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure.

	Balance 31 March 2020	Transfers in 2020/21	Transfers out 2020/21	Balance 31 March 2020	Transfers in 2021/22	Transfers out 2021/22	Balance 31 March 2021
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances held by schools under a scheme of delegation	(1,356)	(1,833)	1,776	(1,414)	(960)	623	(1,750)
School Rev Contributions To Capital	(65)	(446)	388	(123)	(385)	258	(250)
Revenue Contributions To Capital BSD	(93)	0	93	(0)	0	0	(0)
Revenue Contributions To Capital C&A	17	0	0	17	0	0	17
Revenue Contributions To Capital RCET	(41)	(61)	16	(86)	(20)	11	(95)
Development Plan Reserve	(0)	(230)	80	(150)	(1,000)	666	(484)
Provision For Local Election	(9)	(138)	22	(125)	(138)	0	(263)
Bereavement Services Reserves	(26)	(150)	1	(175)	(138)	0	(313)
Rate Equalisation Fund	0	(4,663)	0	(4,663)	0	0	(4,663)
Community Hubs Reserve	(29)	0	(12)	(41)	0	0	(41)
BRMF - Annual Programme	(211)	(750)	325	(636)	(750)	939	(447)
ICT Reserve	0	0	0	0	(500)	97	(403)
Reserve Fund Computer Development	0	(1,000)	0	(1,000)	0	0	(1,000)
Developer Contributions Revenue Reserves	(4,502)	(1,596)	852	(5,246)	(2,605)	1,430	(6,421)
Economic Development Loans Fund	(80)	0	0	(80)	0	1	(79)
Directorate Carry Forwards	(3,775)	(2,210)	1,352	(4,634)	(3,240)	1,669	(6,205)
Homelessness Reduction	(168)	0	0	(168)	0	0	(168)
BirdWatch/Samms Inv Funds	(600)	(430)	0	(1,030)	(450)	0	(1,480)
Severance Payments Reserve	(0)	(1,000)	0	(1,000)	0	5	(995)
South Medway Development Res	(4,000)	0	0	(4,000)	0	0	(4,000)
Transformation Reserve	0	(2,000)	0	(2,000)	0	1,000	(1,000)
Salix Repayments	(14)	(64)	2	(76)	(60)	0	(136)
HEE Public Health Grant	(176)	0	0	(176)	0	0	(176)
Other Earmarked Reserves	(171)	(60)	39	(192)	(31)	8	(215)
Covid-19 Reserve Funding	(5,272)	(9,439)	5,272	(9,439)	(232)	8,465	(1,206)
Collection Fund S.31 Grant Adjustment Reserve	(0)	(18,502)	0	(18,502)	(497)	8,882	(10,117)
Insurance Reserve	(959)	0	(1,499)	(2,459)	0	(25)	(2,483)
Total Earmarked General Fund Reserves	(21,533)	(44,572)	8,706	(57,399)	(11,006)	24,030	(44,375)
Dedicated Schools Grant Reserve*	0	(22,259)	22,259	0	(2,854)	2,854	0
DSG Reserve	0	(22,259)	22,259	0	(2,854)	2,854	0
Housing Revenue Account							
HRA Earmarked Reserves	(1,601)	(990)	2,285	(306)	(1,939)	2,245	0
Total Earmarked Housing Revenue Account Reserves	(1,601)	(990)	2,285	(306)	(1,939)	2,245	0
Total Earmarked Reserves	(23,133)	(67,821)	33,250	(57,705)	(15,799)	29,129	(44,375)

Note 20. Movements in Earmarked Reserves (continued)

The deficit on the Dedicated Schools Grant Reserve at the 31 March 2021 was transferred to the Dedicated Schools Grant Adjustment Account, an unusable reserve. This movement was agreed as part of the statutory adjustments afforded to local authorities with deficit balances. This deficit balance will be reduced in the coming years and Medway Council has agreed a deficit recovery programme with central government to achieve this.

Balances held by schools under a scheme of delegation

School Revenue Reserves. School funding is ringfenced to the individual school and can't be used to fund any other Medway Council department budget or school.

School Revenue Contributions To Capital

School in year revenue contributions to capital reserves. Any funding not used to fund the capital programme will be transferred into the main school capital reserve.

Revenue Contributions To Capital C&A

General fund revenue contributions towards capital used to fund the Children and Adults capital programme.

Revenue Contributions To Capital RCET

General fund revenue contributions towards capital used to fund the regeneration, culture, environment and transformation capital programme.

Development Plan Reserve

Annual contributions from the General Fund to cover the costs in respect of the Local Plan.

Provision For Local Election

Provision for cyclical cost of Local Elections. Local Elections are held once every 4 years so a contribution is made to a provision each year to fund the expenditure in year 4.

Bereavement Services Reserves

Reserve Fund for essential Crematorium Repairs/Improvements and gifts to the Crematorium.

Rate Equalisation Fund

Used to mitigate fluctuations in interest costs caused by changing rates.

Community Hubs Reserve

To finance development of community hubs in our libraries.

BRMF (Building Repairs and Maintenance Fund) - Annual Programme

Reserve fund for building repairs and maintenance funded by way of contributions from services.

Reserve Fund Computer Development

Reserve Fund for Computer Development/Replacement of Steria and then Medway Grid for Learning (MGfL)

Economic Development Loans Fund

A Fund to give Start up Grants to individuals living in Medway for Companies to be located in Medway.

Directorate Carry Forwards

Revenue carry forwards relating to the general fund.

Homelessness Reduction

Homelessness Reduction new burdens funding issued by the CLG for the first 3 years of the implementation of New Homelessness Reduction Act 2017 which requires authorities to have additional resources to deal with the increased duties to improve advice and information for the prevention of homelessness under this new legislation.

BirdWatch/Samms (Strategic Access Management and Monitoring Strategy) Inv Funds

To accumulate surplus funds to invest in the future operation of the Samms scheme for many years. This is funded from section 106 contributions received from developers less running costs of the Samms team

Severance Payments Reserve

Provided to support staffing cost implications of service transformation programmes.

South Medway Development Reserve

Regeneration and development reserve created to fund Rochester Airport Regeneration and similar regeneration and development schemes.

Transformation Reserve

Provided to finance the transformation of the Council's services as required to achieve leading edge service and financial provision.

Salix Repayments

Salix provided £150k, matched by Medway, to create a fund for energy saving projects. The fund pays for a scheme and then the loan is repaid over a number of years by the service benefitting from the saving.

HEE Public Health Grant

Grant received from Health Education England and is used to fund activity on 4E840 which is a joint venture with Kent, Surrey and Sussex.

Note 20. Movements in Earmarked Reserves (continued)

Other Earmarked Reserves

Represent non-material balances.

Covid-19 Reserve Funding

Reserve to hold the available funding relating to the COVID-19 Pandemic.

Collection Fund S.31 Grant Adjustment Reserve

To hold additional Section 31 Grant income awarded as a result of the Covid-19 pandemic to be used to offset future deficits within the collection fund.

Insurance Reserve

To finance costs (e.g. claims and premium payments) associated with insurable risk. The reserve meets expenditure relating to various types of future claims which are not covered by the Insurance Fund.

DSG Reserve

Dedicated School Grant reserves. Significant increase in Special Educational Needs (SEN) expenditure in recent years has been transferred here causing a deficit, but in 2020/21 and 2021/22 was transferred to the Dedicated Schools Grant Adjustment Account, an unusable reserve.

HRA Earmarked Reserves

Monies held in an Earmarked Reserve for the HRA.



Great Lines Heritage
Park,
Gillingham

E5. Notes Supporting the Balance Sheet

Notes Supporting the Balance Sheet

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Note 21. Property, Plant & Equipment

Accounting Policy

Other Property, Plant and Equipment

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

Recognition

Expenditure, generally above the de-minimis level of £25,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a Directorate.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement.

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

Note 21. Property, Plant & Equipment (continued)

Componentisation

Componentisation was introduced under the IFRS-based Code of Practice to allow significant parts of an asset with different values and useful lives to be accounted for separately (recognition, depreciation and derecognition), therefore providing the most accurate way of accounting for the overall asset.

All assets (including Council Dwellings and Non-Dwellings relating to the Housing Revenue Account), other than investment properties, have a land and building depreciable split where appropriate. After assessing the materiality of the various items of Property, Plant and Equipment, it was decided that assets with a Gross Book Value in excess of £2.5m and the following asset types would be further componentised upon the date of their next scheduled revaluation:

- Schools – rolling programme starting from 2011/12
- Leisure centres with swimming pools – rolling programme starting from 2012/13
- Medway Park – componentised from 2010/11
- Crematorium – componentised from 2011/12
- Other assets with a GBV in excess of £2.5m – componentised from 2016/17

Housing Revenue Account Buildings are further componentised to include major components with different lives to the main structure e.g. kitchens, bathrooms, heating systems etc. to allow the most accurate depreciation charges.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is charged in the year of disposal and not in the year of acquisition.

Depreciation is calculated on the following basis:

- council dwellings and other buildings – straight-line allocation over the outstanding life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the projected life of the asset

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

The following useful economic lives have been used in the computation of depreciation:

- council dwellings – 15 to 70 years
- other land and buildings – 5 to 99 years
- vehicles, plant, furniture & equipment – 5 to 30 years
- surplus assets – 20 to 60 years

Note 21. Property, Plant & Equipment (continued)

Disposals

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Note 21. Property, Plant & Equipment (continued)

The Authority categorises its operational Property, Plant and Equipment into a number of subcategories, namely council dwellings, other land and buildings, vehicles, plant and equipment and community assets. There are two categories of non-operational Property, Plant and Equipment, namely assets under construction and surplus assets. The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in current value over the year for each subcategory of Property, Plant and Equipment:

Movements on Balances 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2021	156,182	338,008	17,812	8,955	21,028	11,611	553,597
Additions	3,006	2,019	1,266	0	93	31,566	37,949
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,803	302	0	4	5	0	4,114
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,452	(2,527)	0	0	(348)	0	9,576
Derecognition – disposals	(767)	(38)	(275)	0	(30)	0	(1,110)
Derecognition - other	0	0	0	0	0	(104)	(104)
Assets reclassified (to)/from Assets Under Construction	0	1,092	0	0	0	(1,803)	(711)
As at 31 March 2022	174,676	338,856	18,803	8,959	20,747	41,270	603,311
Accumulated Depreciation and Impairment							
As at 1 April 2021	0	(6,278)	(11,342)	(11)	(9)	0	(17,640)
Depreciation Charge	(3,399)	(12,531)	(952)	0	(13)	0	(16,895)
Depreciation written out to the Revaluation Reserve	261	2,163	0	0	0	0	2,423
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,122	940	0	0	0	0	4,062
Derecognition – disposals	16	5	275	0	0	0	296
Other movements in depreciation and impairment	0	0	(228)	0	0	0	(228)
As at 31 March 2022	0	(15,702)	(12,247)	(11)	(22)	0	(27,982)
Net Book Value							
At 31 March 2022	174,676	323,154	6,556	8,948	20,725	41,270	575,329
At 31 March 2021	156,182	331,731	6,470	8,944	21,018	11,611	535,957

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Movements on Balances 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2020	161,402	351,745	16,402	8,022	21,762	6,934	566,267
Additions	7,230	1,005	2,244	66	207	8,741	19,493
Revaluation increases/(decreases) recognised in the Revaluation Reserve	711	(6,627)	0	868	(1,235)	0	(6,283)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,938)	(17,802)	0	0	293	0	(30,448)
Derecognition – disposals	(222)	(8,743)	(833)	0	0	0	(9,797)
Derecognition - other	0	0					0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	0	10,500	0	0	0	(130)	10,370
Assets reclassified (to)/from Assets Under Construction	0	3,934	0	0	0	(3,934)	0
Other Reclassifications	0	3,996	0	0	0	0	3,996
As at 31 March 2021	156,182	338,008	17,814	8,955	21,028	11,611	553,598
Accumulated Depreciation and Impairment							
As at 1 April 2020	0	(3,601)	(10,406)	(11)	(90)	0	(14,107)
Depreciation Charge	(3,423)	(13,041)	(1,528)	0	(49)	0	(18,040)
Depreciation written out to the Revaluation Reserve	310	10,365	0	0	129	0	10,804
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,108	2,339	0	0	0	0	5,447
Derecognition – disposals	5	215	833	0	0	0	1,052
Other Reclassifications	0	(2,555)	0	0	0	0	(2,555)
Other Movements in Depreciation and Impairment	0	0	(242)	0	0	0	(242)
As at 31 March 2021	0	(6,277)	(11,343)	(11)	(9)	0	(17,641)
Net Book Value at 31 March 2021	156,182	331,731	6,470	8,944	21,018	11,611	535,957
Net Book Value at 31 March 2020	161,402	348,145	5,996	8,010	21,673	6,934	552,160

Note 21. Property, Plant & Equipment (continued)

Effects of Changes in Estimates

In 2021/22 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme which ensures that all relevant Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the Professional Standards of the Royal Institution of Chartered Surveyors by RICS Registered Valuers.

Jonathan Rogers, MRICS and Registered Valuer of Harrison's Chartered Surveyors was commissioned to undertake the valuation of the Pentagon Shopping Centre and Gun Wharf (Medway Council's main offices). All other property and land revaluations were undertaken by RICS qualified valuers employed by the Authority.

The effective date of all valuations carried out in 2021/22 was 31 March 2022.

If the revaluation of a specific asset results in a material change in value, an exercise is undertaken to establish whether the change is specific to that asset or could affect the whole asset class. If the material change cannot be identified as specific to that asset, then a review of the whole of that class, e.g. "Car Parks", will be undertaken to ensure that the current value of that asset class held within the balance sheet at the end of the reporting period is not materially misstated.

The significant assumptions applied in estimating the current values of Property, Plant and Equipment are:

- All assets are assumed to have good title, with no unusual or onerous restrictions, encumbrances or outgoings.
- Significant plant and machinery included in each EUV valuation is componentised, where necessary in accordance with the Authority's accounting policies.
- That the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- That there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.
- No contaminative or potentially contaminative uses, underground mining, or other engineering works have ever been carried out that would adversely affect the valuation.
- No allowances have been made for taxation which may arise on disposal or for disposal costs.
- All valuations assume each property would be disposed of separately.

Note 21. Property, Plant & Equipment (continued)

The following table shows the progress of the Authority's rolling programme for the revaluation of Other Property, Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	0	2,088	0	0	0	0	2,088
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	994	18,803	8,959	0	41,270	70,026
Carried at historic cost	0	3,082	18,803	8,959	0	41,270	72,114
Valued at current value (fair value for surplus assets) during the year ending:							
31 March 2022	174,676	63,308	0	0	6,956	0	244,940
31 March 2021	0	142,876	0	0	12,444	0	155,320
31 March 2020	0	121,475	0	0	346	0	121,821
31 March 2019	0	5,496	0	0	596	0	6,092
31 March 2018	0	2,619	0	0	405	0	3,024
Total	174,676	338,856	18,803	8,959	20,747	41,270	603,311

Removal of Schools Transferring to Academies

No schools achieved academy status between 1 April 2021 and 31 March 2022 with a balance sheet value of £nil (1 in 2020/21; value £5.2m). There is one school which is likely to achieve academy status between 1 April 2021 and 31 March 2022 with a balance sheet value of approximately £1.1million.

Note 21. Property, Plant & Equipment (continued)

Capital Commitments

As at 31 March 2022 the following capital commitments were in place (20/21: £17.582million):

Directorate	2020/21 £'000	2021/22 £'000
Business Support Department	0	0
Children's and Adults (inc. Public Health)	104	7,755
Regeneration, Community, Environment and Transformation	17,478	18,650
Housing Revenue Account	0	23
Total	17,582	26,428

In Children's and Adults (inc. Public Health), approximately £6.9million of the capital commitments are with Neilcott Construction for two SEN education schemes.

