



Rochester Bridge, Rochester

Draft Statement of Accounts

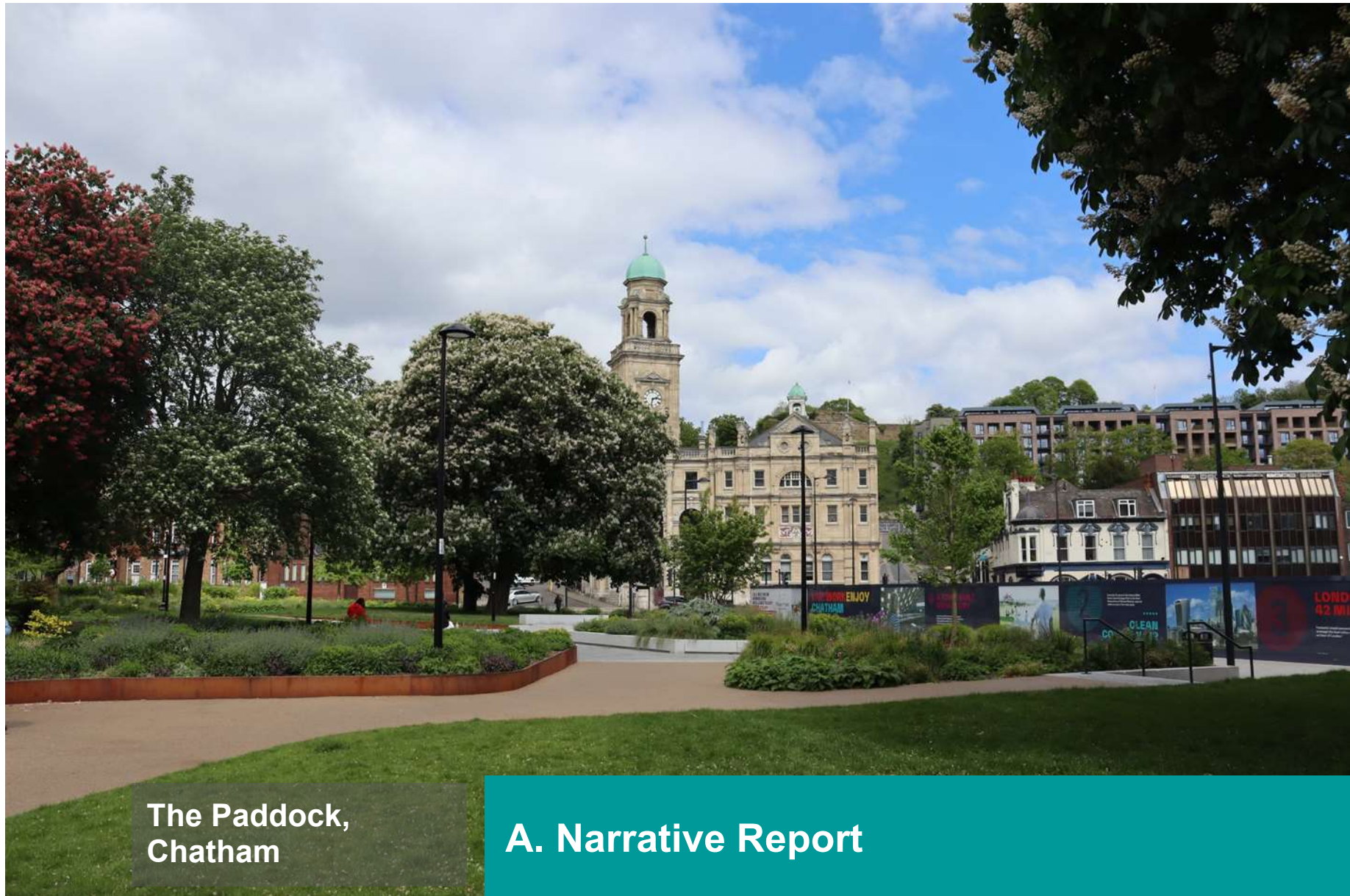
Medway Council | 2024/2025



CONTENTS

Section A: Narrative Report	Section B: Annual Governance Statement	Section C: Written Statements	Section D: Core Financial Statements	Section E: Notes to the Core Financial Statements	Section F: Supplementary Financial Statements	Section G: Group Accounts	Section H: Glossary
Introduction Page 5 Organisational Overview, External Environment and Governance Page 6 Operational Model Page 10 Strategy and Resource Allocation Page 14 Risks and Opportunities Page 15 Performance Management Page 16 Commentary on Financial Statements Page 23	Annual Governance Statement Page 25	Statement of Responsibilities Page 40 Independent Auditors Report to the Members of Medway Council Page 43	Comprehensive Income and Expenditure Statement (CIES) Page 50 Movement in Reserves Statement (MiRS) Page 51 Balance Sheet Page 54 Cash Flow Statement Page 55	Statement of Accounting Policies Page 57 Notes Supporting the CIES and MiRS Page 66 Notes Supporting the CIES Page 74 Notes Supporting the MiRS Page 97 Notes supporting the Balance Sheet Page 105 Notes Supporting the Cash Flow Statement Page 169 Other Notes Page 174	Housing Revenue Account Statements Page 184 Notes Supporting the Housing Revenue Account Statements Page 187 Collection Fund Accounts Page 193 Notes Supporting the Collection Fund Accounts Page 195	Introduction Page 200 Group Financial Statements Page 203 Notes Supporting the Group Accounts Statements Page 208	Glossary of Terms Page 214

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 2024/25 ("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).



The Paddock,
Chatham

A. Narrative Report

Narrative Report

<u>Introduction</u>	5
<u>Organisational Overview, External Environment and Governance</u>	6
<u>Operational Model</u>	10
<u>Strategy and Resource Allocation</u>	14
<u>Risks and Opportunities</u>	16
<u>Performance Management</u>	16
<u>Commentary on Financial Statements</u>	24

Introduction

Chief Operating Officer and Section 151 Officer, Phil Watts

I am proud to present Medway Council's annual Statement of Accounts for the year ending 31 March 2025. 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 work to 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 2024/25.

Alongside many other local authorities, particularly those with upper tier responsibilities, significant and growing pressures across Adults Social Care, Homelessness and on the cost of SEND transport in Education continue to outstrip the additional funding available from government and that available to the Council from local taxation. In the Autumn of 2023, we commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct a Resilience Review to help identify opportunities to reduce costs, increase income and improve service delivery. That review did not identify any governance or financial failures but concluded that it would not be possible to set a balanced budget without support from the Government.

The Council secured a capitalisation direction through the Exceptional Financial Support (EFS) scheme of £14.727million to enable a balanced budget to be set for 2024/25. During the year these statutory service pressures continued to grow, and in February 2025 the Government issued an agreement in principle to an increased level of EFS based on the overspend projected in the budget monitoring. It was necessary to use a total of £5.497million of additional EFS to fund the final outturn, taking the total EFS required in 2024/25 to £20.239million as detailed in the Outturn report presented to the Cabinet on 3 June 2025.

The Council is now working to deliver its Financial Improvement and Transformation Plan in order to return to a sustainable financial position over the medium term.

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 2024/25 the community was represented by 59 elected Members, working on behalf of the 24 wards throughout Medway. The leadership of the Council was provided by the Labour and Co-operative Group, with the political composition as follows as at 31 March 2025:

- Labour and Co-operative Group: 29
- Conservative Group: 20
- Independent Group: 5
- Reform UK Group: 2
- Independent members: 3.

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. 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.

One Medway Council Plan

In May 2024 the Council agreed the new One Medway Council Plan 2024-2028, reflecting the priorities and aspirations of the new administration following the elections in May 2023. The plan sets out our mission, that Medway is a place that people are proud of and is recognised as a great place to live, work, learn and visit, where all people thrive. The plan is structured around five strategic priorities to which our available resources are concentrated:

Delivering quality social care and community services

Medway Council is committed to supporting its most vulnerable residents amid growing challenges like demographic shifts, deprivation, and the cost-of-living crisis. Working closely with partners, the council aims to safeguard children, young people, and adults while striving to make Medway one of the healthiest places in England. This includes tackling health inequalities, promoting wellbeing, and embedding prevention across all strategies. Alongside vital community services such as libraries, sports centres, and festivals, Medway celebrates its rich heritage and cultural vibrancy, welcoming millions of tourists annually and enhancing its reputation as a year-round destination for events and celebrations.

Benefitting from good education, quality jobs and a growing economy

We are committed to helping local people reach their full potential by creating opportunities and environments where they can thrive. Central to this is ensuring all young people in Medway have access to high-quality education and are supported to become work-ready, with strong

links between education providers and local employers to develop future-ready skills. Our ambition to accelerate economic growth across Medway will benefit every neighbourhood, supporting business innovation, attracting new enterprises, and creating quality employment opportunities for all—backed by initiatives like the relaunched Kent and Medway Business Fund.

Enjoying clean, green, safe and connected communities

The places we live in shape our health, wellbeing, and happiness, and Medway residents consistently tell us that safety and cleanliness are top priorities. We are committed to tackling littering, fly tipping, and untidy streets to protect quality of life and ensure everyone can enjoy our public and green spaces. Our Climate Change Action Plan is already delivering results on our journey to net zero by 2050, and we'll continue working with community groups to drive this forward. We're also focused on creating a well-connected, sustainable travel system, expanding walking and cycling networks, and improving public transport. To help residents feel safe, we're working with local agencies and introducing new Community Wardens to enhance street safety across Medway.

Improving health and wellbeing for all

Central to our vision of helping people thrive is improving the health and wellbeing of everyone who lives and works in Medway. We want residents to lead healthy, fulfilling, and independent lives, with timely access to the right support. Acknowledging the challenges of deprivation and inequality—evident in life expectancy differences across wards—we're tackling these through key initiatives focused on the wider determinants of health, such as employment, education, transport, and community networks. With over 60% of our budget dedicated to caring for the most vulnerable, and growing pressures from an ageing population, we will prioritise spending and

work closely with health partners to reduce health inequalities through a strong focus on prevention.

Living in good quality and affordable homes

Housing is a vital foundation for health, wellbeing, and stability, enabling people to thrive, find work, and raise families. We're taking bold action to address rising temporary accommodation costs, investing £42 million to purchase around 150 properties and expanding our long-term leased housing. Plans also include launching our own letting agency to help prevent homelessness. Through our Local Plan, we'll ensure the right homes are built in the right places, working with developers to meet the needs of our growing communities. As a social landlord to over 3,000 households, we're focused on tenant satisfaction and growing our housing stock by one percent annually, while continuing to support those with specific accommodation needs, including older people, those with disabilities, and people facing homelessness.

Our values and behaviours

To deliver our priorities, the plan sets out the following values and behaviours we will work to:

- Collaborative: Working together - One Medway
- Ambitious for Medway: Innovative, bold and positive
- Trusted: We do what we say, are open and accountable
- Respectful: Valuing Medway's diversity, heritage and each other
- Caring: Compassionate towards our communities and colleagues
- Proud to be Medway: Taking pride in what we do.

Our principles

Finally the Plan sets out a number of principles we have developed that underpin our work to deliver our priorities. These are:

- Financial sustainability and value for money,

- Climate action/response,
- Equality and diversity in all we do,
- Child-friendly Medway,
- Working in partnership.

Cost of Living support for residents

Following the pandemic, into the beginning of the cost of living crisis, the government provided support for residents, including through a series of iterations of a grant that is now the Household Support Fund. During 2024/25 the Council delivered £4.525m in support to vulnerable residents through this scheme.

Our people

At 31 March 2025 we had 2,223 Full Time Equivalent (FTE) staff employed 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. 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.

During 2022/23 we began the MedPay Review, aiming to ensure that the Council:

- retains a talented workforce.
- attracts and recruits a skilled workforce
- supports career progression
- tackles the challenge of staff leaving and skills shortages
- continues to pay people above the National Living Wage

- has a transparent and consistent approach to applying policy for market enhancements and retention payments based on regular market condition assessments.

The review has delivered a new benchmarking system to enable salary comparisons across relevant sectors, an automated job evaluation system, using National Joint Council (NJC) scheme to job evaluate job roles, a new policy for Skills Shortage and Retention Allowances and Full Council have agreed changes the pay scale. Following a pilot phase, two further phases, covering all permanent staff on MedPay terms and conditions, were progressed during 2024/25 and will conclude in 2025/26. In January 2025 the Employment Matters Committee agreed a competency framework for senior leaders, an approach to pay progression for this cohort was agreed in May and these will be implemented during 2025/26.

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 followed this up with a number of other shared services with Gravesham Borough Council. During 2024/25 Medway continued to host shared service arrangements with Gravesham to provide Audit and Counter Fraud Services, Legal Services, Information Governance and Payroll. Since 2018/19 Gravesham have hosted a shared Licencing Service for Medway. We will continue to explore opportunities to share services where this benefits our residents.

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 Lassel (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 two market segments:

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

The Temporary Staff Recruitment Agency previously operated by Kyndi was transferred back to Medway Council from 1 April 2022. 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 £30million per annum. Like all significant employers Medway Norse faces a

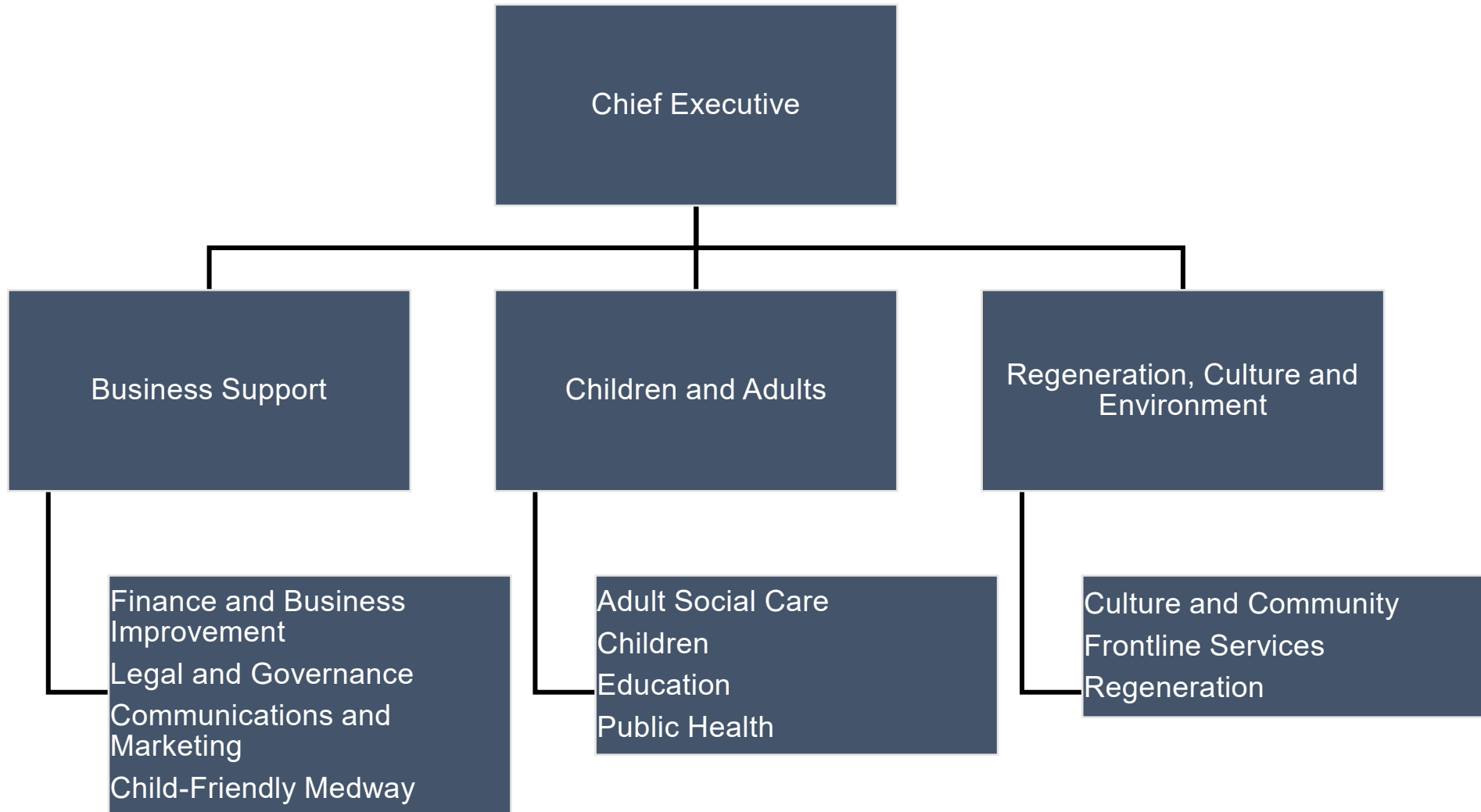
number of challenges including inflationary pressures and increases in the national living wage, however the generation of additional business and delivery of cost saving measures means the JV continues to be profitable. Under the terms of the joint venture agreement, Medway Council receives 50% of any 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.

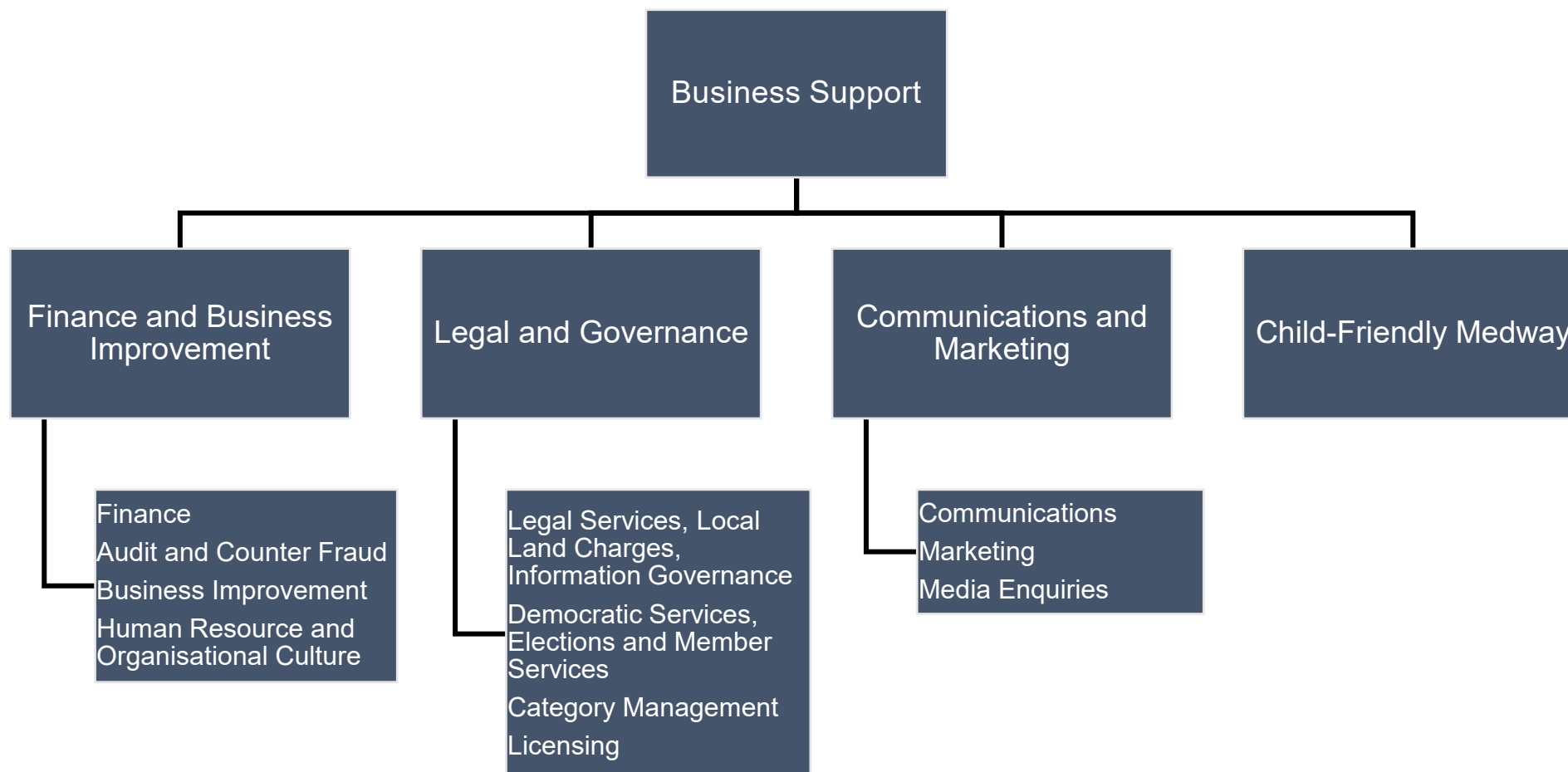
Operational Model

Our Directorates and the services they provide



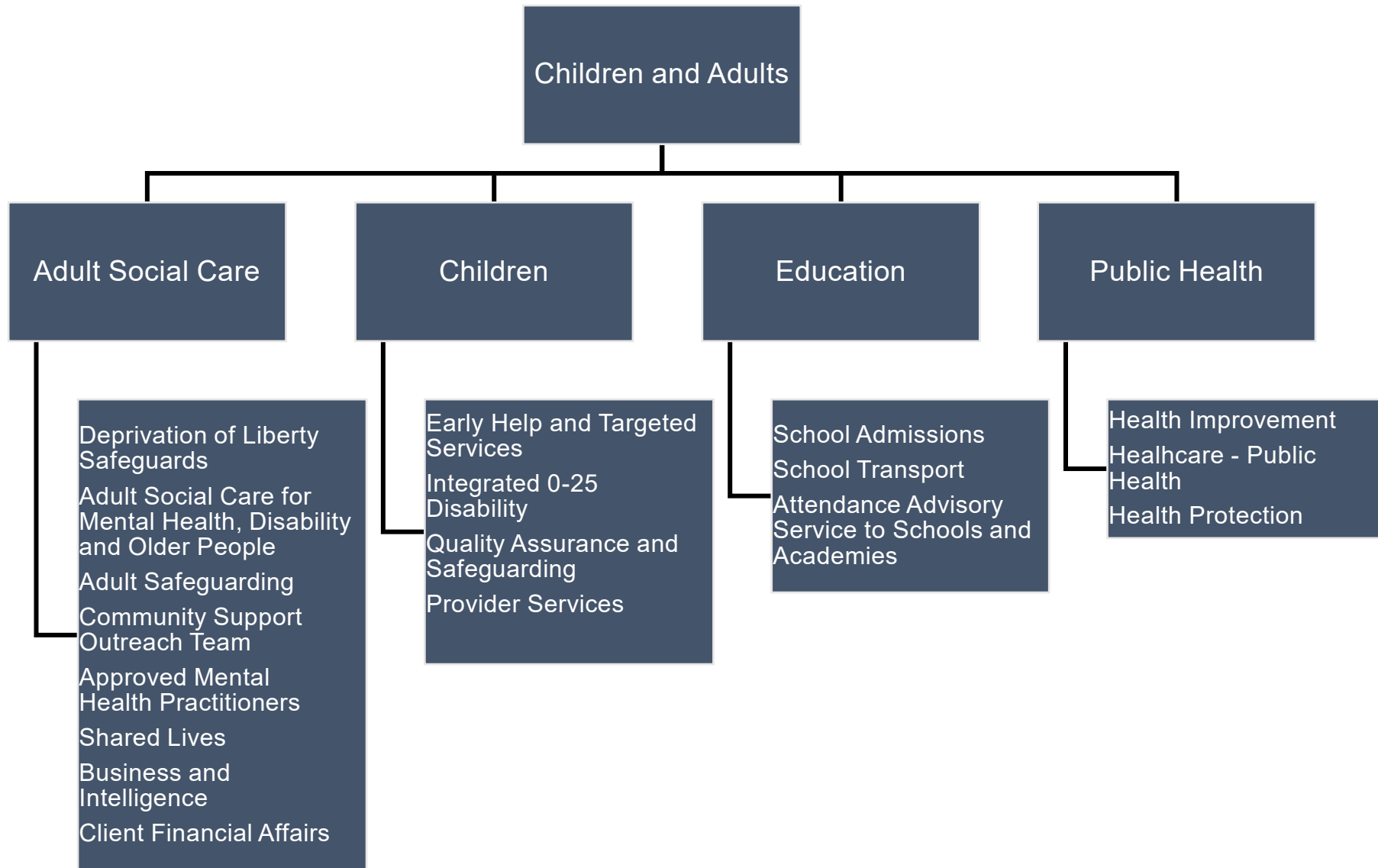
Operational Model (continued)

Business Support Department



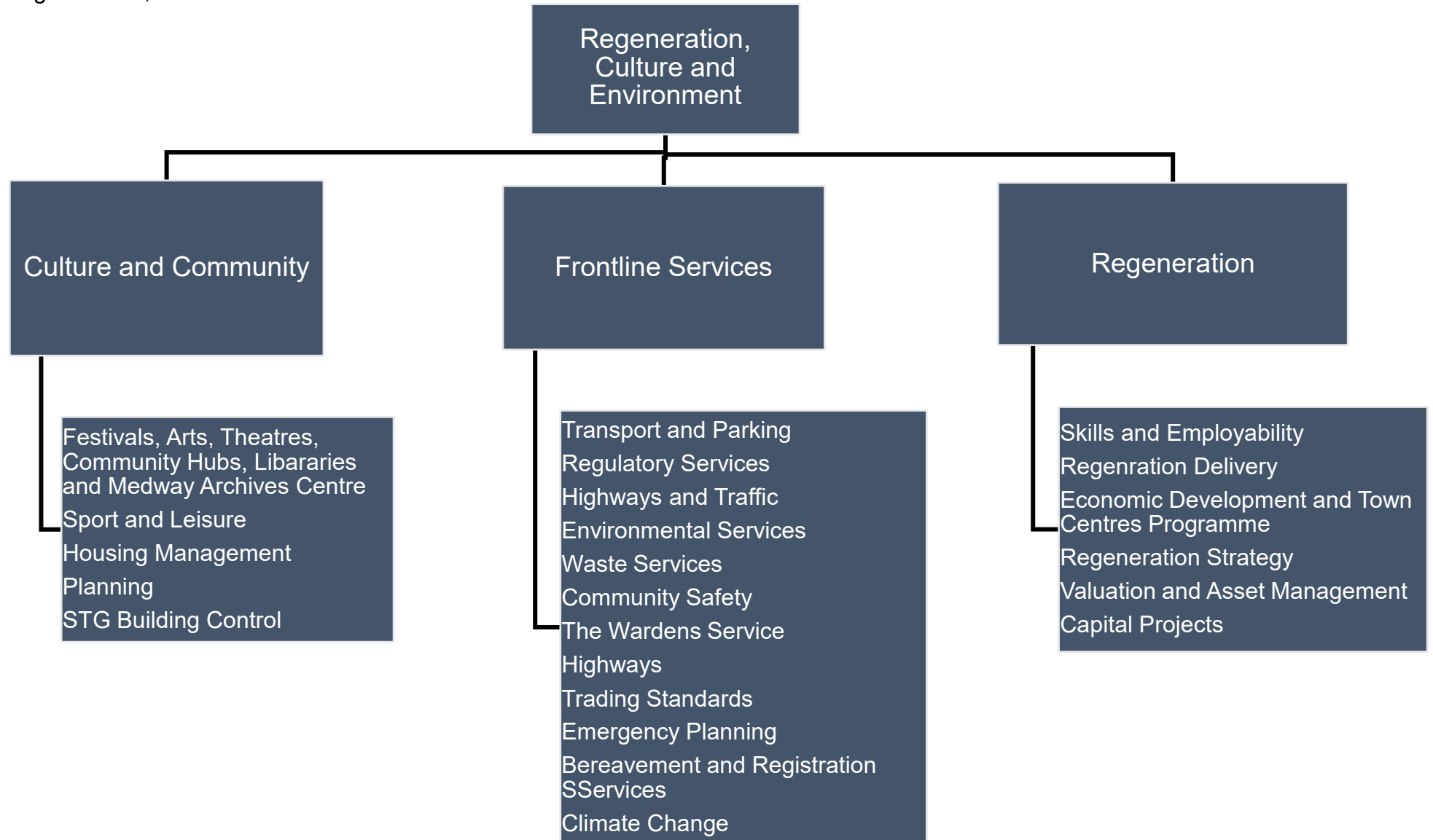
Operational Model (continued)

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 2024/25 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 2024/25 are set out on page **XX**.

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. In their interim report for 2024/25 the Auditor identified weaknesses primarily relating to the Council's ability to contain statutory expenditure within available funding and to protect reserves. The Council responded swiftly to implement improvements and an update was reported to the Audit Committee in January 2025.

In the Autumn of 2023, we commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct a Resilience

Review to help identify opportunities to reduce costs, increase income and improve service delivery. That review did not identify any governance or financial failures and recommended that the Council engages with the Government to secure support. Following the Council's request through the Exceptional Financial Support (EFS) scheme, the Government commissioned CIPFA to carry out an Assurance Review. In that report, published in March 2025, CIPFA noted that the Council "is making great efforts to achieve a financially sustainable position and to balance spending with funding in the medium-term, and it is achieving some measure of success." The report also noted that CIPFA's impression is of a strong leadership at both Member and Officer level, which encourages collaboration and challenge in achieving the council's vision based around a common agenda and common values, and that through initiatives such as the FIT Plan, the One Medway Council Plan, the Medway 2.0 Roadmap, and the successful implementation of monthly forecasting, the Council has demonstrated both the capacity and willingness to drive necessary change

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 2024/25 Settlement was the sixth consecutive single-year settlement received,

however the Government was clear that it would return to multi-year funding settlements following the Spending Review in 2025. Until longer term settlements are received that address funding pressures arising from the pandemic, and from reforms to social care, funding remains our most significant risk 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.

The Council refreshes its financial projections twice each year, with initial projections published through the Medium Term Financial Outlook in the August, and an updated set published alongside the Budget reports in February.

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.

Our Treasury Management Strategy and quarterly monitoring are presented to both the Audit Committee and to Cabinet with the Strategy being approved by Council.

In 2024/25 the Council introduced the Financial Improvement and Transformation (FIT) Plan, which brings together the significant activity underway to deliver improvements and savings across the Council, while progressing our ambitions in the One Medway Council Plan. Quarterly reports detailing performance in the delivery of these actions and savings have been reported to Cabinet and Overview and Scrutiny

Committees alongside the budget and Council
Plan monitoring during 2024/25.

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 2024/25 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 (as at 31/03/2025)

Full details of each risk on the Council's register at the end of 2024/25, including scores and arrangements in place to manage them, reported to the Cabinet on 3 June 2025.

At that date, the Council's strategic risks were:

- Insufficient budget funding
- Adult Social Care budget pressure
- Gun Wharf building closure
- Homelessness
- Children's Social Care budget pressure

- Meeting the needs of Older People and Working Age Adults
- Delivering Regeneration
- Medway's Economic Recovery
- MedPay review
- Failure to meet the needs of children and young people
- Cyber security
- Lack of national funding to remedy problems following school condition surveys
- Failure to deliver the High Needs Budget Recovery Plan
- Medway Development Company Ltd
- Data and Information
- Recruitment and Retention
- Climate Change

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.

Performance Management

The One Medway Council Plan 2024-2028 sets out our mission, strategic priorities, values and behaviours and principles for delivering for Medway, and each year we refresh the measures we will use to track our performance against the Plan. Detailed Quarterly Council Plan monitoring reports are published via Cabinet and Overview and Scrutiny Committee agendas. Where performance is below target, reviews to be carried out to understand factors driving performance and to determine actions for improvement. The data below sets out the position from the Q4 and year end 2024/25 position reported to the Cabinet on 3 June 2025.

Delivering quality community services

For 21 performance measures:

- 42.9% (9 out of 21 measures) met or exceeded target.
- 19.0% (4 out of 21 measures) were slightly below target (less than 5%).
- 38.1% (8 out of 21 measures) were significantly below target (more than 5%)

Benefitting from good education, quality jobs and a growing economy

For 17 performance measures:

- 58.8% (10 out of 17 measures) met or exceeded target.
- 17.6% (3 out of 17 measures) were slightly below target (less than 5%).
- 23.5% (4 out of 17 measures) were significantly below target (more than 5%)

Enjoying clean, green, safe and connected communities

For 14 performance measures:

- 64.3% (9 out of 14 measures) met or exceeded target.
- 14.3% (2 out of 14 measures) were slightly below target (less than 5%).
- 21.4% (3 out of 14 measures) were significantly below target (more than 5%).

Improving health and wellbeing for all

For 18 performance measures:

- 33.3% (6 out of 18 measures) met or exceeded target.
- 27.8% (5 out of 18 measures) were slightly below target (less than 5%).
- 38.9% (7 out of 18 measures) were significantly below target (more than 5%).

Living in good quality, affordable homes

For 12 performance measures:

- 58.3% (7 out of 12 measures) met or exceeded target.
- 16.7% (2 out of 12 measures) were slightly below target (less than 5%).
- 25.0% (3 out of 12 measures) were significantly below target (more than 5%)

Financial Performance

Financial Review of 2024/25

Local Government continues to operate in an extremely challenging financial environment, with the IFS reporting that “Taking the period 2010/11 to 2024/25 as a whole, councils’ overall core funding is set to be 9% lower in real terms and 18% lower in real terms per person [in 2024/25] than at the start of the 2010s.

Despite our strong track record of financial management and the careful management and growth of reserves following the Covid-19 pandemic, it was necessary to use £6.706million of general reserves to fund the overspend on services experienced in 2023/24. The Medium Term Financial Outlook considered by the Cabinet in September 2023 projected a possible budget shortfall for 2024/25 of £38.745million, driven by pressures across social care, homelessness and SEND services.

In light of the extraordinarily challenging financial position, to help identify opportunities to improve financial sustainability, in November 2023 the Council invited the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct a Resilience Review. The review did not identify any governance or financial failures but highlights a need to deliver a programme of structural and cultural change to address the growing pressures on services for people. The report concluded that the “short timeframe, combined with the low level of General Reserves and the low rate of Council Tax in Medway (the lowest in Kent and below the English average) means Medway’s room for manoeuvre is severely limited [...] and it will not be possible to set a balanced budget that is credible and does not result in an overspend in 2024/25 without some form of intervention from Government.”

As advised by CIPFA, in January 2024, the Leader and Chief Executive of the Council wrote to the

Parliamentary Under-Secretary of State for Local Government and Building Safety and the Director of Local Government Finance, Department for Levelling Up, Housing and Communities requesting Exceptional Financial Support (EFS) and a capitalisation direction of the £14.742million required was agreed in principle enabling the Council to balance the budget for 2024/25, and also to invest in an Improvement Programme to transform services and deliver significant savings.

Despite additional funding and budget increases, the Council’s statutory service areas again projected pressures during the financial year, and the first round of budget monitoring for 2024/25 projected an overspend of £16.473million, in excess of the Council’s general reserves balance at that time. Though management action had reduced the projected overspend to £11.221million by the second round of budget monitoring, the Council sought an extension to the EFS agreed for the year alongside the package of support requested for 2025/26. In February 2025 the Government issued an agreement in principle to an increased level of EFS based on the overspend projected in the budget monitoring. It was necessary to use a total of £5.497million of additional EFS to fund the final outturn, taking the total EFS required in 2024/25 to £20.239million. This was less than the total amount of support agreed in principle by the Government for 2024/25 of £23.171million.

Following the Council’s request through the Exceptional Financial Support (EFS) scheme, the Government commissioned CIPFA to carry out an Assurance Review. In that report, published in March 2025, CIPFA noted that the Council “is making great efforts to achieve a financially sustainable position and to balance spending with funding in the medium-term, and it is achieving some measure of success, [...] has taken what might be regarded as “politically unattractive” decisions and is both receptive and

responsive to the advice given to it, to achieve greater financial resilience.”

The Council is now working to deliver its Financial Improvement and Transformation Plan in order to return to a sustainable financial position over the medium term.

Treasury Management

The Council’s Treasury Outturn 2024/25 will be reported to Audit Committee in July 2025. The Q3 report was presented to the Committee in March 2025 and reported that the Council complied with its legislative and regulatory requirements in the delivery of the treasury function in 2024/25 to date. 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 2025 stood at £149.9million (2023/24, £102.0million) and externally managed of £17.7million (£19.9million in 2023/24). During 2024/25 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 £495.7million long-term borrowing as at 31 March 2025 (31 March 2024, £352.0million), primarily in the form of PWLB and market loans. In addition, short term borrowing stood at £90.0million at 31 March 2025 (£118.5million at 31 March 2024).

Reserves

As at March 2024 the Council had non-earmarked general fund reserves of £10.065million available to it. Though the 2024/25 revenue outturn set out in this report represents an overspend against the budget, this will be funded from the expanded EFS agreed in principle by the Government and will not therefore

impact the Council's general reserves balance. In setting the 2025/26 budget, Council agreed to use £50,000 from general reserves to fund VE and VJ day celebrations in May 2025. As at 31 March 2025 the Council's general reserves stand at £10.06million, above the minimum level of £10million set by the Section 151 Officer.

Financial outlook

Alongside the budget for 2025/26, in February 2025 the Council agreed a set of medium term financial

projections. Collectively these represented a gap of £10.070million. Work to refresh these assumptions is underway and will be reported to the Cabinet in August 2025 in the Medium Term Financial Outlook 2025-2030.

Alongside the Settlement 2025/26 the Government issued a consultation on local authority funding reforms, and opened the Fair Funding Review 2.0, continuing this consultation after the Comprehensive Spending Review published on 11 June 2025. The

reforms are aiming to introduce a "fairer, simpler funding system that targets money where it is most needed". Given Medway's relative deprivation (with an index of multiple deprivation score of 6, with 10 being the highest and most deprived) we expect the focus on deprivation as a proxy for need would mean Medway receives greater shares of national funding quanta in the future.

Financial Performance (continued)

How the Authority's Budget has Changed

	£'000	£'000
Budget requirement 2023/24	392,084	
Changes in function and funding	(1,190)	
Adjusted Base Budget		390,894
Inflation	6,433	
Other cost pressures	36,532	
Service pressures	85,975	
Efficiency and other savings	(74,431))	
Total		54,509
Budget Requirement 2023/24		445,404
Financed By:	0	0
Retained Business Rates	(74,499)	0
Baseline Need Funding	(8,129)	0
Other Specific Grant	(189,572)	0
Council Tax	(158,462)	0
Exceptional Financial Support	(14,742)	0
Total		(445,404)

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 £'000	Income £'000	Net £'000	Budget £'000	Variation £'000
Business Support Department					
Children and Adults (including Public Health)					
Regeneration, Culture and Environment					
Sub-total Included in Cost of Services in Statutory Accounts					
Amounts included within management accounts but excluded from services within statutory accounts:					
Investment Properties (included in RCE in Management Accounts)					
Sub-total included within Regeneration, Culture and Environment Directorate in Management Accounts but included within Financing & Investment Income and Expenditure within the Statutory Accounts					
Medway Norse					
Corporate Management					
Interest & Financing					
Sub-total Other Operating/Finance and Investment Income and Expenditure within the Statutory accounts					
Depreciation Credit					
Amounts included within Interest & Financing in Management Accounts but excluded from Surplus or Deficit on the Provision of Services within the Statutory Accounts					
Total Management Accounts Variance against Budget Requirement					

Financial Performance (continued)

Directorate	Expenditure £'000	Income £'000	Net £'000	Budget £'000	Variation £'000
Funding:-					
Contribution To/(From) Reserves					
Baseline Need Funding					
Retained Business Rates					
Council Tax					
Dedicated Schools Grant					
Other School Grants					
Adult Social Care Grants					
Children's Social Care Grants					
New Homes Bonus					
Additional Government Support Non-ringfenced Grant Income					
Public Health Grant					
Total Funding					
Total Funding and Expenditure Variance					

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 will be considered at Cabinet on 11 June 2024.