In Regeneration, Community & Environment, approximately £2.8m of the capital commitments are with Volker for the installation of new LED street lighting and £2.3m is with TESGL Ltd for the Climate Change refit energy improvement programme. A further £11.2m is with FM Conway for works at Innovation Park Medway.

Note 21. Property, Plant & Equipment (continued)

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 are shown below.

Recurring fair value measurements using:	Level 2 inputs	Level 3 Inputs	Fair Value as at 31 March 2022	Level 2 valuation technique
	£000's	£000's	£000's	
Commercial development	17,327	0	17,327	Market based approach
Residential dwellings	269	0	269	Market based approach
Non residential buildings	883	0	883	Market based approach
Other leased land	479	0	479	Market based approach
Vacant land and buildings	1,789	0	1,789	Market based approach
	20,747	0	20,747	

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at least every 5 years in line with our revaluation policy for Property, Plant and Equipment. All valuations are carried out by Royal Institute of Chartered Surveyors qualified employees in accordance with the Professional Standards of the RICS.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's Surplus assets, the highest and best use of all of these assets is their current use

NB The Council does not have any Level 1 or Level 3 valuations

Fair Value Measurement

The Authority measures surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Note 21. Property, Plant & Equipment (continued)

Highways Infrastructure Assets

Accounting Policy

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 England, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Medway Council was formed in 1998 from predecessor authorities, Gillingham Borough Council, Kent County Council (Medway Area) and Rochester Upon Medway City Council. As a highways authority, Kent County Council transferred a value of Infrastructure Assets on their balance sheet using an agreed percentage of those overall assets considered to equate to those within the Medway area.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful economic lives (UEL) of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

<u>Part of Highways network</u>	<u>UEL</u>
Carriageways	20 Years
Footways and Cycle tracks (attached to carriageway or segregated)	50 Years
Structures	120 Years
Street Lighting	43 Years
Street Furniture	40 Years
Traffic management Systems	20 Years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Note 21. Property, Plant & Equipment (continued)

	2020/21	2021/22
	£'000	£'000
Net book value (modified historical cost) at 1 April	137,927	137,609
Additions	9,311	15,811
Derecognition	(2,399)	(17)
Depreciation	(5,788)	(6,521)
Impairment	0	0
Other movements in cost	(1,441)	711
Net book value at 31 March	137,609	147,592

Reconciliation of Infrastructure Assets and Property, Plant & Equipment (PPE)

	31 March 2021	31 March 2022
	£'000	£'000
Infrastructure Assets	137,609	147,592
Other PPE Assets	535,957	575,329
Total PPE Assets	673,566	722,920

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Note 22. Heritage Assets

Accounting Policy

Heritage Assets

Heritage Assets are held purely for increasing the knowledge, understanding and appreciation of the Authority's history and local area and are recognised by using the latest insurance valuation, which shall be subject to an annual review. Formal revaluations should provide value for money for taxpayers with regards to the information provided within the financial statements versus the cost of obtaining the data. Due to the high cost and minimal change in values when compared to insurance reviews, it has been decided that formal valuations will not be undertaken.

By their nature, the useful life cannot be measured and therefore they will not be subject to annual depreciation charges. Where assets are being recognised for the first time, the initial valuation shall be recognised as a gain in the balance sheet and an increase in the Authority's revaluation reserve.

It is not foreseen that there will be many disposals of heritage assets, but should this occur, the same guidelines as set out within Property, Plant and Equipment shall apply.

The Authority's collections of heritage assets are accounted for as follows:

Buildings

The buildings included are Rochester Castle, Temple Manor, Eastgate House, Brook Pumping Station and various clocks and war memorials. They are not used to provide services and therefore are considered non-operational.

With the exception of Rochester Castle, they were revalued during 2012/13. Unfortunately, despite an extensive search, the Authority was unable to engage a valuer with relevant knowledge to provide a valuation for Rochester Castle, so the valuation remains that of an historic insurance valuation at the present time.

Furniture

The Authority holds many items of furniture ranging from clocks, chairs, chaise lounges, and various types of chests and writing cabinets dating from the 17th, 18th and 19th centuries. Some of these items are on display whilst others are held in storage. Some of these items have previously been valued by industry experts to provide an updated insurance valuation.

Silver/Gold Collections

There are currently various different pieces held within this collection including items of civic regalia, iron age coins and other miscellaneous items from the 17th, 18th and 19th centuries and are held within the Balance Sheet. These items were revalued by industry experts during 2013/14 to provide an updated insurance valuation.

Art Collection

The collection consists of items including various paintings, marble busts and engravings dating from the 17th, 18th and 19th centuries. Part of this category was revalued during both 2014/15 and 2016/17 by industry experts to provide an updated insurance valuation.

Other

The Authority holds many items within this category including collections of medals, various coins and trading tokens, pianos, cameras, costumes and jewellery dating from the Bronze Age to the 20th century. Many can be found on display whilst a few are held in storage.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see policy relating to Property, Plant and Equipment in this summary of significant accounting policies.

The Authority will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Note 22. Heritage Assets (continued)

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Buildings	Furniture	Silver / Gold Collections	Art Collection	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2020	12,126	238	1,331	1,559	2,604	17,859
Revaluations	364	0	0	0	0	364
31 March 2021	12,490	238	1,331	1,559	2,604	18,223
Cost or Valuation						
1 April 2021	12,490	238	1,331	1,559	2,604	18,223
Revaluations	500	0	0	0	0	500
Other Movements in Cost or Valuation	0	0	(142)	0	142	0
31 March 2022	12,990	238	1,189	1,559	2,746	18,723

Note 22. Heritage Assets (continued)

Heritage Buildings

Those buildings which have been classified as Heritage are:

- Rochester Castle
- Temple Manor
- Eastgate House
- Brook Pumping Station
- Various clocks and war memorials
- Rochester Castle and Temple Manor are both in the freehold ownership of Medway Council and in the care and guardianship of English Heritage. Medway Council manage the day to day care of these properties.

Eastgate House has ceased to be a museum but is a historical building being used to promote the public's enjoyment, and advance their knowledge, of the property.

Brook Pumping Station does house a museum which is run by a team of volunteers with occasional entry permitted by prior appointment. The buildings and contents are used to promote the public's enjoyment, and advance their knowledge of, the property.

Furniture, Silver/Gold Collection, Art Collection and Other

Valuations of tangible heritage assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

There has been an annual programme of selective valuations in prior years which have resulted in minor changes to the values held in the balance sheet. However, in line with the Authority's accounting policies for heritage assets, there needs to be assurance that the costs of providing valuations give value for money for taxpayers with regards to the information provided within the financial statements verses the cost of obtaining the data. Due to the disproportionate costs of providing valuations from industry experts against the changes in valuation held in the balance sheet, it has been decided that there will be no valuations carried out during 2021/22. A decision as to whether revaluations will be carried out in future years will be taken in due course.

Silver and Gold Collections include a collection of Anglo-Saxon silver coins and a collection of Iron Age Gold Coins.

Art Collections include a collection of Roman-British pottery and a water-colour by Charles Spencelayh 'Polly, not forgotten'.

Other historical interest items include:

- Civic Regalia
- The Horton Collection of Victoriana
- Collection Romano – British Pottery
- Collection of personal relics of Charles Dickens
- Models and showcases held at various sites
- Pounder Cannons at Gun Wharf

Note 23. Heritage Assets: Further Information on the Buildings and Collections

Policy on acquiring Heritage Assets for its Museum Service

Medway Council's policy is to continue to acquire objects for permanent collections in order to provide a full range of services and fulfil its responsibilities to both the residents of the area administered by Medway Council and the wider audience of visitors and researchers. The Authority has as part of its services an accredited museum which acts as a long-term guardian of collections that are in the public domain.

The Authority recognises its responsibility, in acquiring additions to the collections, to ensure the care of collections, documentation arrangements and use of collections will meet the requirements of the Accreditation Standard. It will take into account limitations on collecting imposed by such factors as inadequate staffing, storage facilities and care of collections arrangements and abides by a number of ethical codes.

It is estimated that approximately 35% of the total collections are on permanent display. This is a much higher percentage than for most museums. The 'reserve' collection comprises a number of important themed collections that are already, and will in future, be actively used to underpin the temporary exhibitions programme and educational work, as well as collections that are primarily of research interest to the public and the academic community. Some of these specialised academic collections are by their very nature not appropriate for public display but help to enhance the museum's reputation as a valuable resource for individuals and academic institutions conducting high-level research in the disciplines of geology, archaeology, and natural history.

Reserve archaeological collections are particularly well used by the academic community.

Preservation of Heritage Assets

Medway Council is committed to securing higher grade storage facilities for its heritage assets. The upgraded storage facilities were made available for use during the latter part of 2013 which meant that the Authority has been in a position to house its existing medium-size archaeological excavation archives in environmental conditions that meet the national standard. However, Medway Council recognises that the long-term storage of future archaeological site archives is a County-wide problem on a massive scale that may require a County-wide solution (including the possible creation of a centralised staffed storage facility to house archaeological site archives from the historic county of Kent).

Management of Heritage Assets

Medway Council holds/intends to acquire archives, including photographs and printed ephemera, and will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002) in terms of managing such items.

Disposals of Heritage Assets

Medway Council will ensure that the disposal process is carried out openly and with transparency.

By definition, heritage assets have a long-term purpose, and the Authority holds collections in trust for society in relation to its stated objectives. Medway Council therefore accepts the principle that sound curatorial reasons for disposal must be established before consideration is given to the disposal of any items in the museum's collection.

No museum objects are to be disposed of for any of the following:

- Primarily for financial reasons, except in exceptional circumstances
- On an ad-hoc basis
- Without considering expert advice
- If doing so would adversely affect the reputation of museums
- If doing so would not be in the long-term interest
- If doing so would remove the item from the public domain, unless in exceptional circumstances.

The Guildhall Museum service is a fully accredited service and abides by strict regulations of the policies held with the museums association body.

The Authority will confirm that it is legally free to dispose of an item and agreements on disposal made with donors will be taken into account.

When disposal of a heritage asset is being considered, the Authority will establish if it was acquired with the aid of an external funding organisation. In such cases, any conditions attached to the original grant will be followed. This may include repayment of the original grant and a proportion of the proceeds if the item is disposed of by sale.

Note 24. Investment Properties

Accounting Policy

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Fair Value Measurement

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial

statements are categorised within the fair value hierarchy, as follows:

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

Revenue Income & Expenditure relating to investment properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment properties	2020/21	2021/22
	£'000	£'000
Rental income from investment property	823	825
Direct operating expenses arising from investment property	(9)	(9)
Net gain/(loss)	814	816

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Note 24. Investment Properties (continued)

Movement in Fair Value

The following table summarises the movement in the fair value of investment property over the year:

Investment Properties	31 March 2021	31 March 2022
	£'000	£'000
Balance at start of year	16,769	16,869
Disposals	0	(4,200)
Net gains/(loss) from fair value adjustments	101	4,960
Balance at end of year	16,869	17,629

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See "Fair Value Measurement" in the Statement of Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account prices for similar assets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's Investment Asset portfolio has also been used. As a result, properties have been categorised as level 2 on the fair value hierarchy.

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

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. Jonathan Rogers, MRICS and Registered Valuer of Harrisons Chartered Surveyors was commissioned to undertake the valuations of ten distribution depots held by Medway Council as investment properties and let to Bobby's foods. All valuations of other investment properties are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The other investment properties are as follows:

- Industrial Estate, Railway Street, Gillingham
- Rainham District Shopping Centre
- Gillingham Business Park
- Retail Unit, Doust Way, Rochester

The Authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 25. Assets Held for Sale

Accounting Policy - Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

During 2021/22, several pieces of land within Rochester and Chatham were sold for sale for property development.

	Current		Non-Current	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
Balance Outstanding at start of year	32,779	18,392	0	0
Assets newly classified as held for sale:				
▪ Property, plant and equipment	130	0	0	0
Revaluation losses	(895)	(2,281)	0	0
Assets declassified as held for sale:				
▪ Property, plant and equipment	(10,500)	0	0	0
Assets sold	(3,213)	(1,000)	0	0
Additions	91	95	0	0
Balance Outstanding at year end	18,392	15,206	0	0

Note 26. Financial Instruments

Accounting Policy - Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to employees at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Note 26. Financial Instruments (continued)

Available-for-Sale Assets

Available-for-Sale Assets are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the Instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes on fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or deficit on revaluation of Available- for- Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flow discounted at the asset's original effective interest rate.

Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Note 26. Financial Instruments (continued)

The following categories of financial instrument are carried in the balance sheet:

Financial Assets										
	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	21,535	25,011	0	0	490	19,206	0	0	22,025	44,217
Amortised cost - other	0	0	16,637	37,651	0	0	46,541	46,517	63,178	84,168
Cash & cash equivalents at amortised cost	0	0	0	0	24,606	30,981	0	0	24,606	30,981
Total financial assets	21,535	25,011	16,637	37,651	25,096	50,187	46,541	46,517	109,809	159,366
Non-financial assets	0	0	3	4	0	0	42,041	34,767	42,044	34,771
Total	21,535	25,011	16,640	37,655	25,096	50,187	88,582	81,284	151,853	194,137
Financial Liabilities										
	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents at amortised cost	(235,433)	(237,260)	(30,776)	(29,411)	(48,183)	(71,509)	(50,400)	(58,061)	(364,792)	(396,241)
Bank Overdrafts	0	0	0	0	(7,670)	(25,612)	0	0	(7,670)	(25,612)
Total financial liabilities	(235,433)	(237,260)	(30,776)	(29,411)	(55,853)	(97,121)	(50,400)	(58,061)	(372,462)	(421,853)
Non-financial liabilities	0	0	(19)	(26)	0	0	(22,402)	(27,231)	(22,421)	(27,257)
Total	(235,433)	(237,260)	(30,795)	(29,437)	(55,853)	(97,121)	(72,802)	(85,292)	(394,883)	(449,110)

Note 26. Financial Instruments (continued)

Income, Expense, Gains & Losses

	2020/21		2021/22	
	Surplus or deficit on the provision of services	Other comprehensive income and expenditure	Surplus or deficit on the provision of services	Other comprehensive income and expenditure
	£'000	£'000	£'000	£'000
Net gains/losses on:				
• Financial assets measured at fair value through profit or loss	(444)	0	(3,476)	0
Total net gains/losses	(444)	0	(3,476)	0
Interest revenue:				
• Other financial assets measured at fair value through other comprehensive income	3,411	0	(5,928)	0
Total interest revenue	3,411	0	(5,928)	0
Interest expense:	12,443	0	12,014	0
Fee income:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
• Trust and other fiduciary activities	0	0	0	0
Total fee income	0	0	0	0

Note 26. Financial Instruments (continued)

Accounting Policy - Fair Value Measurement

The Authority measures some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

The fair values calculated are as follows:

For loans from the PWLB and other loans payable, new borrowing rates from the PWLB have been applied:

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 26. Financial Instruments (continued)

	31 March 2021		31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Loans and receivables - Investments	490	490	19,206	19,206
Cash and Cash Equivalents	24,606	24,606	30,981	30,981
Investments at Fair Value through Profit & Loss	21,535	21,535	25,011	25,011
Debtors	63,178	63,178	64,009	64,009
	31 March 2021		31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing	283,616	312,495	308,769	312,495
Creditors	81,176	81,176	88,486	88,486
Bank Overdrafts	7,670	7,670	25,612	25,612

The fair value of financial liabilities is higher than the carrying amount for both years because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their fair value.