Housing Revenue Account

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

	Expenditure £'000	Income £'000	Net £'000	Budget £'000	Variation £'000
Housing Revenue Account					
Total Management Accounts Variance against Budget Requirement					
Funding:-					
Contribution To/(From) Reserves					
Total Funding					
Total Funding and Expenditure Variance					

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 2024/25 the Council spent £54.793million on General Fund and £10.202million Housing Revenue Account capital schemes. This delivered new fixed assets or enhancement of existing assets used in the provision of services in the Medway area including provision of a new school classrooms, improvements to school infrastructure, highways improvements, regeneration schemes and improvements to the Council's housing stock. The final capital outturn position for the year is shown in the table below together with how this expenditure was financed:

Capital Budget 2024/25	Approved Programme	Forecast Spend	Outturn	Variation to Forecast	Budget c/fwd
	2024/25	2024/25	2024/25	2024/25	2025/26+
	£'000	£'000	£'000	£'000	£'000
Directorate/Service					
Business Support Department	430	378	292	(86)	138
Children and Adults (inc. Public Health)	32,554	15,165	13,627	(1,538)	18,669
Regeneration, Culture & Environment	227,031	61,719	40,874	(20,845)	139,895
Housing Revenue Account	67,636	11,802	10,202	(1,600)	57,433
Total	327,650	89,064	64,995	(24,069)	216,135
Funding source					
Borrowing (supported capital expenditure and unsupported)			18,101		
Government Grants and Other Contributions			36,601		
Major Repairs and Other Contributions			4,210		
Capital Receipts			1,128		
Developer Contributions			1,285		
Revenue and Reserves			3,670		
Total			64,566		

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 Finance 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 Finance Officer has to certify that the accounts present a 'true and fair' view of the financial position of the Authority as at 31 March 2025 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 for 2024/25 will be added to the financial statements once approved.

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 29 to 35.

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 36 to 154. The supplementary financial statements are set out on pages 155 to 169 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 set out the income and expenditure for the year and the financial position at 31 March 2025 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kyndi Ltd and Medway Development Company Ltd, but are not yet available whilst the Council awaits further

information from one of its subsidiaries.

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 172 to 179.

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 172 to 179.



Rochester Castle,
Rochester

B. Annual Governance Statement

To Follow



The Great Lines
Heritage Park,
Gillingham

C. Written Statements

Statement Of Responsibilities

The Authority’s Responsibilities 31

The Chief Financial Officer’s Responsibilities 31

Certificate of the Chief Finance Officer 31

Approval of the Statement of Accounts..... 31

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 Finance Office

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 2025.

Signed:

Pp Phil Watts

Chief Operating Officer, Section 151 Officer

Dated 30/06/2025

Approval of the Statement of Accounts

Independent Auditors Report to the Members of Medway Council

Report on the audit of the financial statements

To Follow



Chatham Waterfront
Bus Station,
Chatham

D. Core Financial Statements

Core Financial Statements

Comprehensive Income and Expenditure Statement..... 36

Movement in Reserves Statement..... 37

Balance Sheet 40

Cash Flow Statement 41

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.

2023/24	2023/24	2023/24				2024/25	2024/25	2024/25
Gross	Gross	Net	Service	Notes		Gross	Gross	Net
Expenditure	Income	Expenditure				Expenditure	Income	Expenditure
£'000	£'000	£'000				£'000	£'000	£'000
83,774	(64,449)	19,326	Business Support Department			87,999	(65,510)	22,489
402,802	(234,976)	167,826	Children's and Adults (inc. Public Health)			447,833	(270,678)	177,155
19,040	(16,702)	2,339	Local authority housing (HRA)			11,218	(18,629)	(7,411)
130,907	(47,648)	83,259	Regeneration, Culture & Environment			148,601	(54,647)	93,954
636,524	(363,775)	272,749	Cost of Services			695,651	(409,464)	286,187
22,675	0	22,676	Other operating expenditure	9		11,550	0	11,550
15,167	(10,786)	4,381	Financing and investment income and expenditure	10		20,362	(15,769)	4,593
0	(279,279)	(279,279)	Taxation and non-specific grant income and expenditure	11		0	(282,810)	(282,810)
674,366	(653,839)	20,527	(Surplus) or Deficit on Provision of Services			727,563	(708,043)	19,520
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services					
		(41,140)	Surplus on revaluation of property, plant and equipment assets	37				(15,686)
		15,928	Revaluation losses on non-current assets charged to the Revaluation Reserve	37				8,084
		(1,379)	Re-measurement of net defined pension liability/(asset)	38				13,002
		(26,591)						5,400
			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	37				0
		0						0
		(26,591)	Other Comprehensive Income and Expenditure					5,400
		(6,064)	Total Comprehensive Income and Expenditure					24,920

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 2019/20 was transferred here. The deficit on this reserve was transferred to an unusable reserve, the Dedicated Schools Grant Adjustment Account during 2020/21, 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 37.*

Movement in Reserves Statement (continued)

2024/25	Notes	Revenue Reserves						Capital Reserves					
		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Total Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2024		(10,061)	(30,466)	(40,527)	(7,524)	0	(7,524.43745)	(2,908)	0	(63,099)	(114,059)	(440,767)	(554,826)
Movement in reserves during 2024/25													
Total Comprehensive Expenditure and Income		26,564	0	26,564	(7,044)	0	(7,044)	0	0	0	19,520	5,400	24,920
Adjustments between accounting & funding basis under regulations	19	(54,490)	0	(54,490)	7,363	0	7,363	(174)	(33)	6,163	(41,173)	41,173	0
Net (increase)/decrease before transfers to Earmarked Reserves		(27,927)	0	(27,927)	319	0	319	(174)	(33)	6,163	(21,652)	46,572	24,920
Movements in Earmarked Reserves	20	7,687	(7,392)	294	0	0	0	(219)	0	129	203	0	203
Capitalisation Direction		20,239	0	20,239		0	0				20,239	(20,239)	0
(Increase)/Decrease in 2024/25		(1)	(7,392)	(7,393)	319	0	319	(394)	(33)	6,291	(1,210)	26,333	25,123
Balance at 31 March 2025 carried forward		(10,062)	(37,859)	(47,920)	(7,206)	0	(7,206)	(3,302)	(33)	(56,808)	(115,269)	(414,433)	(529,702)

The transfer between the Capital Receipts Reserve and the General Fund Balance relates to the transfer of funding for Transformation projects held within revenue accounts funded by the flexible use of capital receipts.

Movement in Reserves Statement (continued)

2023/24	Notes	Revenue Reserves					Capital Reserves						
		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Total Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000s (10,238)	£000s (42,583)	£000s (52,821)	£000s (6,373)	£000s (0)	£000s (6,373)	£000s (4,284)	£000s 0	£000s (42,142)	£000s (105,620)	£000s (443,141)	£000s (548,761)
Balance at 1 April 2023													
Movement in reserves during 2023/24													
Total Comprehensive Expenditure and Income		12,271	0	12,271	2,350	0	2,350	0	0	0	14,621	(26,608)	(11,987)
Adjustments between accounting & funding basis under regulations		(4,834)	0	(4,834)	(3,502)	0	(3,502)	444	(0)	(21,091)	(28,983)	28,983	0
19 Net (increase)/decrease before transfers to Earmarked Reserves		7,437	0	7,437	(1,152)	0	(1,152)	444	(0)	(21,091)	(14,362)	2,375	(11,987)
Movements in Earmarked Reserves		(7,260)	6,714	(546)	0	0	0	932	0	134	520	0	520
20 (Increase)/Decrease in 2023/24		177	6,714	6,891	(1,152)	0	(1,152)	1,376	(0)	(20,957)	(13,842)	2,375	(11,468)
Balance at 31 March 2024 carried forward		(10,061)	(35,869)	(45,930)	(7,524)	(0)	(7,524)	(2,908)	0	(63,099)	(119,462)	(440,767)	(560,228)

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 2024 £'000	Balance Sheet Summary	Notes	31 March 2025 £'000
815,396	Property Plant & Equipment	21	827,303
23,213	Heritage Assets	23	23,839
18,181	Investment Property	25	19,088
18	Intangible Assets		12
19,926	Long Term Investments	27	17,741
89,036	Long Term Debtors	31	117,029
965,770	Long Term Assets		1,005,012
15,910	Assets Held for Sale <1 Year	26	15,910
163	Inventories		207
4,182	Short Term Investments	27	20,148
132,309	Short Term Debtors	31	168,583
8,305	Cash and Cash Equivalents	33	20,836
160,869	Current Assets		225,684
0	Cash and Cash Equivalents	33	(12,604)
(1,431)	Grants Receipts in Advance - Revenue	17	(2,721)
(118,549)	Short Term Borrowing	27	(90,001)
(60,330)	Short Term Creditors	34	(58,260)
(245)	Finance Leases < 1 Year	30	0
(3,081)	Provisions (Short Term)	35	(1,776)
(183,637)	Current Liabilities		(165,362)
(27,139)	Long Term Creditors	34	(27,539)
(3,783)	Provisions (Long Term)	35	(3,395)
(352,039)	Long Term Borrowing	27	(495,705)
5,449	Other Long Term Liabilities	30,38	(3,193)
(5,261)	Grants Receipts in Advance - Capital	18	(5,800)
(382,772)	Long Term Liabilities		(535,633)
560,229	Net Assets		529,702
(119,462)	Usable Reserves	32	(115,270)
(440,767)	Unusable Reserves	37	(414,433)
(560,229)	Total Reserves		(529,703)

The unaudited accounts were issued on 30 June 2025 and were authorised for issue on 30 June 2025.

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.

2023/24 £'000		Notes	2024/25 £'000
14,621	Net (Surplus) or deficit on the provision of services		19,520
8,004	Adjustments to net Surplus or deficit on the provision of service for non-cash movements		34,201
48,846	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities		33,025
71,471	Net cash flows from Operating Activities	<u>38</u>	86,746
(11,516)	<u>Investing Activities</u>	<u>39</u>	28,445
(64,696)	<u>Financing Activities</u>	<u>40</u>	(115,119)
(4,742)	Net (increase) or decrease in cash and cash equivalents		72
3,563	Cash and cash equivalents at the beginning of the reporting period		8,305
8,305	Cash and cash equivalents at the end of the reporting period	<u>32</u>	8,233



Chatham Maritime
Marina,
St Mary's Island,
Chatham

E. Notes to the Core Financial Statements

Medway
COUNCIL
Serving You



The Strand Lido
and Leisure Park,
Gillingham

E1. Statement of Accounting Policies

Statement Of Accounting Policies

Note 1. Accounting Policies 45

Note 2. Accounting standards issued but not yet adopted 48

Note 3. Critical Judgement in Applying Accounting Policies 49

Note 4. Assumptions made about the future and other major sources of estimation uncertainty 50

Note 1. Accounting Policies

Basis for Preparation

The notes to the financial statements on the following pages are grouped in order to support each of the Core Statements to aid the reader in understanding each of them.

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result there is not a separate principal accounting policies note but note 1 details general accounting policies or those where there are not accompanying notes.

General Principles

The financial statements summarise the Authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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, are free from 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 accrual's 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 £10,000 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 2024/25 accounts. The following are expected to be listed in Appendix C of the 2024/25 CIPFA Accounting Code of Practice (the Code):

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities.

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** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets

with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024. 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 as a result of a need to close facilities and reduce levels of service provision.
- The Deputy Prime Minister is minded to approve a capitalisation direction of a total not exceeding £23.171 million for 2024/25, subject to the agreement of the Council's auditors, and as the Council has concluded it has met all conditions of the approval, it has capitalised £20.239 million of expenditure as a result.
- **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 2024/25.

- The Council's interest in Medway Norse Ltd 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
- **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 rights to use the assets have been 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. 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.
- **Revenue from Contracts:** The Council has reviewed its income sources in view of the introduction of IFRS15 – Revenue from Contracts with Customers and considers that income received in exchange for services is accounted for in line with the standard as the majority of services are paid for at the time of receipt or are aligned with our financial reporting period. Income received outside of those parameters is deemed to be immaterial.

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 2025 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.	The following sensitivity analysis relating to the present value of obligations of £551.454m as detailed within the sensitivity analysis table within Note 37 to the financial statements, are based upon complex judgements: 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 £11.199m. A 1 year reduction in life expectancy assumptions would result in a £10.385m decrease in the pension liability.
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.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall. 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>	<p>The Council's external valuers provided valuations as at March 2025 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 2024/25 were as follows:</p> <ul style="list-style-type: none"> • Council Dwellings £195.237m • Other land & buildings £77.319m • Surplus Assets £15.376m • Investment Assets £19,087m • Assets Held for Sale £ 15.910m 	<p>Were there to be a 5% negative impact on the value of the assets valued in 2024/25, this would mean a reduction in the non-current assets in the balance sheet of £15.646m together with the associated unusable reserves.</p>
<p>Fair Value measurements</p>	<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, 26 and 28.</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>



St Mary's
Island

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

Medway
COUNCIL
Serving You

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

Note 5. Expenditure and Funding Analysis 54

Note 6. Note to Expenditure and Funding Analysis 56

Note 7. Segmental Income 58

Note 8. Expenditure and income Analysed by Nature 59

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.

2023/24					Directorate	2024/25				
Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances		Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
8,892	9,985	18,877	(7,617)	11,259	Business Support Department	11,298	11,192	22,489	(11,640)	10,849
314,759	(146,204)	168,555	(10,952)	157,602	Children's and Adults (Inc. Public Health)	354,774	(177,620)	177,155	(12,875)	164,280
79,024	3,927	82,951	(19,745)	63,206	Regeneration, Culture and Environment	83,945	10,009	93,955	(21,983)	71,972
(1,152)	3,518	2,366	(3,503)	(1,137)	Housing Revenue Account	319	(7,730)	(7,411)	7,363	(49)
401,523	(128,775)	272,748	(41,817)	230,931	Net Cost of Services	450,336	(164,149)	286,187	(39,136)	247,052
7,272	(259,642)	(252,370)	33,514	(218,856)	Other operating income and expenditure	9,089	(275,756)	(266,667)	12,338	(254,329)
408,795	(388,416)	20,379	(8,303)	12,075	(Surplus) or Deficit	459,425	(439,905)	19,520	(26,798)	(7,278)
				(59,194)	Opening General Fund and HRA Balance ¹					(48,051)
				(932)	Adjustment for Use of Capital Receipts to fund Transformation Programme ¹					0
				12,075	Less Deficit on General Fund and HRA Balance in Year					(7,278)
				(48,051)	Closing General Fund and HRA Balance ²					(55,329)

¹A decision was made to move transformation programme expenditure from the capital programme to revenue expenditure, funded from the flexible use of capital receipts.

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

Note 5. Expenditure and Funding Analysis (continued)

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

2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Statutory Differences (Note c) £'000	Total Statutory Differences £'000	Other (Non- statutory) Adjustments (Note d) £'000	Total Adjustments £'000
Business Support Department	(7,493)	(227)	0	(7,720)	(5)	(7,725)
Children's and Adults (Inc. Public Health)	(682)	2,038	0	1,355	(140)	1,216
Regeneration, Culture & Environment	(15,476)	69	0	(15,408)	6	(15,402)
Housing Revenue Account	(3,276)	10	0	(3,266)	(2)	(3,269)
Net Cost of Services	(26,928)	1,889	0	(25,039)	(141)	(25,180)
Other income and expenditure from the Expenditure and Funding Analysis	29,152	2,845	(1,117)	30,880	2,601	33,481
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,224	4,734	(1,117)	5,841	2,459	8,301

Adjustments between Funding and Accounting Basis

2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Statutory Differences (Note c) £'000	Total Statutory Differences £'000	Other (Non- statutory) Adjustments (Note d) £'000	Total Adjustments £'000
Business Support Department	(5,910)	(2,286)	0	(8,196)	3	(8,193)
Children's and Adults (Inc. Public Health)	(10,059)	(6,116)	0	(16,174)	146	(16,029)
Regeneration, Culture & Environment	(37,562)	(3,378)	0	(40,941)	2	(40,939)
Housing Revenue Account	1,617	(292)	0	1,325	(1)	1,324
Net Cost of Services	(51,915)	(12,072)	0	(63,987)	150	(63,837)
Other income and expenditure from the Expenditure and Funding Analysis	42,985	(2,674)	(3,839)	36,472	12,660	49,132
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(8,930)	(14,746)	(3,839)	(27,514)	12,810	(14,705)

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:

	2023/24		2024/25	
	Income from Services £'000	Revenues from Transactions with Other Operating Segments of the Council £'000	Income from Services £'000	Revenues from Transactions with Other Operating Segments of the Council £'000
Business Support Department	(4,890)	(26,626)	(6,243)	(29,934)
Children's and Adults (inc. Public Health)	(22,374)	(13,370)	(24,254)	(43,018)
Regeneration, Culture and Environment	(35,156)	(18,449)	(38,534)	(17,087)
Housing Revenue Account	(16,553)	(349)	(17,979)	(419)
Total income analysed on a segmental basis	(78,973)	(58,794)	(87,010)	(90,458)

Note 8. Expenditure and income Analysed by Nature

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

	2023/24	Business Support	Children's and Adults (Inc. Public Health)	Regeneration, Culture & Environment	Total General Fund	Housing Revenue Account	Total Management Accounts	Amounts Not Reported to Management	Allocation of Recharges	Net Cost of Services	Corporate Amounts	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure/Income												
Expenditure												
Employee benefits expenses	22,416	99,266	30,343	152,024	2,191	154,215	(2,741)	0	151,475	(1,605)	149,870	22,416
Other services expenses	71,916	343,158	93,880	508,954	11,711	520,665	2,301	(12,533)	510,433	(1,943)	508,489	71,916
Support service recharges	8,315	12,385	14,576	35,276	762	36,038	0	(35,282)	756	0	756	8,315
Depreciation, amortisation and impairment	566	2,296	11,841	14,702	4,244	18,946	13,387	0	32,333	(907)	31,426	566
Interest payments	0	0	0	0	0	0	0	0	0	23,451	23,451	0
Precepts and levies	0	0	0	0	0	0	0	0	0	2,557	2,557	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0	0	0	0
Gain on the disposal of assets	0	0	0	0	0	0	0	0	0	8,993	8,993	0
Pension Adjustments	0	0	0	0	0	0	634	0	634	0	634	0
Total expenditure	103,212	457,105	150,639	710,956	18,908	729,864	13,581	(47,815)	695,631	30,546	726,176	103,212
Income												
Fees, charges and other service income	(36,177)	(67,273)	(55,620)	(159,070)	(18,398)	(177,468)	5,721	47,815	(123,933)	(1,498)	(125,430)	(36,177)
Interest and investment income	0	(154)	0	(154)	(146)	(299)	0	0	(299)	(12,905)	(13,204)	0
Income from council tax and non-domestic rates	0	0	0	0	0	0	0	0	0	(234,770)	(234,770)	0
Government grants and contributions	(55,737)	(34,904)	(11,074)	(101,715)	(45)	(101,760)	(183,451)	0	(285,211)	(48,041)	(333,252)	(55,737)
Total income	(91,914)	(102,330)	(66,694)	(260,939)	(18,589)	(279,528)	(177,730)	47,815	(409,443)	(297,214)	(706,656)	(91,914)
Surplus or Deficit on the Provision of Services	11,298	354,774	83,945	450,018	319	450,336	(164,149)	0	286,188	(266,668)	19,520	11,298



Rochester Castle,
Rochester

E3. Notes Supporting the Comprehensive Income and Expenditure Statement

Notes Supporting the Comprehensive Income and Expenditure Statement

Note 9. Other Operating Expenditure 62

Note 10. Financing & Investment Income and Expenditure 62

Note 11. Taxation & Non-Specific Grant Income and Expenditure 62

Note 12. Pooled Budgets 63

Note 13. Members Allowances 65

Note 14. Officers Remuneration 66

Note 15. External Audit Costs 71

Note 16. Dedicated Schools Grant 72

Note 17. Grant Income 74

Note 18. Interests in Companies and Other Entities 81

Note 9. Other Operating Expenditure

	2023/24 £'000	2024/25 £'000
Parish Council Precepts	615	691
Levies	1,801	1,865
Payment to the Government Housing Capital receipts Pool	0	0
Gains/losses on disposal of non-current assets	20,287	8,993
Total	22,703	11,549

Note 10. Financing & Investment Income and Expenditure

	2023/24 £'000	2024/25 £'000
Interest payable and similar charges	17,564	23,614
Net interest on the net defined benefit liability (asset)	(2,845)	(1,605)
Pensions interest costs and expected return on pensions assets	0	0
Gain/(Loss) on Financial Assets at Fair Value through Profit and Loss	1,173	(1,024)
Interest receivable and similar income	(9,034)	(12,748)
Direct operating expenses arising from investment property	0	0
Income and expenditure in relation to investment properties and changes in their fair value	(2,476)	(2,364)
Other investment income	0	0
Total	4,382	5,873

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

	2023/24 £000s	2024/25 £000s
Council tax income	(148,677)	(161,112)
Non-domestic rates income and expenditure	(66,997)	(73,658)
Non-ringfenced government grants	(19,851)	(17,392)
Capital grants and contributions	(44,011)	(30,650)
Movement on leases	0	(1,280)
Total	(279,536)	(284,090)

Note 12. Pooled Budgets

Better Care Fund (BCF)

The Council operated a Better Care Fund of £35.707m with Kent & Medway Clinical Commissioning Group under a s75 arrangement throughout 2024/25. For 2024/25 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)

	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Funding provided by each partner:				
Medway Council	(17,467)		(18,525)	
(included in the authority's Comprehensive Income & Expenditure Statement)				
Kent & Medway CCG	(16,048)	(33,515)	(17,182)	(35,707)
(not included in the authority's Comprehensive Income & Expenditure Statement)				
Expenditure paid as part of the agreement:				
Medway Council/Kent & Medway CCG	17,467		18,525	
(included in the authority's Comprehensive Income & Expenditure Statement)				
Kent & Medway CCG	16,048	33,515	17,182	35,707
(not included in the authority's Comprehensive Income & Expenditure Statement)				
Net surplus/(deficit) arising on the pooled budget during the year		<u>0</u>		<u>0</u>
Authority share of 50% of the net surplus arising on the pooled budget		<u>0</u>		<u>0</u>

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 is part of an RAA with Kent County and the London Borough of Bexley worth £4.394m. 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 partners percentage share is now based on three years rolling activity data and the cost of staffing for each LA. Medway's partnership percentage share was c20% in 2023-24 but increased to 23% in 2024-25 and any surplus or deficits generated by the partnership will be based on this revised percentage.

Similar to last year, at their meeting in March 2024, the partnership board agreed the 2023/24 surplus generated during the year would be transferred into reserves and would be added to the budget to be spent in the next financial year rather than returning the surplus to partners. Medway 20% share of this reserve is £65,654.

Regional Adoption Agency (RAA)

Funding provided by each partner:

Medway Council

Kent County Council & London Borough of Bexley

Expenditure paid as part of the agreement:

Medway Council

Kent County Council & London Borough of Bexley

Net surplus/(deficit) arising on the pooled budget during the year

Opening Reserve Balance

Net surplus/(deficit) transferred into or (out) of the reserve.

Closing Reserve Balance

Authority share of the reserve balance is 23% (20% 2023/24)

	2023/24 £'000	2024/25 £'000
	(965)	(1,024)
	(3,306)	(3,370)
	<u>(4,271)</u>	<u>(4,394)</u>
	965	1,024
	3,134	3,053
	18	263
	<u>4,117</u>	<u>4,340</u>
	<u>(154)</u>	<u>(54)</u>
	(175)	(329)
	(154)	(54)
	<u>(329)</u>	<u>(383)</u>
	<u>(66)</u>	<u>(88)</u>

*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:

	2023/24 £000	2024/25 £000
Basic Allowance	710	726
Special Responsibility Allowance	381	415
Expenses	2	2
Total	1,093	1,143

Medway Council is comprised of 59 Members (59 Members in 2023/24) In 2024/25 3 new Councillors were elected where the existing Councillor had resigned resulting in 62 Members being entitled to claim allowances. (80 Members for the whole of 2023/24).

A total of £123.45 was paid to 5 councillors in April 2024 in respect of travel claims relating to 2023/24. (£130.50 paid to 5 councillors in April 2023 in respect of claims relating to 2022/23)

Note 14. Officers Remuneration

The remuneration paid to the Authority's senior employees during 2024/25 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	163,106	9,615	172,721	0	0	172,721	31,633	204,354
Director Of Place	119,700	8,625	128,325	15	0	128,340	20,435	148,775
Director Of People - Children And Adults	140,453	8,625	149,078	0	0	149,078	27,261	176,339
Director Of Public Health (End Date 12/05/2024)	24,419	1,438	25,857	0	0	25,857	4,083	29,940
Director Of Public Health (Start Date 14/05/2024)	99,539	2,916	102,455	590	0	103,045	19,524	122,569
Chief Operating Officer (COO)	124,447	8,625	133,072	0	0	133,072	21,774	154,846
Assistant Director Education And Send	98,143	18,619	116,762	0	0	116,762	21,536	138,298
Assistant Director Children's Services (End Date 27/10/25)	68,557	57,651	126,208	0	0	126,208	23,116	149,324
Assistant Director Children's Services (Start Date 01/07/25)	71,250	4,479	75,729	0	0	75,729	13,867	89,596
Assistant Director Regeneration	98,336	8,972	107,308	30	0	107,338	19,712	127,050
Assistant Director Legal & Governance	99,763	5,972	105,736	0	0	105,736	19,408	125,144
Assistant Director Adult Social Care	92,255	5,972	98,227	0	0	98,227	17,959	116,186
Assistant Director Front Line Services	103,586	5,972	109,558	563	0	110,121	20,146	130,267
Assistant Director Culture & Community	88,517	5,972	94,489	0	0	94,489	17,238	111,727
Deputy Director Of Public Health (End Date 13/05/24)	10,512	1,001	11,513	0	0	11,513	2,222	13,735
Deputy Director Of Public Health (Start Date 15/10/24)	35,140	0	35,140	0	0	35,140	0	35,140
Total	1,437,724	154,454	1,592,178	1,198	0	1,593,375	279,915	1,873,290

Note 14. Officers Remuneration (continued)

Comparative figures for 2023/24 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 (End Date 30/6/2023)	33,937	17,001	50,938	0	0	50,938	1,064	52,003
Chief Executive (Start Date 1/7/2023)	116,504	6,868	123,372	617	0	123,989	21,425	145,413
Director Of Place (End Date 30/06/2023)	32,165	2,054	34,219	171	0	34,390	5,921	40,311
Director Of Place (start Date 14/08/2023)	72,016	5,189	77,205	398	0	77,603	13,266	90,869
Director Of People - Children And Adults	131,111	8,214	139,325	697	0	140,021	24,132	164,153
Director Of Public Health	120,139	8,214	128,353	704	0	129,057	22,124	151,181
Chief Operating Officer (COO)	116,306	8,214	124,520	623	0	125,143	21,422	146,565
Assistant Director Education And Send	93,212	16,231	109,443	0	0	109,443	19,027	128,470
Assistant Director Children's Services	96,698	16,249	112,947	0	0	112,947	19,665	132,612
Assistant Director Regeneration	92,653	5,687	98,340	142	0	98,482	17,094	115,577
Assistant Director Legal & Governance	93,653	5,687	99,340	497	0	99,837	17,277	117,114
Assistant Director Adult Social Care	87,861	5,687	93,548	468	0	94,016	16,218	110,233
Assistant Director Front Line Services	96,812	5,687	102,499	578	0	103,077	17,855	120,932
Assistant Director Culture & Community (End Date 15/10/2023)	44,188	3,073	47,260	(348)	0	46,912	8,161	55,074
Assistant Director Culture & Community (Start Date 09/10/2023)	39,376	2,721	42,098	211	0	42,308	7,272	49,580
Deputy Director Of Public Health	84,640	5,525	90,165	0	0	90,165	16,393	106,558
Total	1,351,271	122,300	1,473,571	4,758	0	1,478,328	248,316	1,726,645

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		Non-Schools	
	2023/24	2024/25	2023/24	2024/25
£50,000 to £54,999	30	27	81	123
£55,000 to £59,999	20	26	54	53
£60,000 to £64,999	13	15	19	58
£65,000 to £69,999	10	5	26	23
£70,000 to £74,999	9	8	12	20
£75,000 to £79,999	8	6	14	14
£80,000 to £84,999	1	2	1	6
£85,000 to £89,999	4	1	1	1
£90,000 to £95,999	1	2	2	0
£95,000 to £99,999	1	1	0	1
£100,000 to £104,999	0	3	0	0
£105,000 to £109,999	0	0	0	0
£110,000 to £114,999	1	0	0	0
£115,000 to £119,999	1	0	0	0
£120,000 to £124,999	0	0	0	1
£125,000 to £129,999	0	1	0	0
£130,000 to £149,999	0	0	0	1
£150,000 to £154,999	0	0	0	0
Total	99	97	210	301

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 2024/25			Number of other departures agreed 2024/25			Total number of exit packages by cost band 2024/25			Total cost of exit packages in each band 2024/25		
	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
	£	£	£	£	£	£	£	£	£	£	£	£
£0 - £20,000	0	2	2	11	6	17	11	8	19	67,528	57,382	124,910
£20,001 - £40,000	0	1	1	0	2	2	0	3	3	0	83,383	83,383
£40,001 - £60,000	0	0	0	0	1	1	0	1	1	0	53,776	53,776
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	1	0	0	0	0	1	1	0	89,975	89,975
£100,001 - £150,000	0	0	0	1	0	1	1	0	1	106,960	0	106,960
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	4	4	12	9	21	12	13	25	174,488	284,515	459,003

The total cost of £0.459m detailed in the table above for exit packages agreed during 2024/25. An amount of £0.454m 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 2023/24			Number of other departures agreed 2023/24			Total number of exit packages by cost band 2023/24			Total cost of exit packages in each band 2023/24		
	Sch23/24ools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
										£	£	£
£0 - £20,000	0	0	0	0	4	4	0	4	4	0	50,590	50,590
£20,001 - £40,000	0	1	1	0	1	1	0	2	2	0	54,203	54,203
£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	1	1	0	0	0	0	1	1	0	168,887	168,887
Total	0	2	2	0	5	5	0	7	7	0	273,680	273,680

The total cost of £0.247m detailed in the table above for exit packages agreed during 2023/24. An amount of £0.247m 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:

	2023/24 £'000	2024/25 £'000
Scale fees payable to GT with regard to external audit services carried out by the appointed auditor for the year	392	443
Fees payable to GT with regard to additional external audit services carried out by the appointed auditor for the year		
Fees payable to GT for the certification of Grant Claims and other services provided by GT	TBC	TBC
Total	392	443

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 2024/25 the Council incurred an underspend of £2.980m (£2.062m 23/24) on DSG funded services. After taking account of the net deficit of £19,375m brought forward from 2023/24, £16.398m was carried forward to 2025/26.

Note 16. Dedicated Schools Grant (continued)

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total 2024/25 £'000	Total 2023/24 £'000
Final DSG for 2024/25 before Academy and high needs recoupment			345,727	312,532
Less: Academy and high needs figure recouped for 2024/25			(225,139)	206,219
Total DSG after Academy and high needs recoupment for 2024/25			120,588	106,314
Plus: Brought forward from 2023/24			4,151	2,090
Final budget distribution for 2024/25	84,751	39,988	124,739	108,403
In Year Adjustments	1,370	38	1,408	2,329
Sub Total	86,121	40,026	126,147	106,075
Less: Actual central expenditure	(78,989)		(78,989)	54,198
Less: Actual Individual Schools Budget deployed to schools		(40,026)	(40,026)	47,725
Carried forward Usable Reserve	7,131	40,026	7,131	4,151
Less: Agreed transfer to capital earmarked reserves.			(23,530)	(23,530)
DSG unusable reserve at the end of 2023/24			0	0
Addition to DSG unusable reserve at the end of 2024/25			(23,530)	(23,530)
Total of DSG unusable reserve at the end of 2024/25			(16,398)	(19,378)

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 2023/24.

	2023/24 £'000	2024/25 £'000
Credited to Taxation and Non Specific Grant Income		
<u>Ministry of Housing, Communities & Local Government</u>		
- Formula Grant / Revenue Support Grant	(9,258)	(7,792)
- Service grant	0	(337)
- New Homes Bonus	(1,998)	(1,573)
- Covid 19 Council Tax Hardship Fund Grant	(371)	0
- Homes for Ukraine	(864)	(739)
- Covid-19 Energy Bill Support Scheme	(93)	0
- Covid-19 Alternative Fuel Payment Scheme	(34)	0
<u>Department for Education</u>		
- Holiday Activities & Food Programme	(1,161)	(1,162)
- Start 4 Life Funding	(1,514)	(1,232)
<u>Department for Work & Pensions</u>		
- Household Support Grant	(4,525)	(4,525)
<u>Kent & Essex Inshore Fisheries Conservation Authority</u>		
- Inshore Fisheries Conservation Authorities Grant	(32)	(32)
Recognition of Capital Grants and Contributions	(44,011)	(30,650)
Total	(63,862)	(48,042)

Note 17. Grant Income (continued)

Credited to Services

Cabinet Office

- Individual Register of Electors Grant	(3)	0
- Elections Grant	(101)	0
	0	0

Department for Digital, Culture, Media & Sport

- Theatre 31	(18)	0
- Picture Medway	(4)	0
- Creative Medway	(10)	0
- Chatham Dockyard Grant	(41)	0

Department for Education

- Dedicated Schools Grant	(105,712)	(123,841)
- Childcare Reform Local Authority Delivery Support Fund	(55)	(535)
- Covid 19 National Tutoring Programme	(354)	0
- DFE Other	(3,433)	(2,877)
- Early Career Framework Funding	(76)	0
- Early Career Mentors Funding	(23)	0
- Early Years Teachers Pay Grant	(1,077)	0
- Education Funding Agency	(38)	(63)
- ESFA NNDR Redistribution Funding	(2,253)	0
- Extended Rights to Free HTS Transport	(92)	(87)
- Family Hubs and Start for Life Programme	(887)	0
- Holiday Activities and Food Funding	(117)	0
- Mainstream Schools Additional Grant	(1,417)	(1,760)
- Medway Childrens Improvement Funding	(140)	0
- Multiply Programme	(195)	(223)
- NPQ Targeted Support Funding	(3)	0
- NQT Backfill Grant	0	0
- NQT Education Recovery Grant	0	0
- PE & Sport Premium Grant	(474)	(446)
- Pupil Premium Grant	(4,127)	(3,646)
- Senior Mental Health Lead Grant	(5)	0
- Short Breaks Innovation Programme	(159)	0
- School Covid Catch Up	(498)	0
- School Led Tutoring Grant	0	(25)
- Sixth Form Grant	(972)	(1,016)
- Social Work Teaching Partnerships Programme.	0	0
- Staying Put and Personal Adviser Support	(253)	(164)
- Student Loan Company	(5)	0
- Supporting Families Grant	(347)	(1,250)

Note 17. Grant Income (continued)

- Teachers Pay, Teachers Pension, PE&SG	(770)	(1,210)
- Teachers' Pension Employer Contribution Grant (TPECG)	0	(1,797)
- Universal Infant Free School Meals	(2,462)	(1,170)

Department of Health & Social Care

- Public Health Grant	(18,733)	(19,186)
- Local Reform & Community Voices Grant/ War Pensions Scheme Disregard Grant/Social		(264)
Care in Prisons Grant	(262)	
- ASC Discharge Fund	(1,025)	0
Workplace Testing	0	(28)
- Additional Drug and Alcohol Treatment Funding	(293)	(844)
- Rough Sleeping Drug and Alcohol Treatment Grant	0	(413)
- Local stop smoking services and support Grant	0	(326)
- Public Health Other	(278)	(742)
- DHSC Other	(1,792)	0

Department for Levelling Up, Housing & Communities

- DLUHC Other	(60)	(43)
- Benefit Subsidy	(55,543)	(52,402)
- Chatham Town Centre Design Code	(45)	0
- Domestic Abuse Grant	(606)	(617)
- Financial Reporting Grant	(54)	(57)
- Homelessness Prevention	(2,094)	(2,372)
- Improved Better Care Fund	(7,308)	(7,308)
- Levelling Up Funding	0	0
- Local Council Tax Support (LCTS) Administration Subsidy	(268)	(267)
- Mandating Data Transparency	(13)	(13)
- Market Sustainability and Fair Cost of Funding	(2,337)	(4,366)
- Neighbourhood Planning Grant	(20)	0
- New Burdens Funding - Elections	(72)	(48)
- Open Digital Planning	(116)	0
- Pavement Licensing New Burdens	(9)	0
- Rough Sleeper Initiative	(1,183)	(1,196)
- Shared Prosperity Fund	(400)	(1,017)
- Social Care Support Grant	(14,330)	(18,770)
- Supported Housing Improvement Programme	(174)	(1,708)
- Supporting Families Programme	(1,264)	(182)
- Urgent Emergency Care Support Fund	(468)	0
- PCC Election & GE Elections Grant	0	(1,046)

Note 17. Grant Income (continued)

Department for Environment, Food and Rural Affairs

- Air Quality Grant	(120)	0
- DEFRA Other	(23)	(14)

Department for Transport

- Active Travel Capability Fund	(98)	(119)
- Active Travel Tranche 4 funding	(5)	(14)
- DfT Other	(689)	0
- Bikeability Grant	(47)	(4)
- Bus Service Improvement Plan Funding	(218)	(45)
- Bus Recovery Grant	(345)	0
- Bus Service Operator Grant	(172)	(941)
- Bus Capacity Grant	0	0
- On Street Residential Chargepoint Grant	0	0
- LA Capacity Building	0	0
- Local Electric Vehicle Infrastructure (LEVI) Fund	(44)	0
- Local Transport Funding	(221)	0

Department for Work & Pensions

- Housing Benefit Administration	0	0
- Kickstart Grant	(665)	(638)
- Multiple Youth Grant	0	0
- New Burdens Council Tax Reduction	0	0
- New Burdens Universal Credit	(7)	(14)
	(224)	(165)

Home Office

- IAG Grant	300	(300)
- Afghan Relocation Assistance Scheme	(45)	(329)
- Exploitation Prevention Young Women and Girls	(42)	(44)
- Leaving Care Grant	0	0
- Asylum Dispersal Funding	0	(497)
- Unaccompanied Asylum-Seeking Children Grant	(1,604)	(2,032)

Ministry of Justice

- Contributions from the Youth Justice Board	(439)	(483)
- MoJ Other	0	0
- Rochester Prison Library	(59)	(183)
- Turnaround Funding	(181)	0

Note 17. Grant Income (continued)

Department for Business, Energy & Industrial Strategy

- Skills Funding Agency	(1,958)	(1,999)
- Heat Network Grant	(54)	0
- New Burdens Welfare reform	0	0
- BEIS Other	(15)	0

Miscellaneous

Other Miscellaneous Grants	(947)	(1,052)
Contributions from NHS Partners	(30,930)	(29,814)
Contributions from Other Local Authorities	(3,511)	(1,673)
Miscellaneous Contributions	(2,770)	(6,796)
Recognition of Capital Grants and Contributions	(4,364)	(1,073)
Total	(302,360)	(302,393)

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)

Applicable Section Agreements

Total

31 March 2024 31 March 2025

£'000	£'000
(5,261)	(5,800)
(5,261)	(5,800)

Note 17. Grant Income (continued)

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 2023 £'000	31 March 2024 £'000
<u>Cabinet Office</u>		
- Elections Grant	(348)	0
<u>Department for Levelling Up, Housing & Communities</u>		
- Chatham Town Centre Design Code	(32)	(10)
- Open Digital Planning	(515)	(545)
- Levelling Up Fund Capacity Support Grant	(140)	0
- Shared Prosperity Fund	(187)	(329)
<u>Home Office</u>		
- Safer Streets 1&3	0	(34)
<u>Department for Environment, Food and Rural Affairs</u>		
- Air Quality Grant	0	0
- Bio-Diversity Net Gain Grant	(47)	(27)
- Four Elms Air Quality Project	0	(280)
<u>Department for Transport</u>		
- Active Travel Tranche 2 under	0	(378)
- Bus Service Improvements	0	(115)
- LTP Travel Plan funding	0	(179)
- Local Electric Vehicle Infrastructure (LEVI) capability: funding	0	(247)
<u>Miscellaneous</u>		
Arts Council England - Medway Music Hall Grant	(2)	
Arts Council England - Circle of Six Grant	(8)	(7)
Arts Council England - Destination Luton Grant	(25)	(13)
Chatham Dockyard Grant	(95)	0
Arts Council England - Creative medway		(5)
Repair Café		(1)
NPO museum		(62)
Good Things Foundation	(8)	0
ARF Funding		(136)
ARF Cicadan Lights		(49)
Create Growth		(10)
Reading Agency	(5)	0
Sport England	(7)	(27)
Applause Rural Touring Rekindle Grant	(7)	0
Kent Community Foundation	(5)	0
Miscellaneous Contributions		(265)
Total	(1,430)	(2,719)

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 and joint ventures are not considered to be controlling. Therefore, in the Authority's own single-entity accounts, the interests in associates and joint ventures are recorded as financial assets at cost, less any provision for losses.

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 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 2023/24 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 2024/25 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.