Fair Value Hierarchy and Valuation Techniques

The fair value of the property fund investments (classified as fair value through profit & loss) has been measured using Level 1 inputs i.e. unadjusted quoted prices in active markets for identical shares.

The fair value of other financial assets and liabilities disclosed above are measured using Level 2 inputs i.e. inputs other than quoted prices that are observable for the financial asset or liability.

The fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

Market rates for investments

- Not applicable - no fixed term investments

Discount rates for borrowing

- LOBO 2.41% to 2.702%
- Market Debt 0 %
- PWLB maturity 2.02% to 2.61%
- PWLB annuity 3% Temporary Loans 0.5% to 1.1%

Other assumptions

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount approximates fair value
- the fair value of trade and other receivables is the invoiced amount net of and bad debt provision

There has been no change in valuation technique and no transfers between levels of the fair value hierarchy in the year.

Note 27. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved annually by Medway Council in its Treasury Management Strategy. Medway Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Counterparties continue to be monitored using the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies forming the core element. It also uses the following as overlays: credit watches and credit outlooks from credit rating agencies; CDS spreads to give early warning of likely changes in credit ratings; sovereign ratings to select counterparties from only the most creditworthy countries.

Officers monitor all credit ratings, market data and other intelligence continuously. The maximum amount for investments by the in-house team is £20 million per counterparty, £25 million for counterparties with a Link duration of 12 months or above. The Authority also considers country limits and will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings. The country limit is reinforced by the application of a financial limit to investment such that a maximum of £40 million may be invested in any one country save for the United Kingdom with no limit.

The full investment strategy for 2021/22 was approved by full Council on 20/02/20 and the 2021/22 strategy was approved on 18/02/21. Both are available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £27.624m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default and uncollected debts over previous financial years.

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

	Amount at 31 March 2022	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	27,624	0.00	0
Customers	24,021	30.81	7,401
Total	51,645		7,401

* This is made up of the following:	Amount at 31 March 2022
	£'000
NatWest	0
Svenska Handelsbanken	1
Lloyds	11
Santander	8,402
Barclays	4
CCLA	19,206
Total	27,624

	Amount at 31 March 2021	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	17,407	0.00	0
Customers	27,191	27.21	7,399
Total	44,598		7,399

* This is made up of the following:	Amount at 31 March 2021
	£'000
NatWest	10,200
Svenska Handelsbanken	1
Lloyds	11
CCLA	6,701
Barclays	4
Total	490

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

The Authority does not generally allow credit for customers, such that £17.6million of the £24.0million balance is past its due date for payment. The past amount can be analysed by age as follows:

	31 March 2021	31 March 2022
	£'000	£'000
Less than three months	2,856	1,847
Three to six months	2,107	2,647
Six months to one year	3,262	2,722
More than one year	11,375	10,420
	19,600	17,636

The Authority's provision for expected credit loss stood at £7.4million at 31 March 2021 (£7.4million at 31 March 2021). The provision is calculated by applying the aged debt analysis and applying percentages to agreed categories of debt.

Collateral – During the reporting period the Authority held no collateral as security.

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above as well as through a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods in its Treasury Strategy. These limits ensure that the Authority is not required to repay or refinance a significant proportion of its debt at one time. Although LOBO loans are technically variable rate, they are treated in the table below as being fixed rate borrowing as the lenders options on these loans are unlikely to be exercised in the current interest rate climate. The structure of fixed rate borrowing as stated in the strategy and the maturity analysis of financial liabilities is as follows:

	Lower Limit	Upper Limit	Actual 31 March 2021	Actual 31 March 2022
	%	%	%	%
Less than one year	0	50	1.45	23.64
Between one and two years	0	50	5.65	1.65
Between two and five years	0	50	4.36	10.64
Between five and ten years	0	50	10.91	8.10
More than ten years	0	100	77.62	55.97

Included within liabilities with maturity in over 10 years are £96.8million of LOBOs (Lender Option Borrower Option) loans. The LOBOs have maturity dates between 2033 and 2068.

In addition to the fixed rate borrowing the authority has £72million (31 March 2021 £45million) of loans from other authorities repayable within 12 months. These loans are classified as variable rate due to the short time before repayment.

The maturity analysis of financial liabilities is as follows:

	31 March 2021	31 March 2022
	£'000	£'000
Less than one year	57,102	79,569
Between one and two years	19,372	18,241
Between two and five years	51,830	45,841
More than five years	449,507	391,274
Total Principal and Interest	577,811	534,925

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

The table below shows the same portfolio but analysed on the basis of repayment at the first possible call date:

	Lower Limit	Upper Limit	Actual 31 March 2022
	%	%	%
Less than one year	0	75	36.60
Between one and two years	0	50	3.27
Between two and five years	0	50	17.28
Between five and ten years	0	50	18.23
More than ten years	0	100	24.62

All trade and other payables are due to be paid in less than one year.

Market Risk

The Authority's borrowings and investments could be affected by changes in interest rates, prices, or foreign exchange rates.

Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of

interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Current Authority policy is to not exceed a maximum of 40% of borrowings in variable rate loans.

The Authority has a mixture of standard fixed rate borrowings and LOBO (lender option borrower option) loans. The LOBO loans were taken out between 2003 and 2008 with maturity periods of between 35 and 60 years. The interest rates payable on these loans could be changed at specified dates during the life of the loan at the lender's option. The specified dates vary from loan to loan but occur at intervals of between six months and five years from the initial advance according to the individual loan contract. If a lender chose to vary the interest payable then the Authority would have the option to repay the loan without penalty. In practice the lender would only exercise their option if market rates were to increase above the current rate.

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

The Authority's long-term and current borrowing can be analysed as follows:

Borrowing Analysis	Fixed or Variable Rate	Borrowing as at 31 March 2022	Borrowing as at 31 March 2021
		£'000	£'000
Long-Term Borrowing:			
PWLB Loans (Principal)	Fixed	123,524	123,524
LOBO Loans (Principal)	Variable	101,800	101,800
Other Local Authorities	Fixed	10,000	0
Other Loans and Accounting Adjustments	Fixed	1,936	39,868
Total Long-Term Borrowing		237,260	265,192
Short-Term Borrowing:			
PWLB Loans (Principal)	Fixed	0	0
Other Local Authorities	Fixed	70,000	45,000
Other Short-Term Borrowing and Accrued Interest	Fixed	1,509	1,584
Total Short-Term Borrowing		71,509	46,584

Other loans and accounting adjustments (£1.9368million) includes an accounting adjustment of 0.0498million in respect of LOBO loans. This technical accounting adjustment represents the cash benefit obtained by paying lower interest payments over a specified initial period on some of the LOBO loans. The adjustment is shown in the balance sheet as an addition to the value borrowed but is reduced by way of a credit to the income and expenditure account each year over the full term of the relevant loans. The adjustment has been included above as being at fixed rates because the value will not be affected even if the LOBO lenders exercise their option to change the rates of interest on the underlying loans.

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, this strategy is then used to monitor against the budget throughout the year. This allows for

any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

According to this assessment strategy, as at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2021	31 March 2022
	£000s	£000s
Increase in interest payable on variable rate borrowing	280	697
Increase in interest receivable on variable rate investments	188	16
Increase in government grant receivable for financing costs	0	0
Impact on Surplus or Deficit on the Provision of Services	468	681
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	47,649	41,504

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Note 27. Nature and Extent of Risks Arising from Financial Instruments (continued)

Price Risk

The Authority does not generally invest in equity shares or marketable bonds. It does however hold stock in the form of investments in property funds at a value of £25.011million (2020/21 £21.535million).

The funds are classified as "financial assets at fair value through profit and loss" meaning that movement in price will impact on gains and losses in the surplus or deficit on the provision of services within the Comprehensive Income and Expenditure Statement for 2021/22.

Foreign Exchange Risk

The Authority has cash denominated in Euro currency so is exposed to exchange rate risk and potential loss of value on the cash held. The balances held in Euro currency are kept to a minimum.

Note 28. Capital Expenditure & Capital Financing

Accounting Policy - Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of recognisable non-current assets has been charged as expenditure to the relevant Directorate in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21	2021/22
	£'000	£'000
Opening Capital Financing Requirement	323,423	344,871
Capital Investment		
Property Plant and Equipment	28,803	53,759
Assets Held for Sale	91	95
Revenue Expenditure Funded from Capital under Statute	9,888	10,920
Long Term Debtors - Capital Principal	12,892	20,158
Long Term Debtors - Capital Interest	0	1,881
Sources of Finance		
Capital receipts	(4,314)	(3,758)
Government grants and other contributions	(18,010)	(28,774)
Sums set aside from revenue		
Direct revenue contributions	(2,900)	(2,215)
Major Repairs Reserve	(3,698)	(3,680)
Minimum Revenue Provision	(1,307)	(1,639)
Closing Capital Financing Requirement	344,871	391,649
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	21,447	46,779
Increase/(decrease) in Capital Financing Requirement	21,447	46,779

¹ The long term debtors shown above relate to loans made to a subsidiary of the council for capital purposes.

Note 29. Leases

Accounting Policy - Leases

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

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

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

Accounting Policy - The Authority as Lessee (Finance Leases)

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

Lease payments are apportioned between:

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

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

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

The Authority holds the Luton Library building under a finance lease. The asset is carried as Property Plant and Equipment in the balance sheet at the following net amounts:

	31 March 2021	31 March 2022
	£'000	£'000
Other Land & Buildings	711	699

The Authority is committed to making payments under the lease of £1 per annum.

The Authority has a small number of finance leases for the acquiring of Plant and Equipment, however, these are all below the Authority's approved de-minimis level of £25,000 and have therefore been recognised within the accounts as operating leases.

Note 29. Leases (continued)

During 2019/20 the Authority entered into a waste collection and disposal contract, which has resulted in the need to account for embedded leases for various vehicles used by the contractor to deliver the service. These are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2021	31 March 2022
	£'000	£'000
Vehicles, Plant & Equipment	1,466	1,230

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2021	31 March 2022
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	276	276
• non-current	1,189	956
Finance costs payable in future years	147	97
Minimum Lease Payments	1,612	1,329

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
Not later than one year	304	303	270	276
Later than one year and not later than five years	1,177	895	1,004	956
Later than five years	131	131	222	0
	1,612	1,329	1,496	1,232

Note 29. Leases (continued)

Accounting Policy - Authority as Lessee (Operating Leases)

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

The Authority has made use of leases to acquire property, vehicles, and equipment. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2021	31 March 2022
	£'000	£'000
Not later than one year	759	769
Later than one year and not later than five years	576	986
Later than five years	2,326	1,323
Total	3,661	3,078

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

	2020/21	2021/22
	£'000	£'000
Minimum Lease Payments	758	769
Sublease Payments Receivable	(52)	(52)
	706	717

Note 29. Leases (continued)

Accounting Policy - The Authority as Lessor (Operating Leases)

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

The Authority leases out property under operating leases for the provision of the following services:

- Community services such as sports facilities, community centres and tourism
- Economic development to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable are:

	31 March 2021	31 March 2022
	£'000	£'000
Not later than one year	1,581	1,696
Later than one year and not later than five years	4,090	4,493
Later than five years	13,023	13,073
Total	18,694	19,262

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22; £0.210million contingent rents were receivable by the Authority (2020/21 £0.355million).

Note 30. Debtors

The Council's debtors (net of the provision for expected credit losses) are as follows:

31 March 2021				31 March 2022		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
973	44,819	45,792	Trade receivables	37,151	51,779	88,930
0	(3,444)	(3,444)	Less impairment allowance		(8,727)	(8,727)
973	41,375	42,348	Net trade receivables	37,151	43,052	80,203
0	2,770	2,770	Prepayments	0	3,029	3,029
			Other receivables:			
0	31	31	Client Financial Affairs Debtors	0	31	31
1,420	0	1,420	Education Related Debtors	503	0	503
0	6	6	Elections Debtors	0	0	0
0	11,280	11,280	Housing Benefit Debtors	0	10,162	10,162
0	(8,567)	(8,567)	Less impairment allowance	0	(7,343)	(7,343)
0	2,713	2,713	Net Housing Benefit Debtors	0	2,819	2,819
0	1,025	1,025	HRA Rent/Service Charge Debtors	0	1,225	1,225
0	(447)	(447)	Less impairment allowance	0	(393)	(393)
0	578	578	Net HRA Rent/Service Charge Debtors	0	832	832
0	22,377	22,377	Local Taxation Debtors	0	32,956	32,956
0	(3,433)	(3,433)	Less impairment allowance	0	(9,144)	(9,144)
0	18,944	18,944	Net Local Taxation Debtors	0	23,812	23,812
0	386	386	Rechargeable Works Debtors	0	283	283
0	30	30	Schools Debtors	0	1,047	1,047
0	5	5	SOCH Mortgage Debtors	0	5	5
13	15	28	Employee Related Debtors	1	47	48
0	4,144	4,144	VAT Debtors	0	6,327	6,327
1,433	26,852	28,285	Other receivables	504	35,203	35,707
2,406	70,997	73,403	Total Debtors	37,655	81,284	118,939

Note 31. Usable Reserves

Accounting Policy - Usable Reserves

The Council holds both general fund and housing revenue account reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves

Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Reserve	Balance as at 01 April 2020	Net Movement in Year	Balance as at 31 March 2021	Net Movement in Year	Balance as at 31 March 2022	Purpose of Reserve
	£,000	£,000	£,000	£,000	£,000	
General Fund Balance	(13,924)	(8,765)	(22,689)	(3,862)	(26,551)	Resources available to the general fund to meet future unforeseen events
Housing Revenue Account Balance	(5,145)	(250)	(5,395)	113	(5,283)	Resources available to the housing revenue account to meet future unforeseen events
General Fund Earmarked Reserves	(12,187)	(45,213)	(57,399)	13,024	(44,375)	See Note 20
Housing Revenue Account Earmarked Reserves	(1,601)	1,295	(306)	306	0	See Note 20
Capital Receipts Reserve	(5,463)	(1,210)	(6,674)	(1,440)	(8,113)	Proceeds of fixed assets and loan repayments available to meet future capital expenditure
Major Repairs Reserve	0	0	0	0	0	Details available resources to carry out capital works on Housing Revenue Account dwellings to maintain a decent standard of accommodation.
Capital Grants Unapplied Reserve	(18,764)	(7,152)	(25,916)	4,825	(21,092)	Reflects Government grants and contributions received in year to fund capital projects in progress.
Total Usable Reserves	(57,083)	(61,296)	(118,378)	12,965	(105,413)	

Note 32. Cash & Cash Equivalents

Accounting Policy - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

All other investments which are not held for the purpose of meeting short-term cash needs and are not readily convertible into known amounts of cash are classified as investments.