View of the River
Medway from
Jackson's Field,
Chatham

E4. Notes Supporting the Movement in Reserves Statement

Notes Supporting the Movement in Reserves Statement

Note 19. Adjustments between accounting basis and funding basis under regulations	84
Note 20. Movements in Earmarked Reserves	87

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 an 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)

	Usable Reserves					Unusable Reserves £000s
	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Adjustments for 2024/25						
ADJUSTMENTS TO THE REVENUE RESOURCES						
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)	(3,917)	12	0	0	0	3,905
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	(1,081)	0	0	0	0	1,081
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(712)	0	0	0	0	712
Holiday pay (transferred to the Accumulated Absences Account)	194	(1)	0	0	0	(193)
Amount by which Schools Deficit has moved in year (transferred to Dedicated Schools Grant Adjustment Account)	0	0	0	0	0	0
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):	26,722	1,489	0	0	24,383	(52,594)
Exceptional Financial Support	20,239				0	(20,239)
Total Adjustments to Revenue Resources	41,445	1,500	0	0	24,383	(67,328)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(107)	(1,196)	1,302	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	91	0	0	0	0	(91)
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(4,244)	0	4,244	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(6,931)	0	0	0	0	6,931
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(247)	(3,423)	0	0	0	3,670
Total Adjustments between Revenue and Capital Resources	(7,194)	(8,862)	1,302	4,244	0	10,510
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,128)	0	0	1,128
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,210)	0	4,210
Application of capital grants to finance capital expenditure	0	0	0	0	(30,546)	30,546
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(1,128)	(4,210)	(30,546)	35,884
Total Adjustments 2024/25	34,251	(7,363)	174	33	(6,163)	(20,934)

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

2023/24 Comparative Figures

ADJUSTMENTS TO THE REVENUE RESOURCES

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:

	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Unusable Reserves £000s
Pensions costs (transferred to (or from) the Pensions Reserve)	(4,873)	(10)	0	0	0	4,883
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	1,117	0	0	0	0	(1,117)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,083)	0	0	0	0	1,083
Holiday pay (transferred to the Accumulated Absences Account)	139	2	0	0	0	(141)
Amount by which Schools Deficit has moved in year (transferred to Dedicated Schools Grant Adjustment Account)	0	0	0	0	0	0
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):	17,123	9,563	0	0	42,690	(69,375)
Total Adjustments to Revenue Resources	12,422	9,555	0	0	42,690	(64,667)

ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	65	(536)	471	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(91)	0	0	0	0	91
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(4,087)	0	4,087	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,233)	0	0	0	0	7,233
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(329)	(1,430)	0	0	0	1,759
Total Adjustments between Revenue and Capital Resources	(7,589)	(6,053)	471	4,087	0	9,084

ADJUSTMENTS TO CAPITAL RESOURCES

Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(915)	0	0	915
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,087)	0	4,087
Application of capital grants to finance capital expenditure	0	0	0	0	(21,599)	21,599
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(915)	(4,087)	(21,599)	26,601

Total Adjustments 2023/24

4,834	3,502	(444)	0	21,091	(28,983)
--------------	--------------	--------------	----------	---------------	-----------------

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 in 2024/25.

	Balance 31 March 2023 £'000	Transfers in 2023/24 £'000	Transfers out 2023/24 £'000	Balance 31 March 2024 £'000	Transfers in 2024/25 £'000	Transfers out 2024/25 £'000	Balance 31 March 2025 £'000
General Fund							
HSE Decent Homes Loan Funds	(18)	18	0	0	0	0	0
Balances held by schools under a scheme of delegation	(1,756)	910	(1,054)	(1,900)	(722)	1,770	(852)
School Rev Contributions To Capital	(117)	190	(28)	45	(80)	69	34
Revenue Contributions To Capital BSD	0	0	0	0	0	0	0
Revenue Contributions To Capital C&A	17	(17)	0	0	0	0	0
Revenue Contributions To Capital RCE	(95)	95	0	0	0	0	0
Development Plan Reserve	(106)	106	0	0	0	0	0
Provision For Local Election	(294)	340	(150)	(104)	0	0	(104)
Bereavement Services Reserves	(315)	0	(75)	(390)	0	0	(390)
Rate Equalisation Fund	(3,976)	3,226	0	(750)	0	0	(750)
Community Hubs Reserve	(41)	41	0	0	0	0	0
Rochester Riverside Rental, Repair & Maintenance	0	0	0	0	(32)	0	(32)
BRMF - Annual Programme	(139)	462	(750)	(427)	(382)	431	(378)
ICT Reserve	(4)	283	(1,000)	(721)	(553)	303	(970)
Reserve Fund Computer Development	(1,000)	1,000	0	0	0	0	0
Selep Funding	0	0	0	0	(186)	0	(186)
Developer Contributions Revenue Reserves	(7,102)	2,150	(2,519)	(7,471)	(1,987)	1,724	(7,734)
DSG Ring Fenced Safety Valve Reserve	(3,000)	0	0	(3,000)	0	0	(3,000)
Economic Development Loans Fund	(79)	79	0	0	0	0	0
Directorate Carry Forwards	(6,423)	3,227	(3,844)	(7,040)	(2,864)	3,305	(6,599)
Homelessness Reduction	(168)	168	0	0	0	0	0
Birdwatch/Samms Inv Funds	(1,980)	0	(781)	(2,761)	(800)	0	(3,561)
Parish Grants Fund	(40)	40	0	0	0	0	0
Mosaic Forms Development Reserve	(1,679)	1,069	0	(609)	0	472	(138)
Brook Theatre Structural Survey Reserve	(87)	83	0	(4)	0	0	(4)
Severance Payments Reserve	(848)	248	0	(600)	0	89	(511)
South Medway Development Res	(4,000)	4,000	0	0	0	0	0
Transformation Reserve	(1,000)	1,000	0	0	0	0	0
Salix Repayments	(28)	28	0	0	0	0	0
Other Earmarked Reserves	(239)	3	(1,162)	(1,398)	(3)	212	(1,188)
Covid-19 Reserve Funding	(436)	84	0	(352)	0	0	(352)
Collection Fund S.31 Grant Adjustment Reserve	(2,365)	535	0	(1,830)	(456)	688	(1,598)
Insurance Reserve	(3,179)	795	0	(2,384)	0	(30)	(2,414)
Total Earmarked General Fund Reserves	(40,496)	20,163	(11,363)	(31,696)	(8,065)	9,033	(30,728)
Dedicated Schools Grant Reserve*	(2,089)	616	2,702	1,229	(35,157)	26,797	(7,131)
DSG Reserve	(2,089)	616	2,702	1,229	(35,157)	26,797	(7,131)
HRA Earmarked Reserves	0	1,430	(1,430)	0	(3,423)	3,423	0
Total Earmarked Housing Revenue Account Reserves	0	1,430	(1,430)	0	(3,423)	3,423	0
Total Earmarked Reserves	(42,585)	22,209	(10,091)	(30,467)	(46,645)	39,253	(37,859)

Note 20. Movements in Earmarked Reserves (continued)

List of Earmarked Reserves

HSE Decent Homes Loan Funds

Reserve used to fund Decent Homes Loans provided by HSE.

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) reserve added in 2016/17.

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.

Other Earmarked Reserves

Represent non-material balances.

Note 20. Movements in Earmarked Reserves (continued)

List of Earmarked Reserves (cont.)

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, but in 2020/21 was transferred to the Dedicated Schools Grant Adjustment Account, an unusable reserve.

HRA Earmarked Reserves

Monies held in an Earmarked Reserve for the HRA.



St Mary's Island,
Chatham

E5. Notes Supporting the Balance Sheet

Notes Supporting the Balance Sheet

Note 21. Property, Plant & Equipment	92
Note 22. Impairment Losses	106
Note 23. Heritage Assets	107
Note 24. Heritage Assets: Further Information on the Buildings and Collections	110
Note 25. Investment Properties	111
Note 26. Assets Held for Sale	113
Note 27. Financial Instruments	114
Note 28. Nature and Extent of Risks Arising from Financial Instruments	120
Note 29. Capital Expenditure & Capital Financing	127
Note 30. Leases	128
Note 31. Debtors	129
Note 32. Usable Reserves	130
Note 33. Cash & Cash Equivalents	131
Note 34. Creditors	132
Note 35. Provisions	133
Note 36. Pension Schemes Accounted for as Defined Contribution Schemes	135
Note 37. Unusable Reserves	136
Note 38. Defined Benefit Pension Schemes	142

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
- infrastructure – straight-line allocation over the outstanding 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 useful 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 and 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, infrastructure assets 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 2024/25	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Right-of-Use Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2024	183,826	379,206	19,610	9,127	2,750	28,733	61,467	681,970
Assets Under Construction brought into use	2,245	23,416	0	0	0	0	(50,208)	(24,547)
Additions	5,827	11,991	4,908	0	0	0	13,288	36,014
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,619	638	0	(1)	0	(113)	0	4,143
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	328	(15,572)	(1,107)	(0)		(616)	0	(16,967)
Derecognition – disposals	(608)	(109)	(554)	0	0	(1)	0	(1,272)
Derecognition - other	0	(6,584)	0	0	0	0	(3,301)	(9,885)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0	236	0	236
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	(1,696)	0	0	0	0	(1,696)
As at 31 March 2025	195,237	392,987	21,162	9,126	2,750	28,238	21,246	667,996

Note 21. Property, Plant & Equipment (continued)

Movements on Balances 2024/25	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Right-of-Use Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
As at 1 April 2024	(0)	(5,335)	(14,632)	(18)	0	(2)	0	(19,987)
Depreciation Charge	(3,929)	(6,437)	(799)	(9)	0	(140)	0	(11,314)
Depreciation written out to the Revaluation Reserve	1,958	717	0	0	0	0	0	2,675
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,958	610	0	0	0	0	0	2,568
Impairment losses/(reversals) recognised in the Revaluation Reserve		0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition – disposals	12	0	1,107	0	0	0	0	1,119
Derecognition - other	0	295	554	0	0	0	0	849
Assets reclassified to/(from) Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to/(from) Surplus Assets	0	0	0	0	0	0	0	0
Assets reclassified to/(from) Assets Under Construction	0	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	997	0	0	0	0	997
As at 31 March 2025	(1)	(10,151)	(12,773)	(27)	0	(142)	0	(23,093)
Net Book Value								
At 31 March 2025	195,236	382,837	8,389	9,099	2,750	28,097	21,246	644,903
At 31 March 2024	183,826	373,872	4,979	9,109	2,750	28,731	61,467	661,984

Note 21. Property, Plant & Equipment (continued)

Movements on Balances 2023/34	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 2023	187,288	379,851	19,121	9,102	20,765	65,729	681,856
Assets Under Construction brought into use	634	11,322	0	0	7,182	(19,138)	0
Additions	8,142	1,595	489	36	26	27,269	37,556
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,422)	1,550	0	(9)	6,092	0	4,211
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,564)	(7,315)	0	(2)	(4,835)	0	(20,717)
Derecognition – disposals	(250)	(33)	0	0	(527)	0	(810)
Derecognition - other	0	(7,733)	0	0	0	(12,393)	(20,126)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	0	(30)	0	0	30	0	0
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
As at 31 March 2024	183,826	379,206	19,610	9,127	28,733	61,467	681,970

Note 21. Property, Plant & Equipment (continued)

Movements on Balances 2023/24	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
Accumulated Depreciation and Impairment							
As at 1 April 2023	0	(13,024)	(13,433)	(11)	(26)	0	(26,494)
Depreciation Charge	(3,797)	(9,393)	(942)	(7)	(20)	0	(14,160)
Depreciation written out to the Revaluation Reserve	2,051	15,499	0	0	29	0	17,579
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,741	1,473	0	0	16	0	3,230
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	5	0	0	0	3	0	8
Derecognition - other	0	107	0	0	0	0	107
Assets reclassified to/(from) Held for Sale	0	0	0	0	0	0	0
Assets reclassified to/(from) Surplus Assets	0	3	0	0	(3)	0	0
Assets reclassified to/(from) Assets Under Construction	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	(257)	0	0	0	(257)
As at 31 March 2024	(0)	(5,335)	(14,632)	(18)	(2)	0	(19,987)
Net Book Value							
At 31 March 2024	183,826	373,872	4,979	9,109	28,731	61,467	661,984
At 31 March 2023	187,288	366,827	5,689	9,091	20,739	65,729	655,363

Note 21. Property, Plant & Equipment (continued)

Effects of Changes in Estimates

In 2024/25 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 a Registered Valuer of Harrisons Chartered Surveyors was commissioned to undertake the valuation of the Pentagon Shopping Centre and the Council's offices (Gun Wharf). All other property and land revaluations were undertaken by Philip Smith, M S Aldis and GSC Harbaord all MRICS a qualified valuer of Wilks Head & Eve LLP.

The effective date of all valuations carried out in 2024/25 was 31 March 2025.

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.

During the revaluation exercise it was not necessary to revalue any complete class of assets.

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 Property, Plant and Equipment:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Community assets £000	Right-of-Use Assets £'000	Surplus Assets £000	Assets Under Construction £000	Total £000
Valued at historical cost	0	13,120	0	0	0	0	0	13,120
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	2,291	21,161	9,126	0	0	21,246	53,824
Carried at historic cost	0	15,411	21,161	9,126	0	0	21,246	66,944
Valued at current value (fair value for surplus assets) during the year ending:								
31 March 2025	195,237	77,319	0	0	2,750	5,376	0	277,932
31 March 2024	0	68,206	0	0	0	22,334	0	90,540
31 March 2023	0	195,159	0	0	0	477	0	195,636
31 March 2022	0	16,684	0	0	0	51	0	16,735
31 March 2021	0	20,207	0	0	0	0	0	20,207
Total	195,237	392,985	21,161	9,126	2,750	28,238	21,246	667,993

Removal of Schools Transferring to Academies

Four schools achieved academy status between 1 April 2024 and 31 March 2025 with a balance sheet value of £7.4mil (2 in 2023/24; value £12.2m). Three of these schools were Voluntary Aided (VA) schools which, due to their status, did not appear on Medway Council's Balance Sheet. There are two VA schools which are likely to achieve academy status between 1 April 2025 and 31 March 2026 which do not appear on Medway Council's Balance Sheet.

Note 21. Property, Plant & Equipment (continued)

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:

- (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.

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2025 are shown below.

Recurring fair value measurements using:	Level 2 inputs	Level 3 Inputs	Fair Value as at 31 March 2024	Level 2 valuation technique
	£000's	£000's	£000's	
Commercial development	18,796	0	18,796	Market based approach
Residential dwellings	352	0	352	Market based approach
Non residential buildings	7,321	0	7,321	Market based approach
Other leased land	50	0	50	Market based approach
Vacant land and buildings	1,692	0	1,692	Market based approach
	28,211	0	28,211	

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

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.

Note 21. Property, Plant & Equipment (continued)

Capital Commitments

As of 31 March 2025, the following capital commitments were in place (23/24: £27.473m):

Directorate	2023/24 £'000	2024/25 £'000
Business Support Department	373	83
Children's and Adults (inc. Public Health)	9,528	13,461
Regeneration, Community and Environment	13,143	17,532
Housing Revenue Account	4,429	12,262
Total	27,473	43,338

Directorate	Scheme	Capital Commitment £'000	Supplier
Business Support Department	Data Centre Refurbishment	83	The Access Flooring Co
TOTAL BUSINESS SUPPORT DEPARTMENT		83	
Children's and Adults (inc. Public Health)	Luton Primary, provision of nursery building	278	Explore Modular
Children's and Adults (inc. Public Health)	Greenacre Academy Science Block	250	Neilcott Construction
Children's and Adults (inc. Public Health)	Hundred of Hoo Sixth Form Block	1,976	Leigh Academies Trust
Children's and Adults (inc. Public Health)	Chatham Grammar Co-Educational Adaptations	900	University of Kent Academies Trust
Children's and Adults (inc. Public Health)	Holcombe Grammar Co-Educational Adaptations	900	New Horizons Children's Academy
Children's and Adults (inc. Public Health)	Fort Pitt Grammar Co-Educational Adaptations	835	Fort Pitt Grammar School
Children's and Adults (inc. Public Health)	Robert Napier Extension	2,879	The Robert Napier School
Children's and Adults (inc. Public Health)	Victory Academy SEN Block	272	Perfect Homes
Children's and Adults (inc. Public Health)	Victory Academy SEN Block	63	Bailey Partnership
Children's and Adults (inc. Public Health)	Rivermead at Stoke Refurbishment	2,089	G A Harper
Children's and Adults (inc. Public Health)	Leigh Academy SEN provision	2,300	Leigh Academies Trust
Children's and Adults (inc. Public Health)	Dane Court SEN provision	636	G A Harper
Children's and Adults (inc. Public Health)	Pre-Beeches at the Rowans SEN provision	82	Waller Building & Glazing
CHILDREN'S AND ADULTS (INC. PUBLIC HEALTH) TOTAL		13,641	

Directorate	Scheme	Capital Commitment £'000	Supplier
Regeneration, Community & Environment	Waste Fleet Replacement	7,852	Dennis Eagle Ltd
Regeneration, Community & Environment	LED Lantern Replacement	475	Conway
Regeneration, Community & Environment	Highways Maintenance	284	Volker
Regeneration, Community & Environment	Medway City Estate Connectivity	89	Volker
Regeneration, Community & Environment	Traffic Signal System Upgrades	50	Telent Technology Services Ltd
Regeneration, Community & Environment	Splashpad at the Strand	166	Fountaineers Limited
Regeneration, Community & Environment	Sports Centre Improvements	43	Pellings LLP
Regeneration, Community & Environment	Sports Centre Improvements	37	Bailey Partnership
Regeneration, Community & Environment	Gun Wharf Building Works	206	Medway Norse
Regeneration, Community & Environment	Gun Wharf Improvement Works	35	Medway Norse
Regeneration, Community & Environment	Gun Wharf Improvement Works	114	RAAC Consulting
Regeneration, Community & Environment	Gun Wharf Improvement Works	48	Bailey Partnership
Regeneration, Community & Environment	Deangate Community Parkland	93	BPTW Partnership
Regeneration, Community & Environment	Esplanade & Jacksons Field	59	HTA Design LLP
Regeneration, Community & Environment	Healthy Living Centre, The Pentagon	88	Black Cat Consultancy
Regeneration, Community & Environment	Healthy Living Centre, The Pentagon	47	LSI Architects Design
Regeneration, Community & Environment	Healthy Living Centre, The Pentagon	6,361	Bauvill
Regeneration, Community & Environment	Strood Riverside	1,144	Medway Development Company
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	67	Ascendit Lifts Ltd
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	57	Dolphin Lifts Kent
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	31	Elite Complete Build Ltd
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	32	Lifestyle (Kent) Ltd
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	34	MK 2 Renovations
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	25	Rigford Ltd
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	34	West Kent Housing Association
Regeneration, Community & Environment	Disabled Facilities Grant Adaptations	61	Willow Tree Home Solutions Ltd
REGENERATION, COMMUNITY & ENVIRONMENT TOTAL		17,532	
Housing Revenue Account	Improvements to Housing Stock	47	Harmony Fire
Housing Revenue Account	New Build Phase 5	8,639	Perfect Homes
Housing Revenue Account	Britton Farm Phase 6	3,576	Medway Development Company
HOUSING REVENUE ACCOUNT TOTAL		12,262	

Note 21. Property, Plant & Equipment (continued)

Accounting Policy

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg 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 lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful Economic Life
Carriageways	20 Years
Footways and Cycletracks (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 non-current 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)

Highways Infrastructure Assets

Movements on balances in accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2023/24 £'000	2024/25 £'000
Net book value (modified historical cost) at 1 April	150,529	153,413
Assets Under Construction brought into use	0	24,548
Additions	10,149	9,316
Derecognition	0	0
Depreciation	(7,265)	(7,626)
Impairment	0	0
Other movements in cost		
Net book value at 31 March	153,413	179,651

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

	31 March 2024 £'000	31 March 2025 £'000
Infrastructure Assets	153,413	179,651
Other PPE Assets	664,733	647,653
Total PPE Assets	818,147	827,304

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. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 21 reconciling the movement over the year in the property, plant and equipment and intangible asset balances.

During 2024/25 the Authority recognised £0 (£4.745m in 2023/24) impairment losses within property, plant and equipment. The impairment losses relate to the discovery of RAAC within Gun Wharf (the main Council office) resulting in a significant proportion of the building being closed until remedial works are carried out.

This work is still being carried out; the impairment will be reversed when this work is completed.

2024/25	Impairment charges to Surplus/(Deficit) £'000	Impairment charges to Revaluation Reserve £'000	Total Impairment charges £'000
Other Land and Buildings	0	0	0
Total	0	0	0

2023/24	Impairment charges to Surplus/(Deficit) £'000	Impairment charges to Revaluation Reserve £'000	Total Impairment charges £'000
Other Land and Buildings	4,691	54	4,745
Total	4,691	54	4,745

Note 23. 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 23. Heritage Assets (continued)

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

	Buildings £'000	Furniture £'000	Silver / Gold Collections £'000	Art Collection £'000	Other £'000	Total Assets £'000
Cost or Valuation						
1 April 2023	13,990	238	1,047	1,559	2,888	19,723
Additions	50	0	0	0	0	50
Disposals		0	0	0	0	0
Revaluations	3,440	0	0	0	0	3,440
Impairment (Losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0
31 March 2024	17,480	238	1,047	1,559	2,888	23,213
Cost or Valuation						
1 April 2024	17,480	238	1,047	1,559	2,888	23,213
Additions	78	0	0	0	0	78
Disposals		0	0	0	0	0
Revaluations	784	0	0	0	0	784
Impairment (Losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Other Movements in Cost or Valuation	(236)	0	0	0	0	(236)
31 March 2025	18,106	238	1,047	1,559	2,888	23,839

'Eastgate Cottage (part of Eastgate House) is no longer being used for pure heritage purposes. This no longer meets the criteria of being a heritage asset and so has been transferred to property, plant and equipment in the accounts.

Note 23. 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 was decided be no valuations would be carried out during 2024/25. 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 24. 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 several 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 able 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 considered.

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 25. 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	2023/24 £'000	2024/25 £'000
Rental income from investment property	(959)	(1,498)
Direct operating expenses arising from investment property	0	40
Net gain/(loss)	(959)	(1,458)

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 25. 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

Balance at start of year
Additions
• Purchases
• Construction
• Subsequent expenditure
Disposals
Net gains/(loss) from fair value adjustments
Transfers (to)/from Property, Plant and Equipment
Balance at end of year

31 March 2024 £'000	31 March 2025 £'000
16,664	18,181
0	0
0	0
0	0
0	0
1,517	907
0	0
18,181	19,088

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 were carried out by Philip Smith, MRICS a qualified valuer of Wilks Head & Eve LLPP, 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 26. 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.

Fair Value Hierarchy

	Current 2023/24 £'000	2024/25 £'000	Non-Current 2023/24 £'000	2024/25 £'000
Balance Outstanding at start of year	15,910	15,910	0	0
Assets newly classified as held for sale:				
▪ Property, plant and equipment	0	0	0	0
▪ Intangible assets	0	0	0	0
▪ Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	(25)	(95)	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:	0	0	0	0
▪ Property, plant and equipment	0	0	0	0
▪ Intangible assets	0	0	0	0
▪ Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Additions	25	95	0	0
Balance Outstanding at year end	15,910	15,910	0	0

All the Council's assets held for sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See Note 24 to the Financial Statements for the accounting policy that gives an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Assets held for Sale

The fair value of assets held for sale has been measured using a market approach, which takes into account prices for similar assets, research into market evidence including market rentals and yields. As a result, properties have been categorised as level 2 on the fair value hierarchy.

Highest and Best Use

In estimating the fair value of the Council's assets held for sale, the highest and best use has regard to alternative uses.

Note 27. 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), and
- 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 27. 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 27. Financial Instruments (continued)

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

Financial Assets

	Non-Current Investments		Debtors		Current Investments		Debtors		Total	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	19,926	19,926	0	0	14,633	4,182	0	0	35,732	24,108
Amortised cost - Other	0	0	89,018	117,004	0	0	86,461	124,196	175,479	241,200
Fair value through other comprehensive income - designated equity instruments									21,539	20,032
Cash & cash equivalents at amortised cost	0	0	0	0	21,539	20,032	0	0		
Total financial assets	19,926	17,741	89,018	117,004	25,721	40,180	86,461	124,196	221,126	299,121
Non-financial assets	0	0	18	25	0	0	36,823	44,388	36,841	44,413
Total	19,926	17,741	89,036	117,029	25,721	40,180	123,284	168,584	257,967	343,534

Financial Liabilities

	Non-Current Borrowings		Creditors		Current Borrowings		Creditors		Total	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss										
Amortised cost	(352,039)	(495,705)	(27,116)	(27,510)	(118,549)	(90,001)	(95,925)	(102,640)	(593,629)	(715,856)
Bank Overdrafts	0	0	0	0	(13,234)	(11,799)	0	0	(13,234)	(11,799)
Total financial liabilities	(352,039)	(495,705)	(27,116)	(27,510)	(131,783)	(101,800)	(95,925)	(102,640)	(606,863)	(727,655)
Non-financial liabilities	0	0	(23)	(29)	0	0	(16,854)	(13,111)	(16,877)	(13,140)
Total	(352,039)	(495,705)	(27,139)	(27,539)	(131,783)	(101,800)	(112,779)	(115,751)	(623,740)	(740,795)

Note 27. Financial Instruments (continued)

Income, Expense, Gains & Losses

	2023/24		2024/25	
	Surplus or deficit on the provision of services £'000	Other comprehensive income and expenditure £'000	Surplus or deficit on the provision of services £'000	Other comprehensive income and expenditure £'000
Net gains/losses on:				
• Financial assets measured at fair value through profit or loss	1,173	0	1,024	0
• Financial assets measured at amortised cost	0	0	0	0
• Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
• Financial assets measured at fair value through other comprehensive income	0	0	0	0
• Financial liabilities measured at fair value through profit or loss	0	0	0	0
• Financial liabilities measured at amortised cost	0	0	0	0
Total net gains/losses	1,173	0	1,024	0
Interest revenue:				
• Financial assets measured at amortised cost			0	0
• Other financial assets measured at fair value through other comprehensive income	(9,038)	0	(12,748)	0
Total interest revenue	(9,038)	0	(12,748)	0
Interest expense:	17,564	0	23,614	0
Fee income:				
• Financial assets or financial liabilities that are not at fair value through profit or loss				
• Trust and other fiduciary activities				
Total fee income	0	0	0	0

Note 27. 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 to provide the fair value under PWLB debt redemption procedures;

- 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 27. Financial Instruments (continued)

Financial Assets	31 March 2024	Fair Value	31 March 2025	Fair Value
	Carrying Amount £'000	£'000	Carrying Amount £'000	£'000
Loans and receivables - Investments	4,182	4,182	20,148	20,148
Cash and Cash Equivalents	21,539	21,539	20,032	20,032
Investments at Fair Value through Profit & Loss	19,926	19,926	17,741	17,741
Debtors	175,479	175,479	241,200	241,200
Financial Liabilities	31 March 2024	Fair Value	31 March 2025	Fair Value
	Carrying Amount £'000	£'000	Carrying Amount £'000	£'000
Borrowing	470,588	325,446	585,706	312,495
Creditors	123,041	123,041	130,150	130,150
Bank Overdraft	13,234	13,234	11,799	11,799

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 available for sale) 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 5.77% to 6.02%
- Market Debt 0%
- PWLB maturity 4.81% to 5.98%
- PWLB annuity 4.82% Temporary Loans 4.08% to 4.71%

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 28. 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 2024/25 was approved by full Council on 29/02/24 and the 2024/25 strategy was approved on 29/02/24. 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 2025 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 28. Nature and Extent of Risks Arising from Financial Instruments (continued)

	Amount at 31 March 2025	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	34,404	0.00	0
Customers			
Total	34,404	0	0

* This is made up of the following:

	Amount at 31 March 2024 £'000
NatWest	0
Svenska Handelsbanken	1
Lloyds	14,251
Santander	0
Barclays	5
CCLA	20,148
Total	34,404

	Amount at 31 March 2025	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	14,710	0	0
Customers	0	0	0
Total	14,710	0	0

* This is made up of the following:

	Amount at 31 March 2023 £'000
NatWest	0
Svenska Handelsbanken	1
Lloyds	10,522
Santander	0
CCLA	5
Barclays	4,182
Total	14,710

Note 28. Nature and Extent of Risks Arising from Financial Instruments (continued)

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

	31 March 2025 £'000	31 March 2024 £'000
Less than three months		10,102
Three to six months		2,971
Six months to one year		4,400
More than one year		12,153
		29,626

The Authority provision for expected credit losses stood at £6.5m at 31 March 2024 (£6.6m at 31 March 2023). 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 28. 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 2024	Actual 31 March 2025
	%	%	%	%
Less than one year	0	50	12%	14%
Between one and two years	0	50	30%	37%
Between two and five years	0	50	25%	39%
Between five and ten years	0	100	33%	0%
More than ten years	0	50	0%	10%

Included within liabilities with maturity in over 10 years are £81.8m of LOBOs (Lender Option Borrower Option) loans. These LOBOs have maturity dates between 2033 and 2068 but the Authority could be required to make early repayment at the lender's option.

In addition to the fixed rate borrowing the authority has £115.3m (31 March 2023 £94.5m) of loans from other authorities payable 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 2023 £'000	31 March 2024 £'000
Less than one year	96,000	60,000
Between one and two years	70,000	155,000
Between two and five years	48,000	126,000
More than five years	213,000	171,000
Total Principal and Interest	427,000	512,000

Note 28. 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:

Less than one year
Between one and two years
Between two and five years
Between five and ten years
More than ten years

Lower Limit %	Upper Limit %	Actual 31 March 2025 %
0	50	16.78%
0	50	40.24%
0	50	42.77%
0	50	4.25%
0	100	16.33%

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 28. 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

Long-Term Borrowing:
 PWLB Loans (Principal)
 LOBO Loans (Principal)
 Other Loans and Accounting Adjustments
Total Long-Term Borrowing
 Short-Term Borrowing:
 PWLB Loans (Principal)
 Other Local Authorities
 Other Short-Term Borrowing and Accrued Interest
Total Short-Term Borrowing

Fixed or Variable Rate	Borrowing as at 31 March 2025 £'000	Borrowing as at 31 March 2024 £'000
Fixed	386,024	216,024
Variable	61,822	81,800
Fixed	47,500	80,245
Fixed	359	450
	378,519	378,519
Fixed	0	0
Fixed	90,001	115,256
Fixed	0	0
	90,001	115,256

Other loans and accounting adjustments (£1.936m) includes an accounting adjustment of £0.049m 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.

Note 28. 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 £17.7m (2023/24 £23m).

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 2024/25.

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 29. 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.

Opening Capital Financing Requirement

Capital Investment

Property Plant and Equipment
Heritage Assets
Investment Properties
Intangible Assets
Assets Held for Sale
Revenue Expenditure Funded from Capital under Statute
Long Term Debtors - Capital Principal
Long Term Debtors - Capital Interest

Sources of Finance

Capital receipts
Government grants and other contributions

Sums set aside from revenue

Direct revenue contributions
Major Repairs Reserve
Minimum Revenue Provision

Closing Capital Financing Requirement

Explanation of movements in year

Increase in underlying need to borrowing (supported by government financial assistance)
Increase in underlying need to borrowing (unsupported by government financial assistance)
Assets acquired under finance leases
Increase/(decrease) in Capital Financing Requirement

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.

2023/24 £'000	2024/25 £'000
458,459	499,731
47,705	45,331
50	78
0	0
0	0
25	95
16,785	19,491
12,030	20,239
5,945	22,576
	5,682
(915)	(1,128)
(27,161)	(37,885)
(1,759)	(3,670)
(4,087)	(4,210)
(7,346)	(6,931)
499,731	559,399
0	0
41,273	59,667
0	0
41,273	59,667

Note 30. Leases

Accounting Policy – Leases

In 2024/25 the International Financial Reporting Standard (IFRS) 16 Leases standard was adopted as required by the CIPFA Code of Practice for Local Authority Accounting in the United Kingdom. The council has to recognise Right-of-Use assets and bring them onto the balance sheet as at 1 April 2024. The council has exempted leases that are:

- Of low value items that cost less than £10,000 when new
- Short-term, meaning a term of 12 months or shorter (or ending within 12 months of IFRS16 implementation date).

Where leases have a commercial rent attached to them a corresponding lease liability has also been recognised in the balance sheet as at 1 April 2024. Where leases are at nil consideration or a peppercorn, then no lease liability is recorded and instead are treated as donated assets and are included in the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

IFRS 16 has been applied to 2024/25 but no adjustment has been made to prior year figures. Where an asset is leased as an operating lease to a third party the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line-basis over the life of the lease.

	Land and Buildings	Vehicles, plant and equipment	31 March 2025
	£'000	£'000	£'000
Balance at 1 April	0	0	0
Additions	1,528	1,222	2,750
Revaluations	0	0	0
Depreciation	0	0	0
Disposals	0	0	0
Balance as at 31 March	1,528	1,222	2,750

Maturity analysis of lease liabilities

	31 March 2025
	£'000
Less than one year	289
One to five years	104
More than five years	16
Balance as at 31 March	409

Authority as Lessor

	31 March 2025
	£'000
Less than one year	2,320
More than one year but less than five years	7,554
Later than five years	75,692
Balance as at 31 March	85,566

Note 31. Debtors

The council's debtors (net of the provision for bad and doubtful debts) are as follows:

31 March 2024			
Long-Term	Short-Term	Total	
£'000	£'000	£'000	
88,545	99,023	187,568	Trade receivables
0	(6,720)	(6,720)	Less impairment allowance
88,545	92,304	180,849	Net trade receivables
	4,181	4,181	Prepayments
			Other receivables:
	31	31	Client Financial Affairs Debtors
491	0	491	Education Related Debtors
	64	64	Elections Debtors
	9,289	9,289	Housing Benefit Debtors
	(6,223)	(6,223)	Less impairment allowance
0	3,066	3,066	Net Housing Benefit Debtors
	1,999	1,999	HRA Rent/Service Charge Debtors
	(562)	(562)	Less impairment allowance
0	1,437	1,437	Net HRA Rent/Service Charge Debtors
	34,768	34,768	Local Taxation Debtors
	(10,497)	(10,497)	Less impairment allowance
0	24,271	24,271	Net Local Taxation Debtors
	401	401	Rechargeable Works Debtors
	1,039	1,039	Schools Debtors
	5	5	SOCH Mortgage Debtors
0	35	35	Employee Related Debtors
	5,476	5,476	VAT Debtors
491	35,825	36,316	Other receivables
89,036	132,309	221,345	Total Debtors

31 March 2025		
Long-Term	Short-Term	Total
£'000	£'000	£'000
116,538	127,498	244,036
0	(8,161)	(8,161)
116,538	119,338	235,876
	4,766	4,766
	31	31
491	0	491
	225	225
	9,368	9,368
	(5,978)	(5,978)
0	3,390	3,390
	2,391	2,391
	(499)	(499)
0	1,893	1,893
	39,314	39,314
	(9,028)	(9,028)
0	30,287	30,287
	761	761
	1,037	1,037
	5	5
	67	67
	6,784	6,784
491	44,480	44,971
117,029	168,583	285,613

+

Note 32. 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 2023 £,000	Net Movement in Year £,000	Balance as at 31 March 2024 £,000	Net Movement in Year £,000	Balance as at 31 March 2025 £,000	Purpose of Reserve
General Fund Balance	(10,238)	177.00	(10,061)	0	(10,061)	Resources available to the general fund to meet future unforeseen events
Housing Revenue Account Balance	(6,373)	(1,152.00)	(7,525)	319	(7,206)	Resources available to the housing revenue account to meet future unforeseen events
General Fund Earmarked Reserves	(42,584)	6,712.00	(35,872)	(1,988)	(37,860)	See Note 20
Housing Revenue Account Earmarked Reserves	(0)	0.00	(0)	0	(0)	See Note 20
Capital Receipts Reserve	(4,284)	1,376.00	(2,908)	(394)	(3,302)	Proceeds of fixed assets and loan repayments available to meet future capital expenditure
	0	0.00	0	(33)	(33)	Details available resources to carry out capital works on Housing Revenue Account dwellings to maintain a decent standard of accommodation.
Major Repairs Reserve	(42,142)	(20,958.00)	(63,100)	6,291	(56,809)	Reflects Government grants and contributions received in year to fund capital projects in progress.
Capital Grants Unapplied Reserve						
Total Usable Reserves	(105,620)	(13,845)	(119,465)	4,195	(115,270)	

Note 33. 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 2024 £'000	31 March 2025 £'000
Cash held by the Authority	33	40
Bank current accounts	11,394	6,540
Bank overdraft	(13,650)	(12,604)
Short-term deposits with financial institutions	10,528	14,256
Total Cash & Cash Equivalents	8,305	8,233

Note 34. Creditors

31 March 2024				31 March 2025		
Long-Term £'000	Short-Term £'000	Total £'000		Long-Term £'000	Short-Term £'000	Total £'000
(491)	(44,783)	(45,274)	Trade Payables	(1,950)	(45,880)	(47,830)
	(2,874)	(2,874)	Receipts in Advance		(1,386)	(1,386)
			Other payables			
0	0	0	Education Related Creditors	0	0	0
(8)	(1,999)	(2,007)	Employee Related Creditors	(15)	(2,493)	(2,509)
0	(480)	(480)	HRA Rent/Service Charge Creditors	0	(699)	(699)
(26,635)	(1,110)	(27,745)	Local Government Reorganisation Creditors	(25,570)	(1,065)	(26,635)
0	(9,085)	(9,085)	Local Taxation Creditors	0	(6,729)	(6,729)
0	0	0	Rechargeable Works Creditors	0	(7)	(7)
(4)	0	(4)	SOCH Mortgage Creditors	(4)	0	(4)
0	0	0	VAT Creditors	0	0	0
(27,139)	(60,330)	(87,469)	Total Creditors	(27,539)	(58,260)	(85,799)

Note 35. 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 (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 2023 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 35. Provisions (continued)

	Short Term			
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2024	0	(1,279)	(1,802)	(3,081)
Additional provisions made in 2024/25	0	988	317	1,305
Amounts used in 2024/25	0	0	0	0
Unused amounts reversed in 2024/25	0	0		0
Unwinding of discounting in 2024/25	0	0	0	0
Transfer (from)/to Long Term in 2024/25	0		0	0
Balance as at 31 March 2025	0	(291)	(1,485)	(1,776)

	Long Term			
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2024	(3,066)	(745)	(499)	(4,310)
Additional provisions made in 2024/25	462	274	0	736
Amounts used in 2024/25	0	0	179	179
Unused amounts reversed in 2024/25	0	0	0	0
Unwinding of discounting in 2024/25	0	0	0	0
Transfer (from)/to Short Term in 2024/25	(0)		0	(0)
Balance as at 31 March 2025	(2,604)	(471)	(320)	(3,395)

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 36. 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 38 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 2024/25, the Authority paid £5.896m to Teachers Pensions in respect of teacher's retirement benefits, representing 28.68% of pensionable pay. The figures for 2023/24 were £4.978m representing 23.68% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £5.850m.

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 2024/25 came to £0.041m representing 14.38% of the pensionable pay (£0.048m in 2023/24 representing 14.38% of the pensionable pay). The contributions due to be paid in the next financial year are estimated to be £0.037m.

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 38".

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

Note 37. 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.

Revaluation Reserve	
Financial Instruments Revaluation Reserve	
Capital Adjustment Account	
Financial Instruments Adjustment Account	
Deferred Capital Receipts Reserve	
Pensions Reserve	
Collection Fund Adjustment Account	
Accumulated Absences Account	
Dedicated Schools Grant Adjustment Account	
Total Unusable Reserves	

31 March 2024	31 March 2025
£'000	£'000
(245,979)	(245,535)
3,074	2,050
(213,565)	(195,264)
(1,500)	(1,557)
(91)	0
(5,904)	3,193
(2,203)	(2,915)
1,872	2,065
23,530	23,530
(440,767)	(414,433)

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.

Balance as at 1 April		
Upward revaluation of assets		
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		
Difference between current value depreciation and historical cost depreciation		
Transfer on assets amalgamated during the year		
Accumulated gains on assets sold or scrapped		
Amount written off to the Capital Adjustment Account		
Balance as at 31 March		

2023/24	2024/25	
£'000	£'000	£'000
(231,268)		(245,979)
(41,140)	(15,686)	
15,911	8,084	
(25,229)		(7,602)
6,111	3,790	
0	0	
4,407	4,257	
10,518		8,046
(245,979)		(245,535)

Note 37. 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.