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2021	31 March 2022
	£'000	£'000
Cash held by the Authority	49	47
Bank current accounts	7,640	22,516
Bank overdraft	(7,670)	(25,612)
Short-term deposits with financial institutions	16,917	8,418
Total Cash & Cash Equivalents	16,936	5,370

Note 33. Creditors

31 March 2021				31 March 2022		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
(674)	(49,381)	(50,055)	Trade payables	(514)	(57,885)	(58,399)
0	(745)	(745)	Receipts in Advance	0	(1,056)	(1,056)
			<u>Other payables</u>			
0	0	0	Education Related Creditors	0	0	0
0	(2,210)	(2,210)	Employee Related Creditors	0	(1,963)	(1,963)
0	(573)	(573)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(30,105)	(1,255)	(31,360)	Local Government Reorganisation Creditors	(28,900)	(1,204)	(30,104)
0	(18,558)	(18,558)	Local Taxation Creditors	0	(22,609)	(22,609)
0	0	0	Rechargeable Works Creditors	0	(1)	(1)
(16)	0	(16)	SOCH Mortgage Creditors	(23)	0	(23)
0	(80)	(80)	VAT Creditors	0	0	0
(30,795)	(72,802)	(103,597)	Total Creditors	(29,437)	(85,292)	(114,729)

Note 34. Provisions

Accounting Policy - Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate Directorate line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Non Domestic Rate (NDR) Appeals Provision

Local Authorities retain an element of all NDR collected and in Medway's case we retain 49% of collected NDR. With this responsibility we also suffer the loss of income from successful appeals against the rateable value of non-domestic property which include appeals submitted to the Valuation Office Agency (VOA) prior to the introduction of this new regime. In order to mitigate against future losses of income from these appeals the Authority has created a provision to offset the cost of back-dated refunds as the appeals are settled. The provision has been calculated as an estimate of potential cost against each individual appeal case and the cost is adjusted to take account of the probability of success. The value of this Provision is being spread to impact upon revenue over a 5 year period.

A new rating list came into effect on 1 April 2017 and appeals filed after that date are based on the new list and cannot be backdated. The provision in respect of new appeals will be based on the likelihood of success and the resultant increase or decrease in the provision charged or credited to the Income and Expenditure Account.

Note 34. Provisions (continued)

	Short Term			
	Insurance Provision	NDR Appeals Provision	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance as at 31 March 2021	0	(1,792)	(138)	(1,930)
Additional provisions made in 2020/21	0	(3,737)	0	(3,737)
Amounts used in 2021/22	0	0	0	0
Unused amounts reversed in 2021/22	0	0	0	0
Unwinding of discounting in 2020/21	0	0	0	0
Transfer (from)/to Long Term in 2020/21	0	4,277	0	4,277
Balance as at 31 March 2022	0	(1,253)	(138)	(1,391)

	Long Term			
	Insurance Provision	NDR Appeals Provision	Other Provisions	Total
	£000s	£000s	£000s	£000s
Balance as at 31 March 2021	(1,760)	(3,167)	(878)	(5,806)
Additional provisions made in 2021/22	(2,998)	0	(90)	(3,088)
Amounts used in 2020/21	2,546	3,167	25	5,739
Unused amounts reversed in 2020/21	4	0	0	4
Unwinding of discounting in 2020/21	0	0	0	0
Transfer (from)/to Short Term in 2020/21	0	(4,277)	0	(4,277)
Balance as at 31 March 2022	(2,209)	(4,277)	(943)	(7,428)

The other short term provisions relate to the Carbon Reduction Commitment scheme and Local Taxation Court Costs.

The NDR appeals provision represents the sum set aside for unsettled claims to the Valuation Office Agency for rateable value reductions.

The Insurance Provision represents the sum set aside for unsettled, known claims as at 31 March 2022 in line with IAS 37. The majority of the unsettled claims are for public liability.

Note 35. Pension Schemes Accounted for as Defined Contribution Schemes

Accounting policy - Post-employment benefits (defined contribution schemes)

Some employees of the Authority are members of:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Business Services Authority (BSA).

These schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Adults Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The accounting policy with regards to discretionary benefits can be found with Note 37 to these financial statements.

The Teachers Pension Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

In 2021/22, the Authority paid £4.984million to Teachers Pensions in respect of teacher's retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £3.986million representing 23.68% of pensionable pay. There were outstanding contributions of £1,447k remaining payable to the pension scheme as at year end. The contributions due to be paid in the next financial year are estimated to be £4.978million.

Public Health staff employed by the Authority are members of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. The Authority is not able to identify the underlying scheme assets and liabilities for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contributions for the year 2021/22 came to £0.055million representing 14.38% of the pensionable pay (£0.081million in 2020/21 representing 16.88% of the pensionable pay). The contributions due to be paid in the next financial year are estimated to be £0.050million.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in "Note 37".

The Authority is not liable to the scheme for any other entities obligations to the plan.

Note 36. Unusable Reserves

Accounting Policy - Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Authority. These reserves are explained in the notes to the principal financial statements.

	£'000	£'000
Revaluation Reserve	(160,208)	(159,642)
Pooled Investment Adjustment Account Instruments Revaluation Reserve	1,465	(2,012)
Capital Adjustment Account	(233,960)	(256,959)
Financial Instruments Adjustment Account	(1,298)	(1,370)
Deferred Capital Receipts Reserve	(481)	(481)
Pensions Reserve	334,908	321,421
Collection Fund Adjustment Account	23,501	12,505
Accumulated Absences Account	2,155	1,880
Dedicated Schools Grant Adjustment Account	16,261	23,530
Total Unusable Reserves	(17,657)	(61,127)

Revaluation Reserve

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

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

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

	2020/21	2021/22	
	£'000	£'000	£'000
Balance as at 1 April	(166,189)		(160,208)
Upward revaluation of assets	(26,559)	(9,833)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	21,675	2,795	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(4,884)		(7,037)
Difference between current value depreciation and historical cost depreciation	7,492	7,557	
Transfer on assets amalgamated during the year	170	0	
Accumulated gains on assets sold or scrapped	3,202	47	
Amount written off to the Capital Adjustment Account	10,865		7,604
Balance as at 31 March	(160,208)		(159,642)

Note 36. Unusable Reserves (continued)

Pooled Investment Adjustment Account

The Pooled Investment Adjustment Account contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost, or
- disposed of and the gains are realised.

	2020/21	2021/22
	£'000	£'000
Balance as at 1 April	1,020	1,465
Financial Instruments held under Fair Value through Profit & Loss Subject to MHCLG Statutory Over-Ride	445	(3,477)
Balance as at 31 March	1,465	(2,012)

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

"Note 19" provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Note 36. Unusable Reserves (continued)

	2020/21		2021/22	
	£'000	£'000	£'000	£'000
Balance as at 1 April		(267,239)		(233,960)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets	56,369		29,034	
• Revaluation gains on Property, Plant and Equipment	(6,662)		(16,974)	
• Amortisation of Intangible Assets	520		520	
• Revenue Expenditure funded from Capital Under Statute	9,888		10,920	
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,358		6,137	
		74,472		29,636
Adjusting amounts written out of the Revaluation Reserve	(10,865)		(7,604)	
	0		(6)	
Net written out amount of the cost of non-current assets consumed in the year		(10,865)		(7,610)
Capital financing applied in the year:				
• Use of Capital Receipts Reserve to finance new capital expenditure	(4,314)		(3,758)	
• Use of the Major Repairs Reserve to finance new capital expenditure	(3,698)		(3,680)	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,339)		(17,967)	
• Application of grants to capital financing from the Capital Grants Unapplied Account	(6,670)		(10,807)	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,307)		(1,639)	
• Capital expenditure charged against the General Fund and HRA balances	(2,900)		(2,215)	
		(30,228)		(40,065)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(101)		(4,960)
Balance as at 31 March		(233,960)		(256,959)

Note 36. Unusable Reserves (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2022 will be charged to the General Fund over the next 30 years.

	2020/21	2021/22	
	£'000	£'000	£'000
Balance as at 1 April	(1,251)		(1,298)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(47)	(72)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(47)		(72)
Balance as at 31 March	(1,298)		(1,370)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21	2021/22
	£'000	£'000
Balance as at 1 April	0	(481)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(481)	
Transfer to the Capital Receipts Reserve upon receipt of cash		
Balance as at 31 March	(481)	(481)

Note 36. Unusable Reserves (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£'000	£'000
Balance as at 1 April	265,337	334,908
Remeasurements of the net defined benefit liability/(asset)	42,063	(45,390)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,062	44,642
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,554)	(12,739)
Balance as at 31 March	334,908	321,421

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2020/21	2021/22
	£'000	£'000
Balance as at 1 April	(3,562)	23,501
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	27,063	(10,996)
Balance as at 31 March	23,501	12,505

The balance of £12.505million shown above consists of the following component parts:

	2020/21	2021/22
	£'000	£'000
Medway Council Tax Surplus	4,791	1,644
Medway Non-Domestic Rate Deficit	18,710	10,861
Balance as at 31 March	23,501	12,505

Note 36. Unusable Reserves (continued)

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2020/21	2021/22	
	£'000	£'000	£'000
Balance as at 1 April	1,557		2,155
Settlement or cancellation of accrual made at the end of the preceding year	(1,557)	(2,155)	
Amounts accrued at the end of the current year	2,155	1,880	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	598		(275)
Balance as at 31 March	2,155		1,880

Dedicated Schools Grant Adjustment Account

The DSG Adjustment Account manages the deficit on Schools Budgets that would otherwise impact on the Earmarked Schools Reserves. Statutory arrangements require that the impact on the General Fund Balances is neutralised by transfers to or from the Account.

	2020/21	2021/22
	£'000	£'000
Balance as at 1 April	0	16,261
Opening Balance Adjustment	9,346	0
Adjusted Opening Balance as at 1 April	9,346	16,261
In year Schools budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Accounts in accordance with statutory requirements	6,916	7,269
Balance as at 31 March	16,261	23,530

Note 37. Defined Benefit Pension Schemes

Accounting Policy – Post-employment benefits

The majority of employees of the Authority are members of the Local Government Pensions Scheme, administered by Kent County Council. (See note 35 for details of other pensions schemes)

These schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

- The liabilities of the Kent pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.35%

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Business Support Department
- net interest on the net defined benefit liability/asset, i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 37. Defined Benefit Pension Schemes (continued)

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements but since 6 January 2007 has ceased to award additional service in the event of early retirement on other than ill-health grounds. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers/public health officers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Note 37. Defined Benefit Pension Schemes (continued)

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits.

Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The Administering Authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Kent County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund was as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

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

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

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

Note 37. Defined Benefit Pension Schemes (continued)

Transactions relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund [and Housing Revenue Account] via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2020/21	2021/22
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
• Current service costs	32,970	38,103
• Past service costs	683	(11)
• (gain)/loss from settlements	(673)	0
Financing and Investment Income and Expenditure		
Net Interest expense	6,677	6,862
Administration expenses	405	377
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services	40,062	45,331
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets in excess of interest	(139,594)	(617)
• Actuarial gains and losses arising on changes in demographic assumptions	(8,583)	0
• Actuarial gains and losses arising on changes in financial assumptions	201,329	(46,842)
• Experience (gain) / loss on defined benefit obligation	(11,089)	2,069
Total Remeasurements Recognised in Other Comprehensive Income	42,063	(45,390)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	82,125	(59)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	40,062	45,331
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(12,554)	(13,428)
Total Movement in Reserves Statement	27,508	31,903

Note 37. Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	31 March 2021	31 March 2022
	£'000	£'000
Present value of the defined benefit obligation	(964,506)	(960,068)
Fair value of plan assets	634,561	643,188
Sub-total	(329,945)	(316,880)
Present value of unfunded obligation	(4,963)	(4,541)
Net liability arising from defined benefit obligation	(334,908)	(321,421)

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

	Local Government Pension Scheme	
	31 March 2021	31 March 2022
	£'000	£'000
Opening fair value of scheme assets	493,019	634,561
Interest income	7,695	12,649
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	139,594	617
Administration expenses	(405)	(377)
Contributions from employer including unfunded	12,554	13,428
Contributions from employees into the scheme	4,233	4,711
Benefits paid	(21,586)	(22,401)
Settlement prices received/(paid)	(543)	0
Closing fair value of scheme assets	634,561	643,188

Note 37. Defined Benefit Pension Schemes (continued)

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme	
	2020/21	2021/22
	£'000	£'000
Opening balance at 1 April	758,356	969,469
Current service cost	32,970	38,103
Interest cost	14,372	19,511
Contributions from scheme participants	4,233	4,711
Remeasurement (gains)/losses:		
• Actuarial gains and losses arising on changes in demographic assumptions	(8,583)	0
• Actuarial gains and losses arising on changes in financial assumptions	201,329	(46,842)
• Experience loss/(gain) on defined benefit obligation	(11,089)	2,069
Liabilities extinguished on settlements	(1,216)	0
Liabilities assumed on entity combinations		
Estimated benefits paid net of transfers in	(21,146)	(21,967)
Past service cost, including curtailments	683	(11)
Unfunded pension payments	(440)	(434)
Closing balance at 31 March	969,469	964,609

Note 37. Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2021				Period Ended 31 March 2022			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total asset	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total asset
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equities	335,683	51,399	387,082	61.00%	407,131	0	407,131	63.30%
Fixed Interest Government Securities	3,807	0	3,807	0.60%	3,926	0	3,926	0.61%
Corporate Bonds	79,320	0	79,320	12.50%	88,805	0	88,805	13.81%
Property	0	65,994	65,994	10.40%	0	62,958	62,958	9.79%
<u>Others:</u>								
Cash	0	31,093	31,093	4.90%	0	13,289	13,289	2.07%
Private Equity	0	15,229	15,229	2.40%	0	6,901	6,901	1.07%
Infrastructure	0	6,346	6,346	1.00%	0	12,592	12,592	1.96%
Absolute Return Portfolio	45,688	0	45,688	7.20%	47,586	0	47,586	7.40%
Total assets	464,499	170,062	634,561	100.00%	547,448	95,740	643,188	100.00%

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2022 is likely to be different from that shown due to estimation techniques.

Note 37. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets, Liabilities and Assumptions

The principal assumptions used by the actuary have been:

To value of the Employer's liabilities at 31 March 2022, the actuary has rolled forward the value of the Employer's liabilities calculated for the latest full funding valuation using financial assumptions that comply with IAS19 and FRS102.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2022 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2022 should not introduce any material distortions in the results provided that the actual experience of the council and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information they have received there appears to be no evidence that this approach is inappropriate. As required under the IAS19 and FRS102 accounting standards, the actuary has used the projected unit credit method of valuation.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and our Employees.

Medway Council currently participates in the Medway Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2022 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

McCloud/Sargeant judgement

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact of COVID-19

The actuaries' standard approach is to continue with 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.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgement on past transfer values - The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid. It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this. Whilst no guidance nor data is available, the actuaries' standard approach currently is to make no allowance to reflect this judgement.

GMP Indexation Consultation response - On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The actuaries' standard assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, and they assume that the fund will be required to pay the entire inflationary increase. Therefore, their assumption is consistent with the consultation outcome, and they do not believe they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Note 37. Defined Benefit Pension Schemes (continued)

Demographic, Statistical and Financial Assumptions

- The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2022. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 115% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a.

The assumed life expectations from age 65:

Life Expectancy from age 65 (years)	Local Government Pension Scheme	
	31 March 2021	31 March 2022
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	21.6	21.6
• Women	23.6	23.7
Longevity at 65 for future pensioners		
• Men	22.9	23.0
• Women	25.1	25.1

- The financial assumptions used for the purposes of the IAS19 calculations are as follows:

	Local Government Pension Scheme	
	31 March 2021	31 March 2022
Rate of increase in salaries	2.85%	3.25%
Rate of increase in pensions	3.85%	4.25%
Rate for discounting scheme liabilities	2.85%	3.25%
Rate of increase in Consumer Price Index	2.00%	2.60%

These assumptions are set with the reference to market conditions at 31 March 2022.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption. The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The

BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. The actuary has therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years). Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers. It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.90% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Salaries are assumed to increase at 1.0% p.a. above CPI in addition to a promotional scale.

Note 37. Defined Benefit Pension Schemes (continued)

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis in the following table shows how the present value and projected service cost would change if the values ascribed to various assumptions used in the actuary's calculations were there to be changes upwards or downwards by 0.1% 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.