Balance as at 1 April

Financial Instruments held under Fair Value through Profit & Loss Subject to MHCLG Statutory Over-Ride

Balance as at 31 March

2023/24 £'000	2024/25 £'000
1,901	3,074
1,173	(1,024)
3,074	2,050

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 37. Unusable Reserves (continued)

	2023/24 £'000	2024/25 £'000	2024/25 £'000
Balance as at 1 April			
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	41,420	45,078	
• Revaluation gains on Property, Plant and Equipment	(2,500)	(12,752)	
• Amortisation of Intangible Assets	24	6	
• Revenue Expenditure funded from Capital Under Statute	16,785	19,491	
• 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	20,821	10,296	
• Leased Assets – Donated Assets	0	(401)	
• Leased Assets – Right of Use Recognition	0	(879)	
		76,550	60,840
Adjusting amounts written out of the Revaluation Reserve	(10,501)	(8,046)	
Capitalisation Direction	0	20,239	
Net written out amount of the cost of non-current assets consumed in the year		(10,501)	12,193
Capital financing applied in the year:			
• Use of Capital Receipts Reserve to finance new capital expenditure	(915)	(1,128)	
• Use of the Major Repairs Reserve to finance new capital expenditure	(4,087)	(4,210)	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,317)	(7,340)	
• Application of grants to capital financing from the Capital Grants Unapplied Account	(20,844)	(30,546)	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,346)	(6,931)	
• Capital expenditure charged against the General Fund and HRA balances	(1,759)	(3,670)	
		(41,268)	(53,825)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,517)	(907)
Balance as at 31 March		(213,565)	(195,264)

Note 37. 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 2025 will be charged to the General Fund over the next 30 years.

	2023/24 £'000	2024/25 £'000	£'000
Balance as at 1 April	(1,444)		(1,500)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(56)	(57)	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(56)		(57)
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	(1,500)		(1,557)
Balance as at 31 March	(1,444)		(1,500)

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.

	2023/24 £'000	2024/25 £'000
Balance as at 1 April	0	(91)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(91)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	91
Balance as at 31 March	(91)	0

Note 37. 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.

	2023/24 £'000	2024/25 £'000
Balance as at 1 April	358	(5,904)
Remeasurements of the net defined benefit liability/(asset)	(1,379)	13,002
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	10,374	13,699
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,257)	(17,604)
Balance as at 31 March	(5,904)	3,193

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.

	2023/24 £'000	2024/25 £'000
Balance as at 1 April	(1,120)	(2,203)
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	(1,083)	(712)
Balance as at 31 March	(2,203)	(2,915)

The balance of £2.203million shown above consists of the following component parts:

	2023/24 £'000	2024/25 £'000
Medway Council Tax (Deficit)/Surplus	(723)	(2,681)
Medway Renewable Energy Disregard		
Medway Non-Domestic Rate Deficit/(Surplus)	(1,480)	(234)
Balance as at 31 March	(2,203)	(2,915)

Note 37. 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.

	2023/24	2024/25	
	£'000	£'000	£'000
Balance as at 1 April	1,872		1,872
Settlement or cancellation of accrual made at the end of the preceding year	(1,872)	(1,872)	
Amounts accrued at the end of the current year	1,872	2,065	
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	0		193
Balance as at 31 March	1,872		2,065

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. See Note 16 for the movement.

	2023/24	2024/25	
	£'000	£'000	
Balance as at 1 April	23,530	23,530	
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			
Balance as at 31 March	23,530	23,530	

Note 38. 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
- change in financial assumptions – changes in the net pensions liability relating to the key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.
- change in demographic assumptions – changes in the net pensions liability relating to the key demographic assumptions such as projecting mortality rates for members into the future.
- experience gain / (loss) on defined benefit obligation – experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience.

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.

Note 38. Defined Benefit Pension Schemes (continued)

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.

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 38. 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 will be carried out as of 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.
- Regulatory risk. Regulatory uncertainties could result in benefit changes to past of future benefits which could result in additional costs.
- Orphan risk. As many unrelated employers participate in each 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 in that fund.

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 38. 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:

	2023/24 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
• Current service costs	12,627	14,670
• Past service costs		0
• (gain)/loss from settlements	0	0
Financing and Investment Income and Expenditure		
Net Interest expense	(2,845)	(1,605)
Administration expenses	592	634
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services	10,374	13,699
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets in excess of interest	(10,097)	(11,273)
• Actuarial gains and losses arising on changes in demographic assumptions	0	1,706
• Actuarial gains and losses arising on changes in financial assumptions	4,639	94,941
• Experience (gain) / loss on defined benefit obligation	8,933	1,934
• Changes in impact of asset ceiling	0	(100,310)
• Other actuarial (gains)/losses	(2,096)	0
Total Remeasurements Recognised in Other Comprehensive Income	1,379	(13,002)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	11,753	697
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	10,374	13,699
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(15,257)	(17,604)
Total Movement in Reserves Statement	(4,883)	(3,905)

Note 38. 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

Present value of the defined benefit obligation

Fair value of plan assets

Sub-total

Impact of asset ceiling

Present value of unfunded obligation

Net liability arising from defined benefit obligation

31 March 2024 £'000	31 March 2025 £'000
661,625	589,019
671,127	689,244
(9,502)	(100,225)
0	100,310
3,598	3,108
(5,904)	3,193

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

Opening fair value of scheme assets

Interest income

Remeasurement gain/(loss):

- The return on plan assets, excluding the amount included in the net interest expense
- Other actuarial gains/(losses)

The effect of changes in foreign exchange rates

Administration expenses

Contributions from employer including unfunded

Contributions from employees into the scheme

Benefits paid

Settlement prices received/(paid)

Closing fair value of scheme assets

Local Government Pension Scheme	
31 March 2024 £'000	31 March 2025 £'000
654,878	671,127
34,435	33,502
(10,097)	(11,273)
0	0
(592)	(634)
15,257	17,604
5,227	5,722
(25,716)	(26,804)
(2,265)	0
671,127	689,244

Note 38. Defined Benefit Pension Schemes (continued)

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

Funded Liabilities: Local Government Pension Scheme

	2023/24 £'000	2024/25 £'000
Opening balance at 1 April	655,236	665,223
Current service cost	12,349	14,551
Interest cost	31,590	31,897
Contributions from scheme participants	5,227	5,722
Remeasurement (gains)/losses:		
• Actuarial gains and losses arising on changes in demographic assumptions	(8,933)	(1,706)
• Actuarial gains and losses arising on changes in financial assumptions	(4,639)	(94,941)
• Experience loss/(gain) on defined benefit obligation	2,096	(1,934)
• Other		
Past service cost		
Losses/(gains) on curtailment (where relevant)	(2,116)	0
Liabilities extinguished on settlements		
Liabilities assumed on entity combinations		
Benefits paid		
Estimated benefits paid net of transfers in	(25,286)	(26,368)
Past service cost, including curtailments	129	119
Unfunded pension payments	(430)	(436)
Closing balance at 31 March	665,223	592,127

Note 38. Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2024				Period Ended 31 March 2025			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of total asset %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of total asset %
Equities	390,421	0	390,421	58.17%	392,486	0	392,486	56.94%
Fixed Interest Government Securities	49,174	0	49,174	7.33%	40,856	0	40,856	5.93%
Corporate Bonds	96,632	0	96,632	14.40%	102,459	0	102,459	14.87%
Property	0	60,213	60,213	8.97%	0	56,441	56,441	8.19%
Others:		0					0	0.00%
Cash	0	10,687	10,687	1.59%	0	27,259	27,259	3.95%
Private Equity	0	33,910	33,910	5.05%	0	0	0	0.00%
Infrastructure	0	30,090	30,090	4.48%	0	34,540	34,540	5.01%
Absolute Return Portfolio	0	0	0	0.00%	0	35,203	35,203	5.11%
Derivatives	0	0	0	0.00%	0	0	0	0.00%
Total assets	536,227	134,900	671,127	100.00%	535,801	153,443	689,244	100.00%

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2025 is likely to be different from that shown due to estimation techniques.

Note 38. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets, Liabilities and Assumptions

The principal assumptions used by the actuary have been:

To assess the value of the Employer's liabilities at 31 March 2025, 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 2025 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2025 should not introduce any material distortions in the results provided that the actual experience of the employer 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 we 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 2022 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 2025 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.

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 2022, 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 38. 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 110% for females. These base tables are then projected using the CMI_2022 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 2024	31 March 2025
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	20.8	20.7
• Women	23.3	23.3
Longevity at 65 for future pensioners		
• Men	22.0	22.0
• Women	24.7	24.7

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

	Local Government Pension Scheme	
	31 March 2024	31 March 2025
Rate of increase in Consumer Price Index	3.20%	2.95%
Rate of increase in salaries	4.20%	3.95%
Rate of increase in pensions	2.95%	2.90%
Rate for discounting scheme liabilities	4.90%	5.80%

These assumptions are set with the reference to market conditions at 31 March 2023.

The actuary's estimate of the duration of the Employer's liabilities is 15 years.

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 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.

Salaries are assumed to increase at 1.0% p.a. above CPI in addition to a promotional scale.

Note 38. Defined Benefit Pension Schemes (continued)

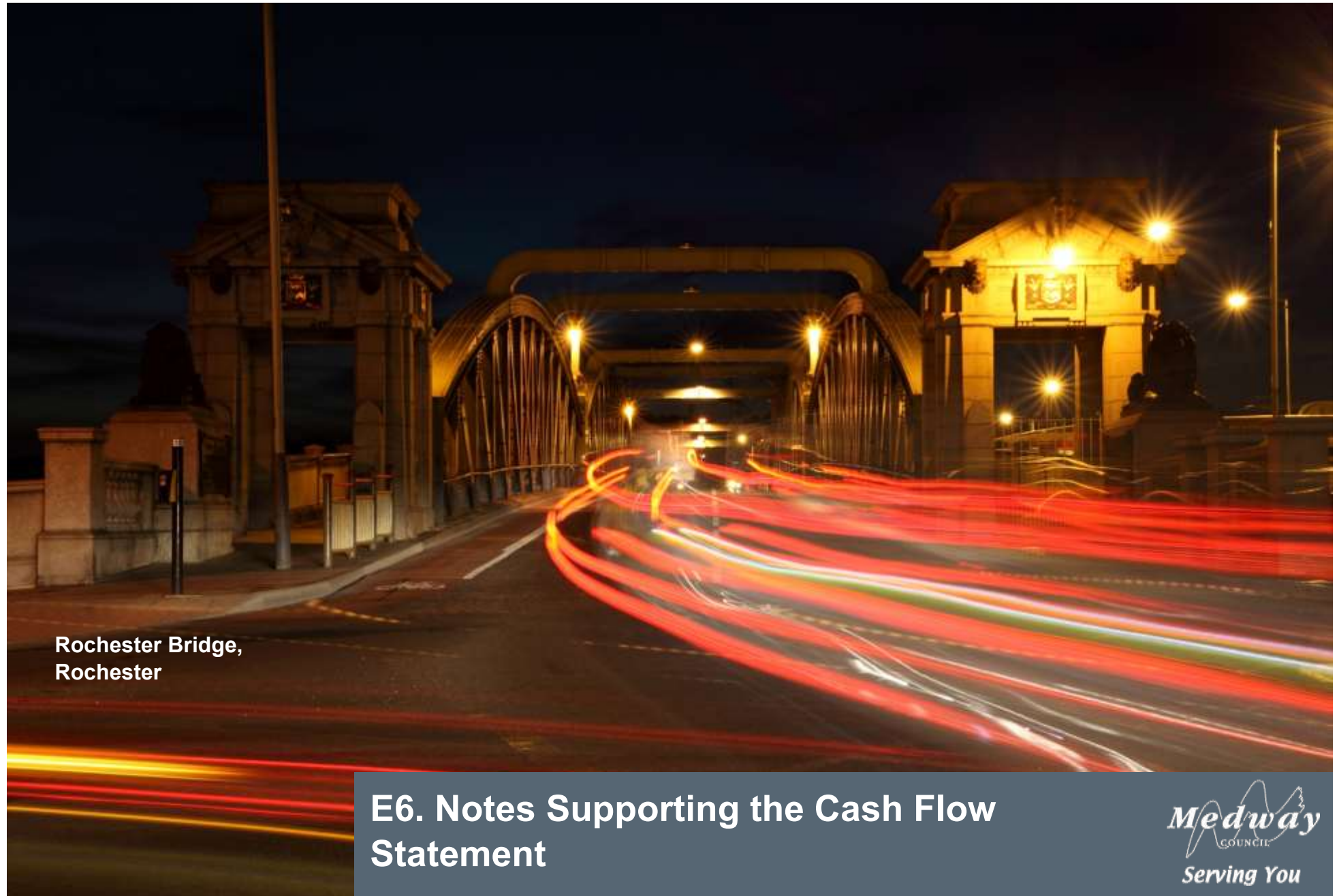
The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis in the following table shows how the present value and projected service cost would change if the values ascribed to various assumptions used in the actuary's 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 2024			31 March 2025		
		£000's	£000's	£000's	£000's	£000's	£000's
Adjustment to discount rate		0.50%	0.10%	0.00%	0.50%	0.10%	0.00%
	Present Value of Total obligation	615,248	654,078	665,223	551,454	583,597	592,127
	Projected Service Cost	11,678	13,523	14,025	8,909	10,386	10,786
Adjustment to long term salary increase		0.50%	0.10%	0.00%	0.50%	0.10%	0.00%
	Present Value of Total obligation	668,489	665,866	665,233	594,736	592,640	592,127
	Projected Service Cost	14,072	14,035	14,025	10,786	10,786	10,786
Adjustment to pension increases and deferred revaluation		0.50%	0.10%	0.00%	0.50%	0.10%	0.00%
	Present Value of Total obligation	710,750	675,571	665,233	636,590	600,593	592,127
	Projected Service Cost	16,893	14,552	14,025	13,083	11,216	10,786
Adjustment to life expectation assumption		+ 1 Year	None	-1 Year	+ 1 Year	None	-1 Year
	Present Value of Total obligation	691,856	665,223	639,731	613,471	592,127	571,624
	Projected Service Cost	14,570	14,025	13,495	11,196	10,786	10,385

The Authority anticipates that it will pay £17.130m expected contributions to the scheme in 2025/26.

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.



Rochester Bridge,
Rochester

E6. Notes Supporting the Cash Flow Statement

Notes Supporting the Cash Flow Statement

Note 39. Cash Flow Statement – Operating Activities 154

Note 40. Cash Flow Statement – Investing Activities..... 155

Note 41. Cash Flow Statement – Financing Activities 155

Note 42. Record of Liabilities from Financing Activities 156

Note 39. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2023/24 £'000	2024/25 £'000
Interest received	(9,113)	(2,447)
Interest paid	10,806	10,509
Dividends received	102	(1,837)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2023/24 £'000	2024/25 £'000
Depreciation	(21,448)	(18,946)
Impairment and downward revaluations	(17,495)	(13,387)
Increase in valuation of investments	(1,173)	1,081
(Increase) / decrease in creditors	16,492	(3,779)
Increase / (decrease) in debtors/Impairment for Bad Debts	47,431	73,292
Increase / (decrease) in inventories	42	43
Movement in pension liability	4,883	3,905
Contributions (to)/from Provisions	(1,926)	1,693
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(20,849)	(10,296)
Other non-cash items charged to the net surplus or deficit on the provision of services	2,046	594
	8,004	34,200

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2023/24 £'000	2024/25 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	471	1,302
Any other items for which the cash effects are investing or financing cash flows	48,375	31,723
	48,846	33,025

Note 40. Cash Flow Statement – Investing Activities

	2023/24 £'000	2024/25 £'000
Purchase of property, plant and equipment, investment property and intangible assets	47,781	45,504
Purchase of short-term and long-term investments	146,849	154,966
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(471)	(1,302)
Proceeds from short-term and long-term investments	(157,300)	(139,000)
Other receipts from investing activities	(48,375)	(31,723)
Net cash flows from investing activities	(11,516)	28,445

Note 41. Cash Flow Statement – Financing Activities

	2023/24 £'000	2024/25 £'000
Cash receipts of short- and long-term borrowing	(195,548)	(373,000)
Other receipts from financing activities	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases	0	0
Repayments of short- and long-term borrowing	130,851	257,881
Other payments for financing activities	0	0
Net cash flows from financing activities	(64,696)	(115,119)

Note 42. Record of Liabilities from Financing Activities

	01 April 2024 £'000	Financing cash flows £'000	Non-cash changes		31 March 2025 £'000
			Acquisition £'000	Other non-cash changes £'000	
Long-term borrowings	352,039	143,666	0	0	495,705
Short-term borrowings	118,548	(28,548)	0	0	90,000
• Lease liabilities	245	0	0	1,225	1,470
Total liabilities from financing activities	470,832	115,118	0	1,225	587,175

	01 April 2023 £'000	Financing cash flows £'000	Non-cash changes		31 March 2024 £'000
			Acquisition £'000	Other non-cash changes £'000	
Long-term borrowings	308,695	23,344		20,000	352,039
Short-term borrowings	97,376	41,352		(20,180)	118,548
• Lease liabilities	257	0	0	(12)	245
Total liabilities from financing activities	406,328	64,696	0	(192)	470,832



Rochester
Castle
Gardens,
Rochester

E7. Other Notes

Other Notes

Note 43. Related Parties..... 159

Note 44. Contingent Liabilities 161

Note 45. Contingent Assets 162

Note 46. Events after the Reporting Period 163

Note 47. Prior Period Adjustments..... 164

Note 43. 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 2025 are shown in "Note 17".

Members

The Authority holds a statutory register of members' declarations covering property and land holdings, employment, sponsorship, 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 and received nil payments from the

Council in 2024/25 (£0.341 in 2023/24). Nothing was outstanding at the end of either 2024/25 or 2023/24. There were no other transactions in either year.

Two Councillors are Trustees 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 £0.068m during 2024/25 (£0.071m in 2023/24), no payments were owed to this organisation at the end of either 2024/25 or 2023/24. The Trust provided no services to the Council in either 2023/24 or 2022/23 but payments amounting to £0.0006m were made to the Council in 2024/25 (£0.0005m in 2023/24).

Related Parties which had no transactions with Medway Council during 2023/24

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.

One Councillor is a Trustee of the Net Community Hub, a social prescribing platform funded and delivered by Medway Community Action and Medway Council.

One Councillor is a chair of Friends of the Vines, a charity that works to preserve the Vines Gardens located in the heart of Rochester, owned by Rochester Cathedral.

Two Councillors are representatives of the Medway Queen Preservation Society which is a charity that preserves the historic boat the Medway Queen and runs a museum within to help raise funds.

Relate has one Councillor as a Chair; Relate is an organisation that provides relationship support and counselling for every in Medway and North Kent.

Note 43. Related Parties (continued)

Officers

The Chief Executive is a Director (Independent Governor) of The University of Greenwich. However, there have been no transactions between Medway Council and the University.

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 Medway Norse Limited. The company provides catering, cleaning and facilities management services, grounds and greenspaces management and waste management services. The company also manages three household waste recycling centres and has provided waste collection and street cleansing activities since October 2019. 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. The company provides special educational needs (SEND) 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 Medway Council through the Medway Norse and Medway Norse Transport are included in the Medway Council's cost of services within the statements.

Medway Council appoints 2 directors to each of the Boards of Medway Norse Limited and Medway Norse Transport. The Council made payments of £42,011m to Medway Norse/Medway Norse Transport in 2024/25 (£38.923m in 2023/24) and owed £0.019m as of 31 March 2025 (£0.053m as of 31 March 2024). The total value of transactions to the Council from these companies was £0.934m in 2024/25 (£0.608m in 2023/24) and owed £0.638m as of 31 March 2025 (£0.241m as of 31 March 2024).

Medway Council currently has two subsidiary companies: Kyndi Limited (formerly Medway Commercial Group Limited - MCG) and Medway Development Company Limited (MDC). As of 31 March 2025, 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) which trades in the private sector and Kyndi Limited (formerly Medway Public Services - MPS) trading in 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 of 31 March 2025 amount to £0.890m (£1.144m as at 31st March 2024).

The Council made payments of £0.280m to Kyndi in 2024/25 (£1,817m in 2023/24) and owed Nil as of 31 March 2025 (Nil as of 31 March 2024). The total value of transactions to the Council from Kyndi was £0.090m in 2023/24 (£0.463m in 2023/24) and they owed £0.003m as of 31 March 2025 (£0.070m as of 31 March 2024).

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 £150million of investment over the first five years of the company with fourteen sites identified. The balance on loans given to MDC as of 31 March 2025 amount to £77.405m (£75.258m as of 31st March 2024). MDC also has two PRS loans as at 31st March 2025 totalling £38.255m, which is payable over 50 years.