Sensitivity Analysis		31 March 2021			31 March 2022		
		£000's	£000's	£000's	£000's	£000's	£000's
Adjustment to discount rate		0.10%	0.00%	(0.10%)	0.10%	0.00%	(0.10%)
	Present Value of Total obligation	950,095	969,469	989,258	945,443	964,609	984,182
	Projected Service Cost	33,047	34,214	35,419	32,679	33,840	35,037
Adjustment to long term salary increase		0.10%	0.00%	(0.10%)	0.10%	0.00%	(0.10%)
	Present Value of Total obligation	970,973	969,469	967,978	966,033	964,609	963,196
	Projected Service Cost	34,233	34,214	34,196	33,858	33,840	33,821
Adjustment to pension increases and deferred revaluation		0.10%	0.00%	(0.10%)	0.10%	0.00%	(0.10%)
	Present Value of Total obligation	987,569	969,469	951,726	982,613	964,609	946,957
	Projected Service Cost	35,406	34,214	33,058	35,027	33,840	32,688
Adjustment to life expectation assumption		+ 1 Year	None	-1 Year	+ 1 Year	None	-1 Year
	Present Value of Total obligation	1,012,457	969,469	928,385	1,005,904	964,609	925,086
	Projected Service Cost	35,638	34,214	21,124	35,219	33,840	32,508

The Authority anticipates that it will pay £12.912m expected contributions to the scheme in 2021/22.

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



Medway Night Lights
Festival

E6. Notes Supporting the Cash Flow Statement

Notes Supporting the Cash Flow Statement

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Note 38. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2020/21	2021/22
	£'000	£'000
Interest received	(25)	(4)
Interest paid	10,525	9,945
Dividends received	(1,238)	(1,871)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2020/21	2021/22
	£'000	£'000
Depreciation	(24,347)	(23,936)
Impairment and downward revaluations	(25,879)	11,357
Increase in valuation of investments	(444)	3,476
(Increase) / decrease in creditors	(11,343)	(28,268)
Increase / (decrease) in debtors/Impairment for Bad Debts	31,818	13,717
Increase / (decrease) in inventories	25	8
Movement in pension liability	(27,508)	(31,903)
Contributions (to)/from Provisions	1,762	(1,083)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(14,358)	(6,137)
Other non-cash items charged to the net surplus or deficit on the provision of services	101	4,965
	(70,173)	(57,803)

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

	2020/21	2021/22
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,703	7,396
Any other items for which the cash effects are investing or financing cash flows	25,162	23,975
	30,865	31,371

Note 39. Cash Flow Statement – Investing Activities

	2020/21	2021/22
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	28,895	53,884
Purchase of short-term and long-term investments	49,621	57,815
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,703)	(7,396)
Proceeds from short-term and long-term investments	(56,100)	(39,100)
Other receipts from investing activities	(25,162)	(23,975)
Net cash flows from investing activities	(8,449)	41,228

Note 40. Cash Flow Statement – Financing Activities

	2020/21	2021/22
	£'000	£'000
Cash receipts of short- and long-term borrowing	(20,334)	(83,344)
Repayments of short- and long-term borrowing	35,640	58,190
Net cash flows from financing activities	15,306	(25,154)

Note 41. Record of Liabilities from Financing Activities

	01 April 2020	Financing cash flows	Non-cash changes		31 March 2021
Restated			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	262,672	(27,239)			235,433
Short-term borrowings	36,249	11,934			48,183
• Lease liabilities	29	0	0	253	282
Total liabilities from financing activities	298,950	(15,305)	0	253	283,898

	01 April 2021	Financing cash flows	Non-cash changes		31 March 2022
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	235,433	1,827			237,260
Short-term borrowings	48,183	23,326			71,509
• Lease liabilities	282	0	0	(6)	276
Total liabilities from financing activities	283,898	25,153	0	(6)	309,045



Rochester Castle and
Cathedral, Rochester

E7. Other Notes

Other Notes

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Note 42. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g., council tax bills, housing benefits). Grants received from government departments are set out in "Note 11". Grant receipts outstanding at 31 March 2022 are shown in "Note 17".

Members

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 in "Note 13".

The Authority holds a statutory register of members' declarations covering employment, sponsorship, property and land holdings, contracts with the Authority etc. Members and senior officers declare any pecuniary interest in committee items prior to their debate. The Authority also holds a Register of Interest relating to members and senior officers. These registers are open to inspection by members of the public.

All members agree to the terms of the National Code of Local Government Conduct and the Authority has introduced a Code of Conduct agreeing guidelines for good working practice between members and officers.

One Councillor is CEO of Medway Citizens Advice Bureau. Payments were made to the organisation from the Council of £0.417million in 2021/22 (£0.666million in 2020/21). Nothing was outstanding at the end of either 2021/22 or 2020/21. No payments were made from the organisation to the Council in 2021/22 (£0.00004million in 2020/21, with nil outstanding as at 31 March 2021).

One Councillor is Chair of Trustees for Action for Borstal Community, an organisation which provides a range of services which offer community support, encouragement and engagement. The Council made payments to Action for Borstal Community of £0.068million in 2021/22 (£0.070million in 2020/21), of which nil was outstanding as at 31 March 2022 (Nil outstanding as at 31 March 2021). There had been no payments from Action for Borstal Community to the Council in either 2021/22 or 2020/21 and nil outstanding.

One Councillor is Chair of Sunlight Development Trust, which is a community owned organisation working with partners across all Sectors. Its overriding aim is to improve health, inequality and well-being. The Council made payments to the Trust amounting to £0.069million during 2021/22 (£0.043million in 2020/21), no payments were owed to this organisation at the end of either 2021/22 or 2020/21. The Trust provided no services to the Council in either 2021/22 or 2020/21 but payments amounting to £0.020million were made to the Council in 2021/22, leaving £0.011million outstanding as at 31 March 2022 (£0.030million outstanding as at 31 March 2021).

One Councillor is a Trustee of the Net Community Hub, a social prescribing platform funded and delivered by Medway Community Action and

Medway Council. A payment of £0.00007million was made from the Council in 2021/22 (£nil in 2020/21), with nothing outstanding as at 31 March 2022 (Nil outstanding as at 31 March 2021). No payments were made to the Council from the Net Community Hub in 2021/22 or 2020/21, with nil outstanding in either year.

Three out of five Trustees of the Dobson Trust are Councillors. The Dobson Trust exists to provide enjoyment and welfare to elderly people within the former Gillingham Borough, by awarding grants. No payments were made from the Authority to the Dobson Trust in 2021/22, with nothing outstanding as at 31 March 2022. The charity provided goods/services with a value of £0.005million to Medway Council during 2020/21, all of which was outstanding at 31 March 2021. Payments totalling £0.001million were made to the Authority from Dobson Trust in 2021/22, all of which was outstanding as at 31 March 2022. The Council provided services to the Trust of £0.002million in 2020/21 which was still outstanding as at 31 March 2021.

A Councillor owns properties that are rented out. During 2021/22 the Councillor received £0.002million in payments from the Council for people occupying these properties (£0.007m in 2020/21). There were no outstanding payments owed at either year end.

Family members of a Councillor run a business with which the Council made payments of £0.040million in 2021/22 (£0.070million in 2020/21), no payments were owed at the end of either 2021/22 or 2020/21.

Note 42. Related Parties (continued)

Related Parties which had no transactions with Medway Council during 2021/22

One Councillor is Chair of Safer Kent, an organisation which advances the education for the public benefit in all matters relating to crime prevention, community safety, alcohol, drug and other solvent abuse or any matter affecting crime in the community.

A Councillor is the Chair of the Medway Community Safety Partnership, which develops and implements strategies to protect against issues of anti-social behaviour, drug and alcohol abuse and re-offending.

Seven out of ten Trustees of Chatham Charities are Councillors. The aim of the charity is to relieve poverty within the Borough of Chatham through the awarding of grants.

The Leader of the Council operates his own consultancy business. There were no transactions between this business and the Council in either 2021/22 or 2020/21.

Officers

The Chief Executive is a Council member of The University of Kent Governing Body. Payments made by the University to the Council totalled £0.0009million in 2021/22 (No payments in 2020/21) with nil outstanding at 31 March 2022 (Nil outstanding 31 March 2021). Payments to the University from the Council totalled £0.206million in 2021/22 (£0.255m in 2020/21). At 31 March 2022 the University was owed nothing by the Council (Nil owed at 31 March 2021).

Other Public Bodies

The Authority operates a number of joint funding initiatives with Medway Clinical Commissioning Group as detailed in "Note 12".

The Authority receives grant income from various government departments as detailed in "Note 17".

Entities controlled or significantly influenced by the Authority

The Council has a 20% equity share in the Medway Norse Ltd, a joint venture with Norse Commercial Services Ltd. The company provides catering, cleaning and facilities management services, grounds and greenspaces management and waste management services, and also manages the three household waste recycling centres. From October 2019 the company has provided waste collection and street cleansing activities. The company's accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

The Council also has a 20% equity share in Medway Norse Transport Ltd, a joint venture with Norse Commercial Services Ltd. The company provides Special Educational Needs Transport services, community transport and vehicle maintenance services to the Authority. The company's accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

Services supplied to the Medway Council through the Medway Norse Ltd and Medway Norse Transport Ltd companies are included in the Medway Council's cost of services within the statements.

Medway Council appoints 2 directors to the Boards of Medway Norse Ltd and Medway Norse Transport Ltd. The Council made payments of £28.028million to Medway Norse/Medway Norse Transport in 2021/22 (£25.409million 2020/21) and owed them £0.003million as at 31 March 2022

(£0.071million as at 31 March 2021). The total value of transactions to the Council from these companies was £0.270million in 2021/22 (£0.468million in 2020/21) and owed £0.027million as at 31 March 2022 (31 March 2021: £0.374million).

Medway Council currently has two subsidiary companies; Kyndi Limited (formerly Medway Commercial Group Limited - MCG) and Medway Development Company Limited (MDC). As at 31 March 2022, two of the four Directors on the Board of Kyndi Limited were appointed by Medway Council; both elected Cabinet Members. As at the same date, two of the four Directors on the Board of MDC were elected Cabinet Members of Medway Council.

Kyndi Limited operates as a Local Authority Trading Company (LATCO) and has two subsidiary companies; Kyndi Care Limited (formerly Medway Commercial Services – MCS) established to trade with the private sector and Kyndi Limited (formerly Medway Public Services (MPS)) to trade with the public sector.

The group provides: CCTV, Telecare Services and Recruitment Services providing temporary, contract and interim staffing for Medway Council. The balance on loans given to Kyndi Limited as at 31 March 2022 amount to £2.008million (£2.612million in 2020/21).

The Council made payments of £12.144million to Kyndi in 2021/22 (£13.848million in 2020/21) and owed £0.106million as at 31 March 2022 (£Nil as at 31 March 2021). The total value of transactions to the Council from Kyndi was £0.227million in 2021/22 (£0.735million in 2020/21) and they owed £0.192million as at 31 March 2022 (£0.122million as at 31 March 2021).

MDC was established to provide consultancy, predominantly to the Council, to turn land assets into viable residential schemes delivering

regeneration and investment returns. The Council has agreed £120million of investment over the first five years of the company with fourteen sites identified. The balance on loans given to MDC as at 31 March 2022 amount to £34.516million (£12.919million as at 31st March 2021).

The Council made payments of £1.484million to MDC in 2021/22 (£0.576million in 2020/21). MDC made purchases from the Council of £0.246million during 2021/22 (£0.329million in 2020/21) of which £0.047million was owing as at 31 March 2022 (Nil as at 31 March 2021).

Note 43. Contingent Liabilities

Accounting Policy - Contingent Liabilities

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

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

There are several outstanding employment claims – one by an individual where they are seeking £175,000.

There is an outstanding claim against the Council in relation to a dispute over a lease, there is no value in the lease as such but if unsuccessful in defending the claim the Council could be liable for costs in the region of £50,000.

Note 44. Contingent Assets

Accounting Policy - Contingent Assets

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

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

There are no contingent assets at 31st March 2022

Note 45. Events after the Reporting Period

Accounting Policy - Events after the Reporting Period

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

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

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

Reinforced Autoclaved Aerated Concrete (RAAC) is a lightweight form of precast concrete, that was used in public sector buildings across the UK in the second half of the twentieth century. It is less durable than traditional concrete and recent incidents in schools in other authorities across the UK have highlighted the potential risk from failing RAAC. The Council is currently working to establish if RAAC is present in any of its buildings. Although no instances of the use of RAAC have yet been identified within Council buildings, were it to be discovered then the cost of the necessary remedial work is likely to be significant.

Note 46. Prior Period Adjustments

Accounting Policy - Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

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

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

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

There are no prior period adjustments affecting the period ending 31 March 2022.



F. Supplementary Financial Statements

Supplementary Financial Statements

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Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

Paralleling the treatment for the Authority's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement
- the Movement on the HRA Statement

As the Movement on the HRA Statement incorporates the surplus or deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the Statement of Accounts. The net movement will reconcile to the statutory outturn for the HRA, even though some of the gross transactions posted to the two statements will not have been specified in the statutory arrangements.

HRA Income and Expenditure Statement

This statement analyses in more detail the income and expenditure on HRA services included in the whole Authority Surplus or Deficit on the Provision of Services. This Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

The Authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2020/21		HRA Notes	2021/22
£'000			£'000
	Expenditure		
3,077	Repairs & maintenance		3,216
3,741	Supervision and management		2,734
158	Rents, rates, taxes and other charges		161
13,724	Depreciation, impairment and revaluation movements of non-current assets	3	3,680
	Revaluation of HRA non-current assets	3	(15,451)
45	Revenue Expenditure Funded from Capital Under Statute	4	20
63	Debt management costs		63
36	Movement in the allowance for bad debts	6	80
20,844	Total Expenditure		5,496
	Income		
(12,673)	Dwelling rents		(13,026)
(223)	Non-dwelling rents		(238)
(1,084)	Charges for services and facilities		(1,148)
(33)	Contributions towards expenditure		(30)
(1)	Reimbursement of Costs		(1)
(14,014)	Total Income		(14,445)
6,830	Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement		(19,941)
99	HRA services share of Corporate and Democratic Core		99
	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		378
6,929	Net Expenditure/(Income) for Housing Revenue Account Services		(19,464)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(153)	(Gain) or loss on sale of HRA non-current assets		(808)
2,064	Interest payable and similar charges		2,073
(62)	Interest and investment income		0
105	Net interest on the net defined benefit liability (asset)		105
8,883	Deficit/(Surplus) for the year on Housing Revenue Account Services		(18,094)

Movement on the Housing Revenue Account Statement

This Statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year end.

2020/21		2021/22
£'000		£'000
(5,145)	Balance on the HRA at the end of the previous reporting period	(5,395)
8,883	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(18,094)
109	Adjustment to HRA Income and Expenditure Statement Relating to Recharge Adjustments	813
(7,947)	Adjustments between accounting basis and funding basis under statute (HRA Note 1)	17,699
1,045	Net (increase) or decrease before transfers to or from reserves	418
(1,410)	Transfers to or (from) Earmarked HRA reserves	(306)
115	Transfers to or (from) GF reserves	0
(250)	(Increase) or decrease in year on the HRA	113
	Contribution towards Capital from Reserves	
(5,395)	Balance on the HRA at the end of the current reporting period	(5,283)

HRA Note 1. Adjustments between Accounting Basis and Funding Basis under Statute

2020/21 £'000		2021/22 £'000
	ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:	
(3,698)	Charges for depreciation and impairment of non-current assets	(3,680)
(10,026)	Revaluation movements on Property, Plant and Equipment	15,451
(45)	Revenue Expenditure Funded from Capital Under Statute	(20)
(218)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(784)
	INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
2,400	Capital Expenditure charged Against HRA Balances	1,939
	ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:	
371	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,592
	ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:	
3,698	Transfer from HRA to the Major Repairs Reserve	3,680
	ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE:	
(621)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(689)
196	Employer's pension contributions and direct payments to pensioners payable in the year	206
	ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:	
(5)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)
(7,947)	TOTAL ADJUSTMENTS	17,699

HRA Note 2. Stock

Rentable Dwelling Stock

The Council managed 2,993 rentable dwellings as at 31 March 2022. The movement in stock is analysed as follows:

Non-Rentable Dwelling Stock

The Council owns 0 non-rentable dwellings as at 31 March 2022. Non-Dwelling Stock

Stock Type	1 April 2021	Adjustments	Additions	Disposals	31 March 2022
Houses	1,247	0	0	(9)	1,238
Flats	1,256	0	0	(2)	1,254
Maisonettes	213	0	0	0	213
Bungalows	289	0	0	(1)	288
Total	3,005	0	0	(12)	2,993

Stock Type	1 April 2021	Adjustments	Additions	Disposals	31 March 2022
Flats	0	0	0	0	0
Total	0	0	0	0	0

Rentable Non-Dwelling Stock

The Council owned 881 non dwellings as at 31 March 2022. The movement in stock is analysed as follows:

Stock Type	1 April 2021	Adjustments	Additions	Disposals	31 March 2022
Garages	382	0	1	0	383
Garages with water	188	0	(1)	0	187
Carports	78	0	0	0	78
Car spaces	207	0	0	0	207
Underground car spaces	26	0	0	0	26
Total	881	0	0	0	881

HRA Note 3. Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' based on beacon values and then reduced to reflect 'existing use for social housing'. This value is included within the Balance Sheet. The vacant possession value at 1 April 2020 was £489.09m. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

Movements on Balances 2021/22	Dwellings	Other Land and Buildings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation 1 April 2021	156,182	4,019	555	160,755
Assets Under Construction bought into use	0	0	0	0
Additions	3,006	133	4,203	7,342
Donations	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,803	1	0	3,804
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,452	(146)	0	12,306
Derecognition – disposals	(767)	(38)	0	(805)
Derecognition – Surplus Assets	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in cost or valuation	0	0	0	0
Cost or valuation as at 31 March 2022	174,676	3,969	4,758	183,402
Depreciation as at 1 April 2021	0	(3)	0	(3)
Depreciation charge	(3,399)	(281)	0	(3,680)
Depreciation written out to the Revaluation Reserve	261	256	0	517
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,122	23	0	3,145
Derecognition – disposals	16	5	0	21
Derecognition – Surplus Assets	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0
Depreciation as at 31 March 2022	0	(3)	0	(3)
Net Book Value				
As at 31 March 2021	156,182	4,016	555	160,753
As at 31 March 2022	174,676	3,969	4,758	183,403

HRA Note 3. Non-Current Assets (continued)

Movements on Balances 2020/21	Dwellings	Other Land and Buildings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation 1 April 2020	161,402	3,931	236	165,569
Additions	7,230	13	319	7,562
Revaluation increases/(decreases) recognised in the Revaluation Reserve	711	281	0	992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,938)	(207)	0	(13,145)
Derecognition – disposals	(222)	0	0	(222)
Other movements in cost or valuation	0	0	0	0
Cost or valuation as at 31 March 2021	156,182	4,019	555	160,755
Depreciation as at 1 April 2020	0	0	0	0
Depreciation charge	(3,423)	(275)	0	(3,698)
Depreciation written out to the Revaluation Reserve	310	262	0	571
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,108	11	0	3,119
Derecognition – disposals	5	0	0	5
Other movements in depreciation and impairment	0	0	0	0
Depreciation as at 31 March 2021	0	(3)	0	(3)
Net Book Value				
As at 31 March 2020	161,402	3,931	236	165,569
As at 31 March 2021	156,182	4,016	555	160,753

HRA Note 4. Analysis of Capital Expenditure and Funding

	2020/21	2021/22
	£'000	£'000
<u>Capital Expenditure</u>		
Dwellings	7,244	3,135
Other Land and Buildings	(1)	3
Assets under Construction	319	4,203
Revenue Expenditure Funded from Capital under Statute	45	20
Total	7,607	7,362
<u>Funded by:</u>		
Major Repairs Reserve	3,698	3,680
Transfer from 1-4-1 Capital Receipts Reserves	1,182	939
Prudential Borrowing for New House Build Programme	327	54
Buy Back Allowance	0	750
Revenue contributions from the HRA	2,400	1,939
Total Funding	7,607	7,362

The Revenue Expenditure Funded from Capital under Statute relates to:

	2020/21	2021/22
	£'000	£'000
<u>Expenditure type:</u>		
Non HRA Properties/Leaseholders Expenditure	45	20
Total	45	20

HRA Note 5. Summary of Capital Receipts

	2020/21	2021/22
	£'000	£'000
Receipts from the sale of land	0	
Receipts from the sale of other property	0	
Repayment of discount	0	
Receipts from the sale of houses other than through the right to buy scheme	0	
Receipts from disposals of houses through the Right To Buy scheme	(386)	(1,631)
Total Capital Receipts	(386)	(1,631)

HRA Note 6. Tenants Arrears

Tenants' Arrears at 1 April 2022 (27 March 2021 for 2020/21) were analysed as follows:

Type of Debt	2020/21	2021/22
	£'000	£'000
General Stock	166	180
Garages	0	0
Former Tenancies – General Stock	177	218
Former Tenancies - Garages	0	0
Court Costs – General Stock	36	29
Former Tenancy Arrears of Current Tenants – General	30	24
Rechargeable Repairs	47	68
Total Arrears	456	520
Percentage of Gross Rents (HRA)	4.09%	0.63%

The following provision has been made against possible non-collection of Housing Revenue Account debt:

	2020/21	2021/22
	£'000	£'000
Opening Balance	447	362
Additional Provision made during year	36	80
Add Credit write-offs	10	2
Less amounts written off	(131)	(51)
Closing Balance	362	393

Collection Fund Statement

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

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Medway, the Council Tax precepting bodies are The Police and Crime Commissioner for Kent and The Kent Fire and Rescue Service.

The scheme allows the Authority to retain a proportion of the total NDR received. The Medway share is 49% with the remainder paid to precepting bodies. For Medway precepting bodies this is Central Government 50%, Kent Fire and Rescue Service 1%.

NDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

Collection Fund Statement

Year Ended 31 March 2021			Collection Fund Notes	Year Ended 31 March 2022		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Amounts required by statute to be credited to the Collection Fund			
	(153,819)	(153,819)	Council Tax	<u>1</u>	(163,846)	(163,846)
(58,911)		(58,911)	Non-Domestic Rates	<u>2</u>	(76,515)	(76,515)
(58,911)	(153,819)	(212,730)	Total Amount required by statute to be credited to the Collection Fund		(76,515)	(240,361)
			Amounts required by statute to be debited to the Collection Fund			
			<u>Precepts and demands from major preceptors and the Authority</u>			
44,804	128,270	173,074	- Medway Council		45,703	180,804
0	17,633	17,633	- Police and Crime Commissioner for Kent (PCCK)		0	18,996
914	6,882	7,796	- Kent Fire and Rescue Service (KFRS)		933	7,971
			Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities			
			<u>Business rates:</u>			
45,719	0	45,719	- payment to Central Government		46,646	46,646
266	0	266	- costs of collection		268	268
63	0	63	renewable energy		66	66
1,837	0	1,837	- transitional protection		2,106	2,106
			<u>Impairment of debts/appeals</u>	3		
	7,911	7,911	- write-offs of uncollectable amounts			0
1,943		1,943	- allowance for impairment		919	919
(1,779)	0	(1,779)	- increase/decrease in provision for appeals		1,163	1,163
2,573	3,868	6,441	Transfer of Collection Fund surplus/(deficit)		(5,266)	(6,311)
96,340	164,564	260,904	Total Amount required by statute to be debited to the Collection Fund		92,528	252,618
756	(5,039)	(4,283)	Opening fund balance		(38,185)	(32,479)
38,185	5,706	43,891	Closing Fund Balance		(22,172)	(20,222)
37,429	10,745	48,174	Movement on fund balance		16,013	12,257
			Allocation of Closing Deficit/(Surplus)			
18,711	4,790	23,501	<u>Medway Council</u>		(10,864)	(9,220)
0	659	659	Police and Crime Commissioner for Kent		0	213
382	257	639	<u>Kent Fire and Rescue Service</u>		(222)	(129)
19,092	0	19,092	Central Government		(11,086)	(11,086)
38,185	5,706	43,891			(22,172)	(20,222)

Collection Fund Note 1. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and major preceptors for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of band D dwellings).

In accordance with the Council delegation, on 12 January 2021 the Chief Operating Officer (then Chief Finance Officer), in consultation with the Leader, agreed the Council Tax base for 2021/22 at 87,078.73 band D equivalents and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,390	6/9	7,593	533	7,060.73
B	38,366	7/9	29,840	2,172	27,668.22
C	34,311	8/9	30,499	2,230	28,268.39
D	18,003	9/9	18,003	1,218	16,785.13
E	9,412	11/9	11,504	683	10,820.48
F	4,040	13/9	5,836	296	5,539.35
G	1,448	15/9	2,413	113	2,300.76
H	66	18/9	132	53	78.95
Total	117,036		105,820	7,298	98,522.01
Council Tax Support					(9,576.47)
Sub Total					88,945.54
Allowance for Non-Collection (2.4%)					(2,134.69)
Sub Total					86,810.85
Crown Contribution					267.90
Tax Base for the Calculation of Council Tax 2021/22					87,078.75
Tax Base for the Calculation of Council Tax 2020/21					86,796.90

Collection Fund Note 2. Income from Business Rates

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The total amount due, less certain allowances, is shared between the Council, Central Government and Kent Fire and Rescue Service. In the case of Medway the local share is 49%, Central Government 50% and Kent Fire and Rescue service 1%.

The total income from business ratepayers collected in 2021/22 was £58.9million (£95.6million in 2020/21).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as determined by VOA and hence business rates outstanding at 31 March 2022. Authorities are required to make provision for these amounts. Appeals are charges and provided for in proportion to the precepting shares. The reduction in provision credited to the collection fund for 2021/22 was £1.78million (£1.26million 2020/21).

For 2021/22 the total non-domestic rateable value at the year-end is £229.6million (£230.4million in 2020/21). The national multipliers for 2021/22 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2020/21).

Collection Fund Note 3. Impairment of Debts/Appeals

The Collection Fund account provides for bad debts on arrears of Council Tax on the basis of prior years' experience and current years collection rates.

2020/21			2021/22	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
2,540	2,132	Balance at 1 April	9,839	8,250
(612)	(514)	Write-offs during year	(1,471)	(1,243)
7,911	6,632	Contributions to provisions during year		
7,299	6,118	Net Increase/(decrease) in Provisions	(1,471)	(1,243)
9,839	8,250	Balance at 31 March	8,368	7,007

The Collection Fund account also provides for bad debts on Non-domestic rates arrears.

2020/21			2021/22	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
2,654	1,301	Balance at 1 April	3,877	1,900
0	0	Amendment due to Pooling	0	0
(720)	(353)	Write-offs during year	(435)	(213)
1,943	952	Contributions to provisions during year	919	450
		Provisions utilised during the year		
1,223	599	Net Increase/decrease in Provisions	484	237
3,877	1,900	Balance at 31 March	4,361	2,137

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. This is the eighth year of the provision.

2020/21			2021/22	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
11,900	5,831	Balance at 1 April	10,121	5,831
0	0	Amendment due to Pooling	0	0
3,651	1,789	Contributions to provisions during year	(1,289)	(632)
(5,430)	(2,661)	Provisions utilised during the year	2,452	1,201
(1,779)	(872)	Net Increase/(decrease) in Provisions	1,163	569
10,121	4,959	Balance at 31 March	11,284	5,528



River Medway

G. Group Accounts

Medway
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Group Accounts

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Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Kyndi Ltd and Medway Development Company Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

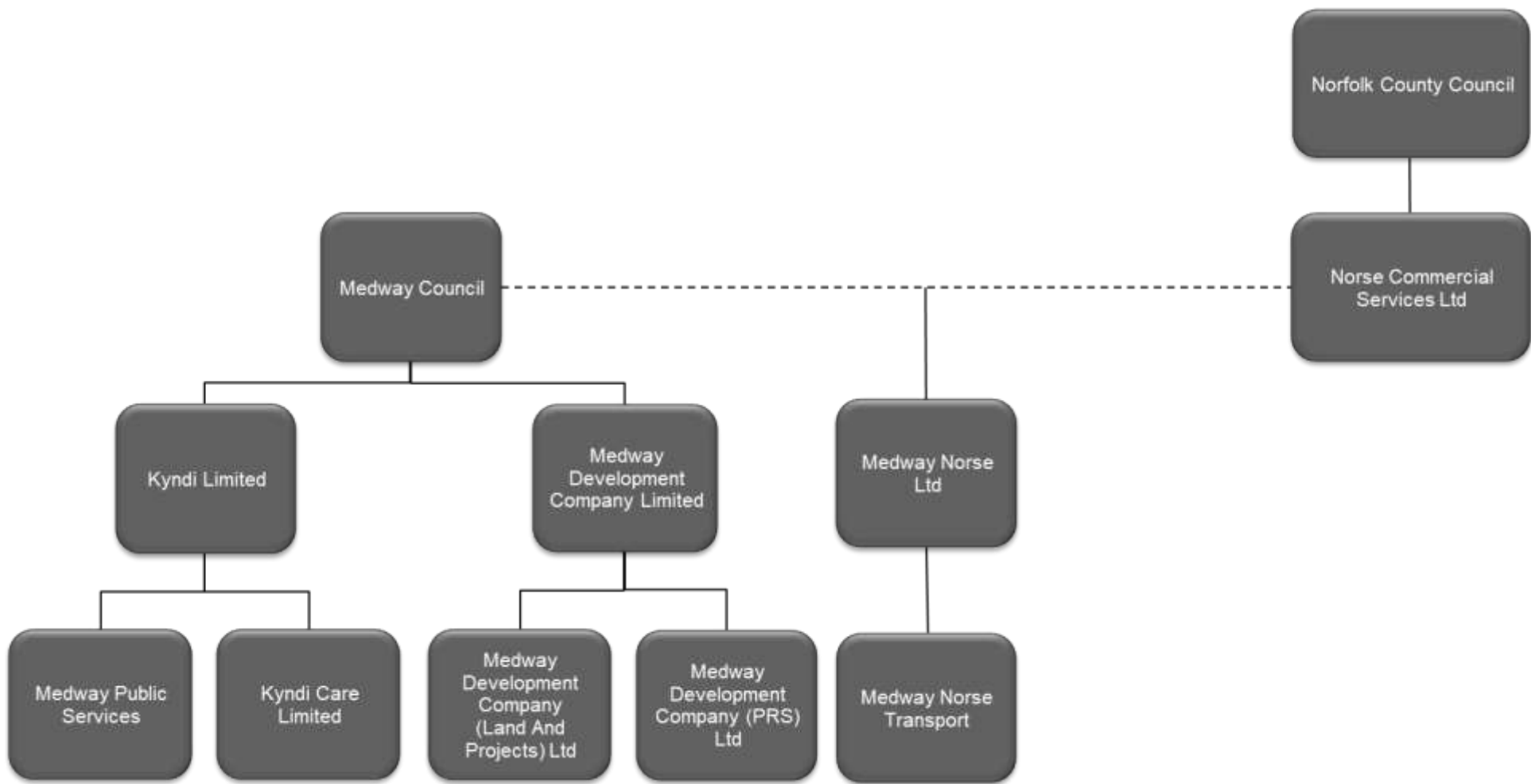
In accordance with this requirement, the Council has determined its Group relationships as follows:

Kyndi Limited is a subsidiary fully owned by Medway Council and has been consolidated.

Medway Development Company Limited is a subsidiary fully owned by Medway Council and has been consolidated.

Medway Norse Limited is classed as a joint venture, where Medway Council does not have overall control and has therefore not been consolidated.

Introduction (continued)



Introduction (continued)

Subsidiaries

Kyndi Limited (09923387)

Kyndi Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 21 December 2015.

Kyndi Limited (formerly Medway Commercial Group (MCG) operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being CCTV, Telecare Services, Education Services and Recruitment on a commercial basis that returns a management fee to Medway Council. The business areas are split between Medway Public Services Limited (10041989) and Kyndi Care Limited (formerly Medway Commercial Services (MCS)) (10043013).

In January 2021 the business exited from the provision of Education Services. At the same time, the business agreed a substantial £2.5million Working Capital Loan with Medway Council to be repaid over 10 years, and new group fee charging arrangements that will provide stability of Kyndi Limited's operations into the future, supporting the management team as it builds out the new strategy agreed in the last financial year.

Medway Development Company Limited (11028452)

Medway Development Company Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 24 October 2017.

Medway Development Company Limited operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being buying and selling of own real estate, other letting and operating of own or leased real estate, real estate agencies, and management of real estate on a fee or contract basis. The

business areas are split between Medway Development Company (Land and Projects) Ltd (12995131) and Medway Development Company PRS) Ltd (12995315).

Basis of the Preparation of Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line-by-line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

- adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee;
- including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.
- Group Accounting Policies

- The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Medway Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 1 to the single entity Accounts.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Material issues impacting subsidiaries,

MDC have a Loan from Medway Council which at the end of 21/22 was £34.5million, and in September 2022 £53.4million. Repayments are due as the buildings are sold.

With Kyndi the recruitment element of their income was brought back into Medway Council. This element is the largest of both income and expenditure, but this only created 6% Gross Profit, when the overall figure is 17% suggesting the other areas are more profitable long term.

Inventory

This is due to be sold once completed. This is measured at the lower of cost and estimated selling price less costs to complete and sell.

Cost includes all costs of purchases, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

MDC classifies the building work in progress as stock. These are to be sold once completed.

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Year ended 31 March 2021				Year ended 31 March 2022		
Gross	Gross	Net		Gross	Gross	Net
Expenditure	Income	Expenditure	Service	Expenditure	Income	Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
108,941	(82,088)	26,853	Business Support Department	70,331	(42,114)	28,217
322,038	(158,794)	163,244	Children's and Adults (inc. Public Health)	333,679	(174,319)	159,360
22,206	(15,585)	6,621	Local authority housing (HRA)	10,432	(14,445)	(4,014)
			Revaluation of HRA Non-Current assets	(15,451)	-	(15,451)
114,739	(24,220)	90,518	Regeneration, Culture & Environment	129,967	(41,944)	88,022
567,923	(280,687)	287,236	Group Cost of Services	528,958	(272,822)	256,135
10,426	0	10,426	Other operating expenditure	1,328	(1,067)	261
0	0	0	Net Surplus on trading accounts	0	0	0
19,633	(3,956)	15,677	Financing and investment income and expenditure	10,474	(6,779)	3,695
				15	(239,661)	(239,647)
0	(242,641)	(242,641)	Taxation and non-specific grant income and expenditure	173	-	173
0	(16,688)	(16,688)	- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants			
597,981	(543,971)	54,010	(Surplus) or Deficit on Provision of Services	540,947	(520,329)	20,618
		(385)	Share of (surplus)/Deficit of joint venture.			0
		0	Taxation of Group Entities			0
		53,625	Group (Surplus)/Deficit			20,618
		(26,559)	Surplus on revaluation of property, plant and equipment assets			(9,833)
		21,675	Revaluation losses on non-current assets charged to the Revaluation Reserve			2,795
		42,063	Re-measurement of net defined pension liability/(asset)			(45,390)
		37,179	Other Comprehensive Income and Expenditure			(52,427)
		90,804	Total Comprehensive Income and Expenditure			(31,809)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves.

	Revenue Reserves							Capital Reserves							
2021/22	General fund balance	Earmarked General Fund Reserves	Dedicated Schools Grant Reserve	Total General Fund Balance	Housing Revenue Account balance	Earmarked Housing Revenue Account Reserves	Total Housing Revenue Account	Capital receipts reserve	Major repairs reserve	Capital Grants unapplied accounts	Total Usable reserves	Unusable reserves	Total Authority reserves	Authorities share of reserves or subsidiaries. Associated and joint ventures	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	(22,689)	(57,398)	0	(80,088)	(5,395)	(306)	(5,701)	(6,674)	0	(25,916)	(118,379)	(17,657)	(136,035)	1,448	(134,588)
Movement in reserves during 2021/22															
Comprehensive Expenditure and Income	25,978	0	0	25,978	(17,281)	0	(17,281)	0	0	0	8,697	(52,427)	(43,730)	11,921	(31,810)
Adjustments between group account and authority accounts	13,226	0	0	13,226	0	0	0	0	0	0	13,226	0	13,226	(13,226)	0
Net increase or decrease before transfers	39,204	0	0	39,204	(17,281)	0	(17,281)	0	0	0	21,923	(52,427)	(30,505)	(1,305)	(31,810)
Adjustments between accounting basis and funding basis under regulations	(28,192)	0	0	(28,192)	17,699	0	17,699	(3,289)	0	4,825	(8,957)	8,957	0	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	11,012	0	0	11,012	418	0	418	(3,289)	0	4,825	12,965	(43,470)	(30,505)	(1,305)	(31,810)
Movements in Earmarked Reserves	(14,874)	13,024	0	(1,850)	(306)	306	0	1,850	0	0	0	0	0	0	0
(Increase)/Decrease in 2021/22	(3,862)	13,024	0	9,162	112	306	418	(1,440)	0	4,825	12,965	(43,470)	(30,505)	(1,305)	(31,810)
Balance at 31 March 2022 carried forward	(26,551)	(44,374)	0	(70,926)	(5,283)	0	(5,283)	(8,114)	0	(21,091)	(105,413)	(61,127)	(166,540)	143	(166,398)

Group Movement in Reserves Statement (continued)

2020/21	Revenue Reserves							Capital Reserves							
	General fund balance	Earmarked General Fund Reserves	Dedicated Schools Grant Reserve	Total General Fund Balance	Housing Revenue Account balance	Earmarked Housing Revenue Account Reserves	Total Housing Revenue Account	Capital receipts reserve	Major repairs reserve	Capital Grants unapplied accounts	Total Usable reserves	Unusable reserves	Total Authority reserves	Authorities share of reserves or subsidiaries. Associated and joint ventures	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	(13,924)	(21,532)	9,345	(26,111)	(5,145)	(1,601)	(6,746)	(5,463)	0	(18,764)	(57,084)	(170,326)	(227,409)	2,072	(225,337)
Reporting of schools budget deficit to new adjustment account at 1 April 2019	0	0	(9,346)	(9,346)	0	0	0	0	0	0	(9,346)	9,346	0	0	0
Restated Balance at 1 April 2020	(13,924)	(21,532)	(0)	(35,457)	(5,145)	(1,601)	(6,746)	(5,463)	0	(18,764)	(66,429)	(160,980)	(227,409)	2,072	(225,337)
Movement in reserves during 2020/21															
Comprehensive Expenditure and Income	33,079	0	0	33,079	8,992	0	8,992	0	0	0	42,071	37,179	79,250	11,554	90,804
Adjustments between group account and authority accounts	12,124	0	0	12,124	0	0	0	0	0	0	12,124	0	12,124	(12,124)	0
Net increase or decrease before transfers	45,203	0	0	45,203	8,992	0	8,992	0	0	0	54,195	37,179	91,374	(570)	90,804
Adjustments between accounting basis and funding basis under regulations	(89,834)	0	0	(89,834)	(7,947)	0	(7,947)	(1,210)	0	(7,152)	(106,144)	106,144	0	0	0
Net (increase) /decrease before transfers to Earmarked Reserves	(44,631)	0	0	(44,631)	1,045	0	1,045	(1,210)	0	(7,152)	(51,949)	143,323	91,374	(570)	90,804
Movements in Earmarked Reserves	35,866	(35,866)	0	0	(1,295)	1,295	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2021/20	(8,765)	(35,866)	0	(44,631)	(250)	1,295	1,045	(1,210)	0	(7,152)	(51,949)	143,323	91,374	(570)	90,804
Balance at 31 March 2021 carried forward	(22,689)	(57,398)	(0)	(80,088)	(5,395)	(306)	(5,701)	(6,674)	0	(25,916)	(118,378)	(17,657)	(136,035)	1,502	(134,533)

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2022. The net assets of the Group are matched by Group reserves.

Balance Sheet Summary	31 March 2022	31 March 2021
	£'000	£'000
Property Plant & Equipment	722,920	673,587
Heritage Assets	18,723	18,223
Investment Property	17,680	17,219
Intangible Assets	73	563
Long Term Investments	25,011	21,535
Long Term Debtors	599	1,268
Long Term Assets	785,006	732,395
Assets Held for Sale <1 Year	15,206	18,392
Inventories	36,908	11,998
Short Term Investments	19,206	490
Short Term Debtors	83,872	88,917
Cash and Cash Equivalents	10,288	27,154
Current Assets	165,480	146,951
Cash and Cash Equivalents	(3,096)	(7,672)
Grants Receipts in Advance - Revenue	(17,797)	(553)
Short Term Borrowing	(71,509)	(48,183)
Short Term Creditors	(89,627)	(74,072)
Finance Leases < 1 Year	(276)	(276)
Provisions (Short Term)	(1,391)	(1,930)
Current Liabilities	(183,695)	(132,686)
Long Term Creditors	(29,437)	(30,795)
Provisions (Long Term)	(7,428)	(5,806)
Long Term Borrowing	(237,260)	(235,433)
Other Long-Term Liabilities	(322,377)	(336,097)
Grants Receipts in Advance - Capital	(3,890)	(3,997)
Long Term Liabilities	(600,393)	(612,128)
Net Assets	166,398	134,532
Usable Reserves	(105,269)	(116,875)
Unusable Reserves	(61,128)	(17,657)
Total Reserves	(166,397)	(134,532)

Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period.

2020/21		Notes	2021/22
£'000			£'000
53,625	Net (Surplus) or deficit on the provision of services		20,585
(65,079)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements	G6	(35,734)
22,063	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	G6	11,579
10,609	Net cash flows from Operating Activities		(3,570)
(5,840)	<u>Investing Activities</u>	<u>G7</u>	41,030
15,306	<u>Financing Activities</u>	<u>G8</u>	(25,168)
20,075	Net (increase) or decrease in cash and cash equivalents		12,292
39,559	Cash and cash equivalents at the beginning of the reporting period		19,484
19,484	<u>Cash and cash equivalents at the end of the reporting period</u>		7,192

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Group Accounts Note 1. Critical Judgements

All the critical judgements and estimation uncertainties disclosed in the Council's single entity accounts is materially applicable to the group entity. The critical judgements can be found in Note 3 on page 56 and estimation uncertainties can be found in Note 4 on page 57 of the single entity accounts.

Use of unaudited accounts for Group Accounts consolidation

The company accounts relating to Medway Development Company Ltd used for the Group Accounts consolidation is based on their unaudited accounts. This is due to the entity gaining exemption from audit under section 477 of the Companies Act relating to small companies. Consideration has been given whether the audited accounts would be materially different, and the conclusion is that the risk is low.

Consideration of IFRS 15 - Revenue from Contracts with Customers

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. To understand the differences in the accounting policies between Medway Council and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

Elimination of Income and Expenditure

Income and expenditure between Medway Council and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools' balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

Group Accounts Note 2. Group Debtors

31 March 2021				31 March 2022		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
720	52,087	52,806	Trade receivables	95	53,275	53,370
0	(9,100)	(9,100)	Less impairment allowance	0	(8,741)	(8,741)
720	42,987	43,707	Net trade receivables	95	44,534	44,629
				0	0	0
0	2,694	2,694	Prepayments	0	3,605	3,605
			Other receivables:			
0	31	31	Client Financial Affairs Debtors	0	358	358
530	0	530	Education Related Debtors	0	31	31
0	6	6	Elections Debtors	503	0	503
0	10,713	10,713	Housing Benefit Debtors	0	10,162	10,162
0	(7,955)	(7,955)	Less impairment allowance	0	(7,343)	(7,343)
0	2,758	2,758	Net Housing Benefit Debtors	0	2,819	2,819
0	1,060	1,060	HRA Rent/Service Charge Debtors	0	1,225	1,225
0	(362)	(362)	Less impairment allowance	0	(393)	(393)
0	698	698	Net HRA Rent/Service Charge Debtors	0	832	832
0	45,453	45,453	Local Taxation Debtors	0	33,129	33,129
0	(10,149)	(10,149)	Less impairment allowance	0	(9,144)	(9,144)
0	35,304	35,304	Net Local Taxation Debtors	0	23,985	23,985
0	220	220	Rechargeable Works Debtors	0	283	283
0	1,051	1,051	Schools Debtors	0	1,047	1,047
0	5	5	SOCH Mortgage Debtors	0	5	5
17	38	55	Employee Related Debtors	1	47	48
0	3,129	3,129	VAT Debtors	0	6,327	6,327
547	43,240	43,787	Other receivables	504	35,733	36,237
1,267	88,921	90,187	Total Debtors	599	83,872	84,471

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

Group Accounts Note 3. Group Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

31 March 2021				31 March 2022		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
(674)	(49,851)	(50,525)	Trade payables	(514)	(59,922)	(60,436)
0	(745)	(745)	Receipts in Advance	0	(1,056)	(1,056)
			<u>Other payables</u>			
0	(799)	(799)	Other Payables	0	(2,050)	(2,050)
0	0	0	Education Related Creditors	0	(20)	(20)
0	(2,210)	(2,210)	Employee Related Creditors	0	(2,192)	(2,192)
0	(573)	(573)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(30,105)	(1,255)	(31,360)	Local Government Reorganisation Creditors	(28,900)	(1,204)	(30,104)
0	(18,558)	(18,558)	Local Taxation Creditors	0	(22,609)	(22,609)
0	0	0	Rechargeable Works Creditors	0	(1)	(1)
(16)	0	(16)	SOCH Mortgage Creditors	(23)	0	(23)
0	(80)	(80)	VAT Creditors	0	0	0
(30,795)	(74,072)	(104,867)	Total Creditors	(29,437)	(89,627)	(119,064)

Group Accounts Note 4. Group Cash & Cash Equivalents

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

	31 March 2022	31 March 2021
	£'000	£'000
Single Entity Cash and Cash Equivalents	(3,049)	19
Subsidiary cash and bank balances	1,822	2,548
Short term deposits with the Money Market	8,418	16,917
Total Group Cash and Cash Equivalents	7,192	19,484

Group Accounts Note 5. Group Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Group Balance Sheet:

Financial Assets										
	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	21,535	25,011	0	0	490	19,206	0	0	22,025	44,217
Amortised cost - other	0	0	1,265	594	0	0	60,171	49,104	61,436	49,698
Cash & cash equivalents at amortised cost	0	0	0	0	27,154	35,900	0	0	27,154	35,900
Total financial assets	21,535	25,011	1,265	594	27,644	55,106	60,171	49,104	110,615	129,815
Non-financial assets	0	0	3	4	0	0	28,747	34,767	28,750	34,771
Total	21,535	25,011	1,268	598	27,644	55,106	88,918	83,871	139,365	164,586
Financial Liabilities										
	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(235,433)	(237,260)	(30,776)	(29,411)	(48,183)	(71,509)	(51,670)	(62,678)	(366,062)	(400,858)
Cash & cash equivalents at amortised cost	0	0	0	0	(7,670)	(25,612)	0	0	(7,670)	(25,612)
Total financial liabilities	(235,433)	(237,260)	(30,776)	(29,411)	(55,853)	(97,121)	(51,670)	(62,678)	(373,732)	(426,470)
Non-financial liabilities	0	0	(19)	(26)	0	0	(22,402)	(27,231)	(22,421)	(27,257)
Total	(235,433)	(237,260)	(30,795)	(29,437)	(55,853)	(97,121)	(74,072)	(89,909)	(396,153)	(453,727)

Group Accounts Note 6. Group Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
(25)	Interest received	(4)
10,525	Interest paid	11,851
(1,238)	Dividends received	(1,871)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2020/21		2021/22
£'000		£'000
(24,394)	Depreciation	(23,960)
(25,879)	Impairment and downward revaluations	11,357
(2,354)	Increase in valuation of investments	3,476
(13,859)	(Increase) / decrease in creditors	(28,172)
21,388	Increase / (decrease) in debtors/Impairment for Bad Debts	12,467
11,910	Increase / (decrease) in inventories	23,082
(27,508)	Movement in pension liability	(31,903)
1,762	Contributions (to)/from Provisions	(1,083)
(11,756)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(6,137)
5,611	Other non-cash items charged to the net surplus or deficit on the provision of services	5,138
(65,079)		(35,734)

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

2020/21		2021/22
£'000		£'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
5,703	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,346
16,360	Any other items for which the cash effects are investing or financing cash flows	4,232
22,063		11,579

Group Accounts Note 7. Group Cash Flow – Investing Activities

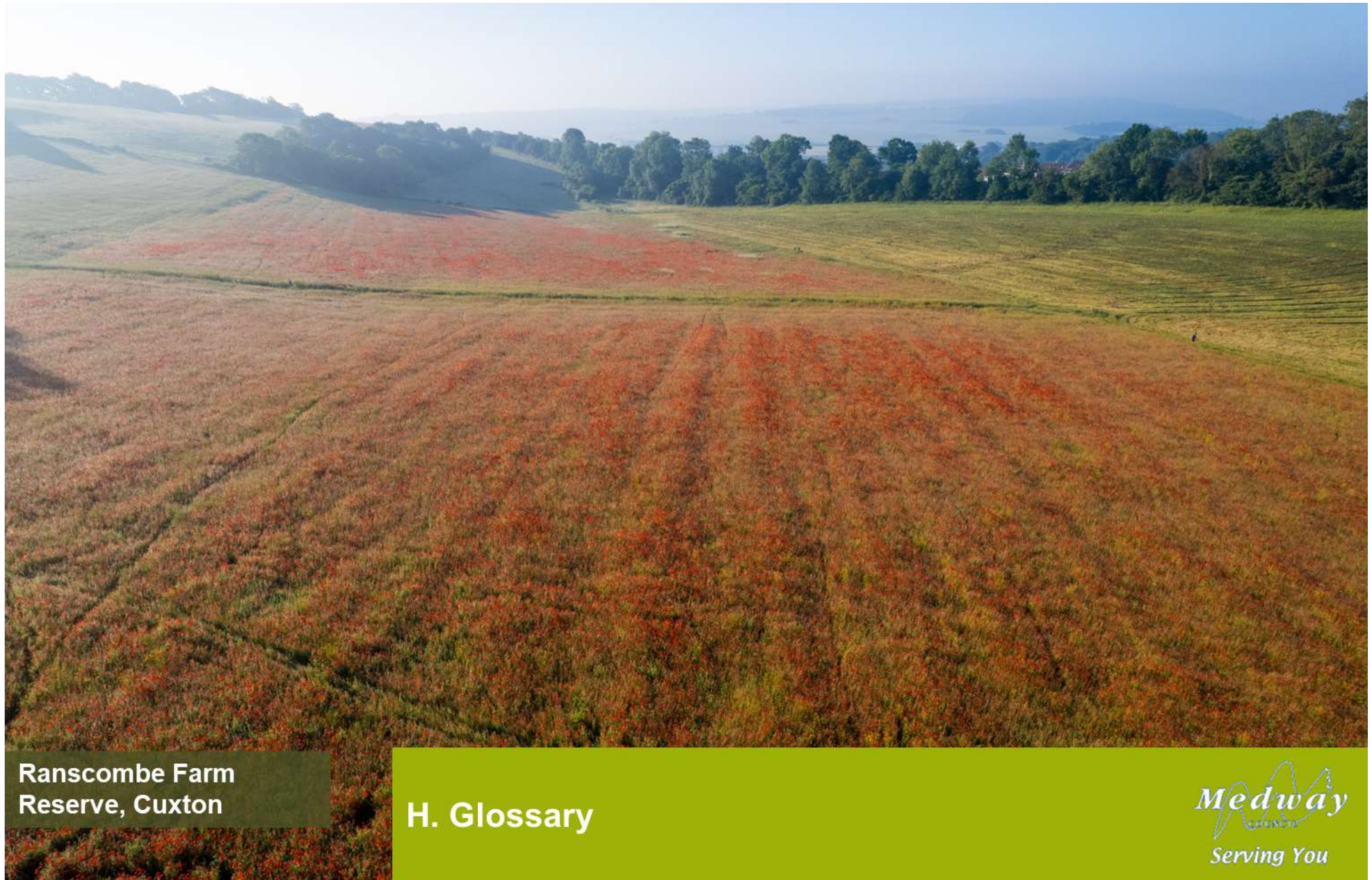
2020/21		2021/22
£'000		£'000
28,902	Purchase of property, plant and equipment, investment property and intangible assets	53,819
49,621	Purchase of short-term and long-term investments	57,815
(3,101)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(7,396)
(56,100)	Proceeds from short-term and long-term investments	(39,100)
(25,162)	Other receipts from investing activities	(24,108)
(5,840)	Net cash flows from investing activities	41,030

Group Accounts Note 8. Group Cash Flow – Financing Activities

2020/21		2021/22
£'000		£'000
(20,334)	Cash receipts of short- and long-term borrowing	(83,344)
35,640	Repayments of short- and long-term borrowing	58,190
0	Other payments for financing activities	(14)
(15,306)	Net cash flows from financing activities	(25,168)

Group Accounts Note 9. Inventories

2020/21		2021/22
£'000		£'000
88	Opening Balance	11,988
11,910	Raw Materials or works in progress	24,920
11,998	Closing Balance	36,908



Ranscombe Farm
Reserve, Cuxton

H. Glossary

Medway
Serving You

Glossary of Terms

ACCRUAL

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

These are changes in the actuary's assessment of the value of future pension fund requirement. Changes result from actual events not matching previous actuarial assumptions or from a change in assumptions on which the valuation is based.

AGENCY

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

AMORTISATION

The process of recognising the consumption of intangible assets in the Cost of Services on a systematic basis. Typically, this is done by dividing the gross cost of the asset over its useful life on a straight- line basis.

APPOINTED AUDITORS

Grant Thornton UK LLP is Medway Council's appointed Auditor.

ASSET

An item having a value, measurable in monetary terms. Assets can be defined as current or non-current. A current asset can be readily converted into cash (for example stocks or a short term debtor). A long-term asset is expected to yield economic benefits to the Authority for more than one year (for example a building or a long-term investment).

ASSETS HELD FOR SALE

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. They are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

ASSETS UNDER CONSTRUCTION

A class of property, plant and equipment asset held at historical cost and typically representing the cost of works to date on incomplete capital projects.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

AUTHORISED LIMIT

The statutory limit of the maximum amount of external debt the Authority can owe to external lenders under the Local Government Act 2003.

BUDGET

The spending plans of the Authority over a specific period of time – generally the financial year, 1 April to 31 March.

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 additions to those assets under statutory provisions.

CAPITAL EXPENDITURE

Expenditure to acquire or enhance long-term assets.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants/contributions from third parties, or directly from revenue budgets.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specified period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other long-term assets.

CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY (CIPFA)

The professional accountancy body specialising in public finance.

CHURCHES, CHARITIES AND LOCAL AUTHORITIES (CCLA)

The Authority holds units in a property fund and a money market fund managed by this organisation.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets include parks and historical buildings.

COMPONENTISATION

The process of analysing an asset into significant component parts where those components have different useful lives. This is required whenever the resultant depreciation charges and their impact on asset carrying amounts would make a material difference to the accounts.

Glossary of Terms (continued)

CONSISTENCY

The concept that ensures the accounting treatment of like items within an accounting period and from one period to the next one is the same.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

CONTINGENT LIABILITY

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

CURRENT SERVICE COST

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

CURRENT VALUE

Measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. In this section of the Code, the current value measurement bases include:

- existing use value
 - existing use value – social housing (EUV–SH)
 - depreciated replacement cost
- fair value

DEBTOR

Amounts due to the Authority for works done, goods received, or services rendered before the end of accounting period, but for which payments had not been received by the end of that period.

DEFINED BENEFIT SCHEME

A pension scheme under which members pension benefits are calculated independently of contributions payable.

DEFINED CONTRIBUTION SCHEME

A pension scheme under which contributions into the scheme are set but the pension benefits payable are related to the performance of investments made by the fund.

DEPRECIABLE AMOUNT

Depreciable amount is the cost of an asset, or other amount substituted for cost, less residual value.

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology, authorities should use the 'instant build' approach at the valuation date and the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.

DEPRECIATION

Is the systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

This is the process of removing financial assets or liabilities from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DISCOUNTS

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

EARMARKED RESERVES

These are reserves held to meet specific, known or predicted future expenditure.

Glossary of Terms (continued)

EXCEPTIONAL ITEMS

Significant items of income or expenditure on ordinary activities of the Authority but which due to their size or incidence are disclosed separately to give a fair presentation of the accounts.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion. It is also assumed that the buyer is granted vacant possession of all parts of the property required by the buyer. The valuer will disregard potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXISTING USE VALUE – SOCIAL HOUSING (EUV – SH)

The estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements

- properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession
- any subsequent sale would be subject to all of the above assumptions.

EXTERNAL AUDIT

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

EMPLOYEE EXPENDITURE

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

EXPENDITURE

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if payment has not been made (in which case the payee is a creditor to the Authority).

FAIR VALUE

The estimate of the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

FINANCIAL INSTRUMENTS

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. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex such as derivatives and embedded derivatives.

FINANCE LEASE

Is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

GENERAL FUND

The main revenue fund of the Authority including all services financed by local taxation and government grants.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of Local Authority's services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

GROUP ACCOUNTS

Group Accounts consolidate the financial results of the Authority, any of its subsidiaries and/or associates. The Authority is not required to produce these or group accounts for the 2020/21 Statement of Accounts, due to materiality.

Glossary of Terms (continued)

HERITAGE ASSET

A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HIGHWAYS INFRASTRUCTURE ASSETS

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

HISTORICAL COST (HC)

is defined as:

- Assets: the value of the costs incurred in acquiring or creating the asset, comprising the consideration paid plus transaction costs.
- Liabilities: the value of the consideration received to incur or take on the liability minus transaction costs.

The historical cost of an asset may be updated over time to reflect depreciation or amortisation, payments received that settle an obligation owed to the authority, impairment and accrual of interest. The historical cost of a liability may be updated over time to reflect settlement of an obligation owed to a third party, the accrual of interest, or events that have the effect of making the liability onerous.

HOUSING BENEFITS

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities, but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate, and that paid to private tenants as rent allowance.

HOUSING REVENUE ACCOUNT (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

IMPAIRMENT OF NON-CURRENT ASSETS

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

INCOME

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

INTANGIBLE ASSETS

These are non-current assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

INVESTMENT PROPERTIES

Properties (land or a building, or part of a building, or both) held solely to earn rental income or for capital appreciation or both, rather than for either the use in the production or supply of goods/services/administrative purposes, or sale in the ordinary course of operations.

JOINT VENTURE

Arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control. Joint venturers have rights to the net assets of the arrangement.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Two forms of lease exist:

- finance leases, and
- operating leases.

LEASING COSTS

This is rental paid for the use of an asset for a specific period of time.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Glossary of Terms (continued)

LIABILITIES

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

LONG TERM CREDITORS

Amounts due from Medway Council where payment is to be made over a period of time in excess of one year.

LONG TERM DEBTORS

Amounts due to Medway Council where payment is to be made over a period of time in excess of one year.

MATERIALITY

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

A financial planning document setting out future years' financial forecasts for the Authority. It considers local and national policy influences and their impact on the general fund revenue budget, capital programme and HRA. In Medway it usually covers a four year timeframe.

MINIMUM REVENUE PROVISION (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON-CURRENT ASSETS

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

NON-DOMESTIC RATE (NDR or BUSINESS RATES)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. The income derived from business rates is distributed between preceptors (Medway, Kent Fire and Rescue Service and Central Government) based upon a pre-determined allocation percentage.

NET BOOK VALUE (NBV)

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT

Net debt is the Authority's borrowings less cash and treasury investments.

NET OPERATING EXPENDITURE

This compares all expenditure minus all income, other than the precept and transfers from reserves.

NON-OPERATIONAL ASSETS

Non-current assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

NET REALISABLE VALUE (NRV)

NRV is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

OPERATING LEASE

Is a lease other than a finance lease.

OPERATIONAL ASSETS

Non-current assets held by the Authority and directly occupied or used in the delivery of its services.

PAST SERVICE COST

The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan), and any gain or loss on settlement.

PRECEPT

The amount levied by various Authorities that is collected by the Authority on their behalf. The precepting Authorities in Medway are the Police and Crime Commissioner for Kent (PCC) and the Kent Fire and Rescue Service (KFRS).

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT

Tangible non-current assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Glossary of Terms (continued)

PROVISION

An amount set aside for liabilities or losses which are certain to arise, but which due to their nature cannot be quantified with certainty.

PRUDENTIAL BORROWING

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from revenue budgets.

PUBLIC WORKS LOAN BOARD (PWLB)

A central government agency that provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RATEABLE VALUE

The annual assumed rental value of a property that is used for Non Domestic Rate purposes.

RELATED PARTIES

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers that form part of the Corporate Management Team, and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions not disclosed elsewhere in these accounts, a related party with the Authority is either a Cabinet Member or officer forming part of the Corporate Management Team of the Authority.

REPORTING STANDARDS

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. The Code is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Financial Reporting Standards (FRS), International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP).

RESERVES

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

REVALUATION RESERVE

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset, the cost of which has been charged as expenditure to the Comprehensive Income and Expenditure Statement (CIES).

REVENUE SUPPORT GRANT (RSG)

The main non-ringfenced grant from Central Government to the Authority to support revenue budgets.

SUBSIDIARIES

Entities that the authority controls if and only if it has all three of the following:

- power over the entity
- exposure, or rights, to variable returns from its involvement with entity, and
- the ability to use its power over the entity to affect the amount of the authority's returns

SURPLUS ASSET

A class of property, plant and equipment assets which are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. Surplus assets are valued at existing use value in their previous use and are subject to depreciation.

Glossary of Terms (continued)

THE CODE (CIPFA ACCOUNTING CODE OF PRACTICE)

The Code incorporates guidance based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

NOTE: values throughout these accounts are presented rounded to the nearest thousand. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

TREASURY MANAGEMENT

The process of controlling the Authority's cash flow, borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.