The Council made payments of £0.541m to MDC in 2024/25 (£0.922m in 2023/24). MDC made purchases from the Council of £0.0006m during 2024/25 (£0.857m total in 2023/24) of which £0.031m was owing as of 31 March 2025 (£0.046 as of 31 March 2024).

Note 44. 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 no contingent liabilities at 31st March 2025.

Note 45. 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 2025.

Note 46. 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.

There have been no events between 31 March 2025 and the issuing of this Statement of Accounts which have a significant bearing on the financial results year, or the financial position presented in the Balance Sheet.

Note 47. 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 2025.



Eastgate House,
Rochester

F. Supplementary Financial Statements

Supplementary Financial Statements

Housing Revenue Account	167
Income and Expenditure Statement.....	167
Movement on the Housing Revenue Account Statement	169
HRA Note 1. Adjustments between Accounting Basis and Funding Basis under Statute	170
HRA Note 2. Stock.....	171
HRA Note 3. Non-Current Assets	172
HRA Note 4. Analysis of Capital Expenditure and Funding	174
HRA Note 5. Summary of Capital Receipts	175
HRA Note 6. Tenants Arrears	175
Collection Fund Statement.....	176
Collection Fund Note 1. Council Tax	178
Collection Fund Note 2. Income from Business Rates.....	179
Collection Fund Note 3. Impairment of Debts/Appeals	180

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.

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.

Income and Expenditure Statement (cont.)

2023/24 £'000		HRA Notes	2024/25 £'000
	Expenditure		
3,187	Repairs & maintenance		3,993
4,121	Supervision and management		4,709
181	Rents, rates, taxes and other charges		160
0	Rent Rebate limitation subsidy payable		0
4,087	Depreciation, impairment and revaluation movements of non-current assets		4,244
6,840	Revaluation of HRA non-current assets		(2,319)
234	Revenue Expenditure Funded from Capital Under Statute		255
63	Debt management costs		71
233	Movement in the allowance for bad debts		0
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code		0
18,946	Total Expenditure		11,111
	Income		
(14,764)	Dwelling rents		(15,991)
(276)	Non-dwelling rents		(274)
(1,372)	Charges for services and facilities		(1,612)
(150)	Contributions towards expenditure		(206)
(6)	Reimbursement of Costs		(8)
0	Income from capital		(353)
0	HRA Subsidy Receivable		0
(134)	Interest Earned		(146)
0	Sums directed by the Secretary of State that are income in accordance with proper practices		0
(16,701)	Total Income		(18,589)
(5,590)	Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement		(7,478)
99	HRA services share of Corporate and Democratic Core		99
(5)	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		8
0	Capital grants and contributions receivable		0
(5,496)	Net Expenditure/(Income) for Housing Revenue Account Services		(7,411)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(290)	(Gain) or loss on sale of HRA non-current assets		(600)
2,123	Interest payable and similar charges		2,209
(1,844)	HRA Capital Grants Applied & Unapplied		(1,246)
(5)	Pensions interest cost and expected return on pensions assets		4
(5,512)	Deficit/(Surplus) for the year on Housing Revenue Account Services		(7,044)

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.

2023/24		2024/25
£'000		£'000
(6,373)	Balance on the HRA at the end of the previous reporting period	(6,373)
2,323	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(7,044)
27	Adjustment to HRA Income and Expenditure Statement Relating to Recharge Adjustments	0
(3,502)	Adjustments between accounting basis and funding basis under statute (HRA Note 1)	7,363
(1,152)	Net (increase) or decrease before transfers to or from reserves	319
0	Transfers to or (from) Earmarked HRA reserves	0
0	Transfers to or (from) GF reserves	319
(1,152)	(Increase) or decrease in year on the HRA	0
0	Contribution towards Capital from Reserves	0
(7,524)	Balance on the HRA at the end of the current reporting period	(7,206)

HRA Note 1. Adjustments between Accounting Basis and Funding Basis under Statute

2023/24 £'000		2024/25 £'000
	ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT	
(4,087)	Charges for depreciation and impairment of non-current assets	(4,244)
(6,840)	Revaluation movements on Property, Plant and Equipment	2,319
606	Capital Grants and Contributions Applied	871
(234)	Revenue Expenditure Funded from Capital Under Statute	(255)
(246)	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	(596)
1,238	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	415
	INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
1,430	Capital Expenditure charged Against HRA Balances	3,423
	ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:	
536	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,196
	ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:	
4,087	Transfer from HRA to the Major Repairs Reserve	4,244
	ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:	
0	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	0
	ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE:	
(18)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	34
28	Employer's pension contributions and direct payments to pensioners payable in the year	(46)
	ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:	
(2)	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	1
(3,502)	TOTAL ADJUSTMENTS	7,363

HRA Note 2. Stock

Rentable Dwelling Stock

The Council managed 3,031 rentable dwellings as of 31 March 2025. The movement in stock is analysed as follows:

Stock Type	1 April 2024	Adjustments	Additions	Disposals	31 March 2025
Houses	1,253	0	3	(4)	1,252
Flats	1,268	0	9	(4)	1,273
Maisonettes	209	0	0	0	209
Bungalows	297	0	0	0	297
Total	3,027	0	12	(8)	3,031

This figure includes 4 dwellings that were not rentable as at 31 March 2025 and have been classified as assets under construction.

Non-Rentable Dwelling Stock

The Council own zero non-rentable dwellings as at 31 March 2025.

Stock Type	1 April 2024	Adjustments	Additions	Disposals	31 March 2025
Flats	0	0	0	0	0
Total	0	0	0	0	0

Non-Dwelling Stock

The Council owned 862 non-dwellings as at 31 March 2025. The movement in stock is analysed as follows:

Stock Type	1 April 2023	Adjustments	Additions	Disposals	31 March 2024
Garages	372	0	0	(14)	358
Garages with water	185	0	0	0	185
Carports	78	0	0	0	78
Car spaces	201	0	14	0	215
Underground car spaces	26	0	0	0	26
Commercial Property	0	0	0	0	0
Total	862	0	14	0	862

HRA Note 3. Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' based upon beacon values and then reduced to reflect 'existing use for social housing'. This is the value included within the Balance Sheet. The vacant possession value at 31 March 2025 was £592.401m (£556.477m as at 31 March 2024). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to the Council of providing council housing at less than open market rents.

Movements on Balances 2024/25

Cost or valuation 1 April 2024
 Assets Under Construction brought into use
 Additions
 Donations
 Revaluation increases/(decreases) recognised in the Revaluation Reserve
 Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services
 Derecognition – disposals
 Derecognition - Surplus Assets
 Assets reclassified (to)/from Held for Sale
 Other movements in cost or valuation

Cost or valuation as at 31 March 2025

Depreciation as at 1 April 2024
 Depreciation charge
 Depreciation written out to the Revaluation Reserve
 Depreciation written out to the Surplus//Deficit on the Provision of Services
 Derecognition – disposals
 Derecognition - Surplus Assets
 Assets reclassified (to)/from Held for Sale
 Other movements in depreciation and impairment

Depreciation as at 31 March 2025

Net Book Value

As at 31 March 2024

As at 31 March 2025

Dwellings	Other Land and Buildings	Assets Under Construction	Total
£'000	£'000	£'000	£'000
183,827	4,497	4,686	193,010
2,245	0	(2,245)	0
5,827	0	4,120	9,947
0	0	0	0
3,619	257	0	3,876
328	21	0	349
(608)	0	0	(608)
0	0	0	0
0	0	0	0
0	0	0	0
195,238	4,775	6,561	206,573
0	0	0	0
(3,929)	(315)	0	(4,244)
1,958	303	0	2,261
1,958	12	0	1,970
12	0	0	12
0	0	0	0
0	0	0	0
0	0	0	0
(1)	0	0	(1)
183,827	4,497	4,686	193,010
195,237	4,775	6,561	206,573

HRA Note 3. Non-Current Assets (continued)

Movements on Balances 2023/24

	Dwellings £'000	Other Land and Buildings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation 1 April 2023	187,288	4,147	3,139	194,573
Assets Under Construction brought into use	634	0	(634)	0
Additions	8,142	26	2,181	10,349
Donations	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,422)	353	0	(3,069)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,564)	(29)	0	(8,593)
Derecognition – disposals	(250)	0	0	(250)
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 2024	183,827	4,497	4,686	193,010
Depreciation as at 1 April 2023	0	0	0	0
Depreciation charge	(3,797)	(290)	0	(4,087)
Depreciation written out to the Revaluation Reserve	2,051	278	0	2,329
Depreciation written out to the Surplus//Deficit on the Provision of Services	1,741	12	0	1,753
Derecognition – disposals	5	0	0	5
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 2024	0	0	0	0
Net Book Value				
As at 31 March 2023	187,288	4,147	3,139	194,573
As at 31 March 2024	183,827	4,497	4,686	193,010

HRA Note 4. Analysis of Capital Expenditure and Funding

Capital Expenditure

Dwellings
Other Land and Buildings
Assets under Construction
Revenue Expenditure Funded from Capital under Statute

Total

Funded by:

Major Repairs Reserve
HRA Capital Grants
Transfer from 1-4-1 Capital Receipts Reserves
Prudential Borrowing for New House Build Programme
Buy Back Allowance
Section 106 Funding
Revenue contributions from the HRA

Total Funding

2023/24 £'000	2024/25 £'000
8,167	5,828
0	0
2,181	4,120
234	255
10,582	10,202
4,087	4,210
1,238	1,752
404	817
3,423	0
0	0
0	0
1,430	3,423
10,582	10,202

The Revenue Expenditure Funded from Capital under Statute relates to:

Expenditure type:

New Build Programme-Pre Construction Expenditure
Non HRA Properties/Leaseholders Expenditure
Expenditure below £25k

Total

2023/24 £'000	2024/25 £'000
0	0
198	131
36	123
234	255

HRA Note 5. Summary of Capital Receipts

Receipts from the sale of land
Receipts from the sale of other property
Repayment of discount
Receipts from the sale of houses other than through the right to buy scheme
Receipts from disposals of houses through the Right To Buy scheme
Total Capital Receipts

2023/24 £'000	2024/25 £'000
0	0
0	0
0	(74)
0	0
(536)	(1,122)
(536)	(1,196)

HRA Note 6. Tenants Arrears

Tenants' Arrears at 1 April 2025 were analysed as follows:

Type of Debt

General Stock
Garages
Former Tenancies – General Stock
Former Tenancies - Garages
Housing Benefit Overpayments – General Stock
Court Costs – General Stock
Former Tenancy Arrears of Current Tenants – General
Rechargeable Repairs
Total Arrears

2023/24 £'000	2024/25 £'000
245	187
0	0
266	282
1	2
13	5
16	15
19	15
35	32
596	538
3.64%	3.02%

Percentage of Gross Rents (HRA)

The following provision has been made against possible non-collection of Housing Revenue Account debt:

Opening Balance

Additional Provision made during year
Add Credit write-offs
Less amounts written off

Closing Balance

2023/24 £'000	2024/25 £'000
376	562
233	0
0	0
(47)	(63)
562	499

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 2024			Collection Fund Notes	Year Ended 31 March 2025		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
	(180,849)	(180,849)			(194,149)	(194,149)
(95,410)		(95,410)	1			
(95,410)	(180,849)	(276,258)	2	(101,234)		(101,234)
				(101,234)	(194,149)	(295,383)
Amounts required by statute to be credited to the Collection Fund						
Council Tax						
Non-Domestic Rates						
Total Amount required by statute to be credited to the Collection Fund						
Amounts required by statute to be debited to the Collection Fund						
<u>Precepts and demands from major preceptors and the Authority</u>						
48,551	149,917	198,468		49,920	160,215	210,135
	21,722	21,722			23,287	23,287
991	7,799	8,790		1,019	8,174	9,193
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>						
49,542		49,542		50,939		50,939
268		268		267		267
67		67		67		67
0		0		0		0
<u>Impairment of debts/appeals</u>						
		0				0
567	2,450	3,018		25	56	80
784		784		(2,577)		(2,577)
(2,241)	544	(1,697)		4,121	74	4,195
98,528	182,432	280,960		103,781	191,805	295,586
(3,022)	(865)	(3,887)		(3,022)	(865)	(3,887)
(3,022)	(865)	815		(476)	(3,208)	(3,684)
3,118	1,584	4,702		2,547	(2,344)	203
Total Amount required by statute to be debited to the Collection Fund						
Opening fund balance						
Closing Fund Balance						
Movement on fund balance						
Allocation of Closing Deficit/(Surplus)						
(1,481)	(723)	(2,204)		(234)	(2,681)	(2,915)
	(105)	(105)			(390)	(390)
(30)	(37)	(67)		(5)	(137)	(142)
(1,511)		(1,511)		(238)		(238)
(3,022)	(865)	(3,887)		(476)	(3,208)	(3,684)

Collection Fund Note 1. Council Tax

Council Tax derives from charges raised according to the value of residual 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).

The Council Tax Base for 2024/25 was 90,912.50 (89,336.65 in 2023/24). The tax base for 2024/25 was approved by the Chief Operating Officer, in consultation with the Leader, on 12 January 2024 and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,339	6/9	7,559	1,228	6,331.76
B	38,712	7/9	30,109	2,863	27,246.53
C	35,292	8/9	31,371	2,457	28,913.33
D	19,061	9/9	19,061	1,195	17,865.55
E	10,014	11/9	12,239	657	11,582.39
F	4,307	13/9	6,221	289	5,932.69
G	1,543	15/9	2,572	113	2,458.75
H	62	18/9	124	56	68
Total	120,330		109,257	8,858	100,399.00
Council Tax Support					-7,477.63
Sub Total					92,921.37
Allowance for Non-Collection (2.4%)					-2,230.11
Sub Total					90,691.26
Crown Contribution					221.24
Tax Base for the Calculation of Council Tax 2024/25					90,912.50
Tax Base for the Calculation of Council Tax 2023/24					89,336.65

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. In previous financial years the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid to local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

Business rate income 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 2024/25 was £50.7m (£47.2m in 2023/24).

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 2025. Authorities are required to make provision for these amounts. Appeals are charges and provided for in proportion to the precepting shares. The decrease in provision credited to the collection fund for 2024/25 was £2.57m (£1.69m 2023/24).

For 2024/25 the total non-domestic rateable value at the year-end is £251.8m (£252.8m in 2023/24). The national multipliers for 2024/25 were 49.9p for qualifying Small Businesses, and the standard multiplier being 54.6p for all other businesses (49.9p and 51.2p respectively in 2023/24).

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.

2023/24 £000s		
Collection Fund	Medway Share	
9,037	7,552	Balance at 1 April
(1,448)	(1,180)	Write-offs during year
2,450	1,997	Contributions to provisions during year
1,002	817	Net Increase/(decrease) in Provisions
10,039	8,369	Balance at 31 March

2024/25 £000s		
Collection Fund	Medway Share	
10,039	8,369	
(1,383)	(1,144)	
56	46	
(1,328)	(1,098)	
8,711	7,271	

The Collection Fund account also provides for bad debts on Non-domestic rates arrears.

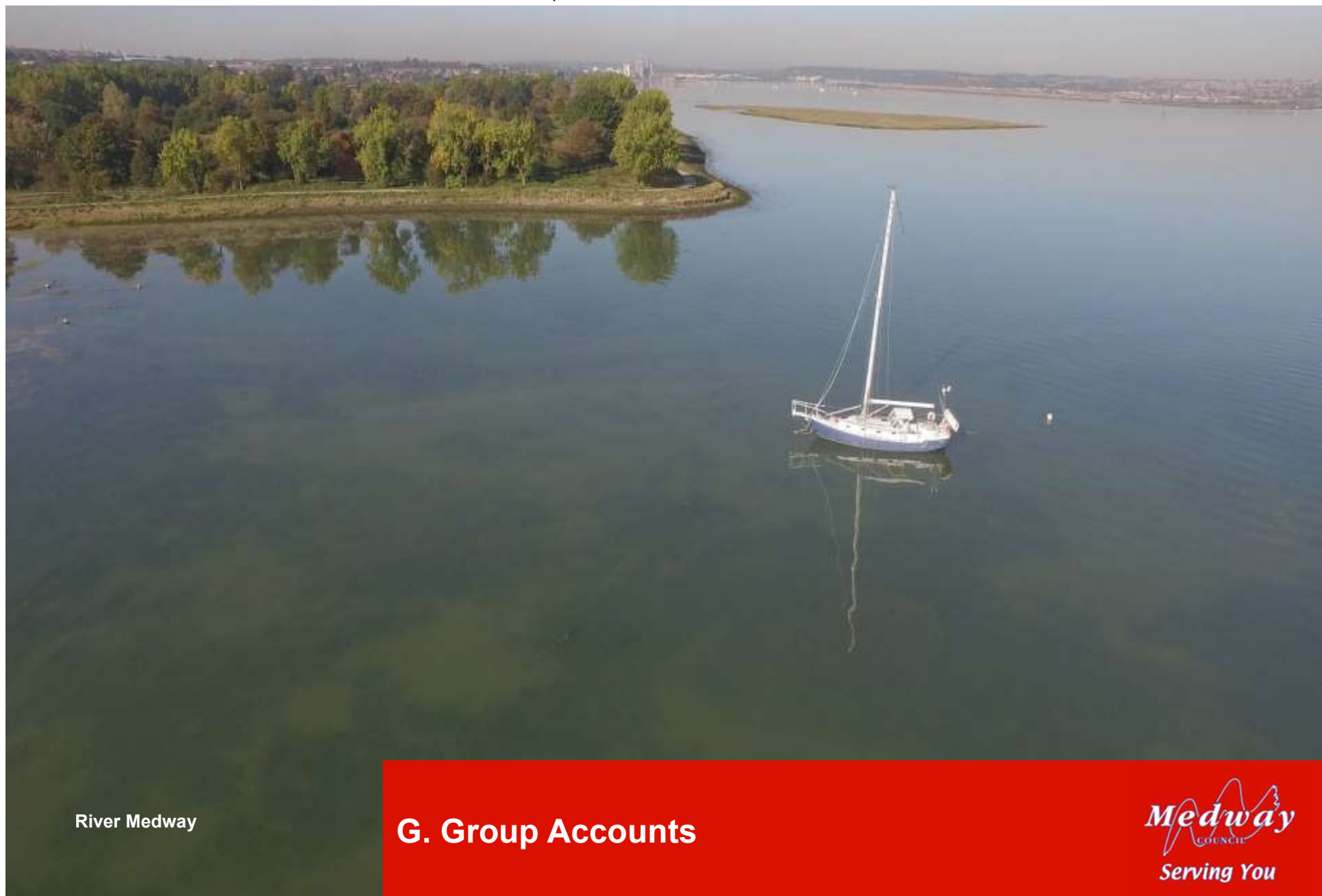
2023/24 £000s		
Collection Fund	Medway Share	
5,984	2,932	Balance at 1 April
		Amendment due to Pooling
(1,120)	(549)	Write-offs during year
(567)	(278)	Contributions to provisions during year
		Provisions utilised during the year
(1,687)	(827)	Net Increase/decrease in Provisions
4,297	2,105	Balance at 31 March

2024/25 £000s		
Collection Fund	Medway Share	
4,297	2,105	
(738)	(362)	
(25)	(12)	
(763)	(374)	
3,534	1,732	

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 2025. This is the thirteenth year of the provision.

2023/24 £000s		
Collection Fund	Medway Share	
4,916	2,407	Balance at 1 April
0	0	Amendment due to Pooling
(784)	(4,341)	Contributions to provisions during year
0	1,220	Provisions utilised during the year
(784)	(3,120)	Net Increase/(decrease) in Provisions
4,132	(713)	Balance at 31 March

2024/25 £000s		
Collection Fund	Medway Share	
4,132	2,025	
0	0	
(2,577)	(1,263)	
(2,577)	(1,263)	
1,555	762	



River Medway

G. Group Accounts

Medway
COUNCIL
Serving You

Group Accounts

Introduction	183
Group Comprehensive Income and Expenditure Statement.....	186
Group Movement in Reserves Statement.....	187
Group Balance Sheet	189
Group Cash Flow Statement.....	190
Group Accounts Note 1. Critical Judgements	191
Group Accounts Note 2. Group Debtors	192
Group Accounts Note 3. Group Creditors	193
Group Accounts Note 4. Group Cash & Cash Equivalents	193
Group Accounts Note 5. Group Financial Instruments.....	194
Group Accounts Note 6. Group Cash Flow – Operating Activities	195
Group Accounts Note 7. Group Cash Flow – Investing Activities	196
Group Accounts Note 8. Group Cash Flow – Financing Activities	196
Group Accounts Note 9. Inventories	196

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.

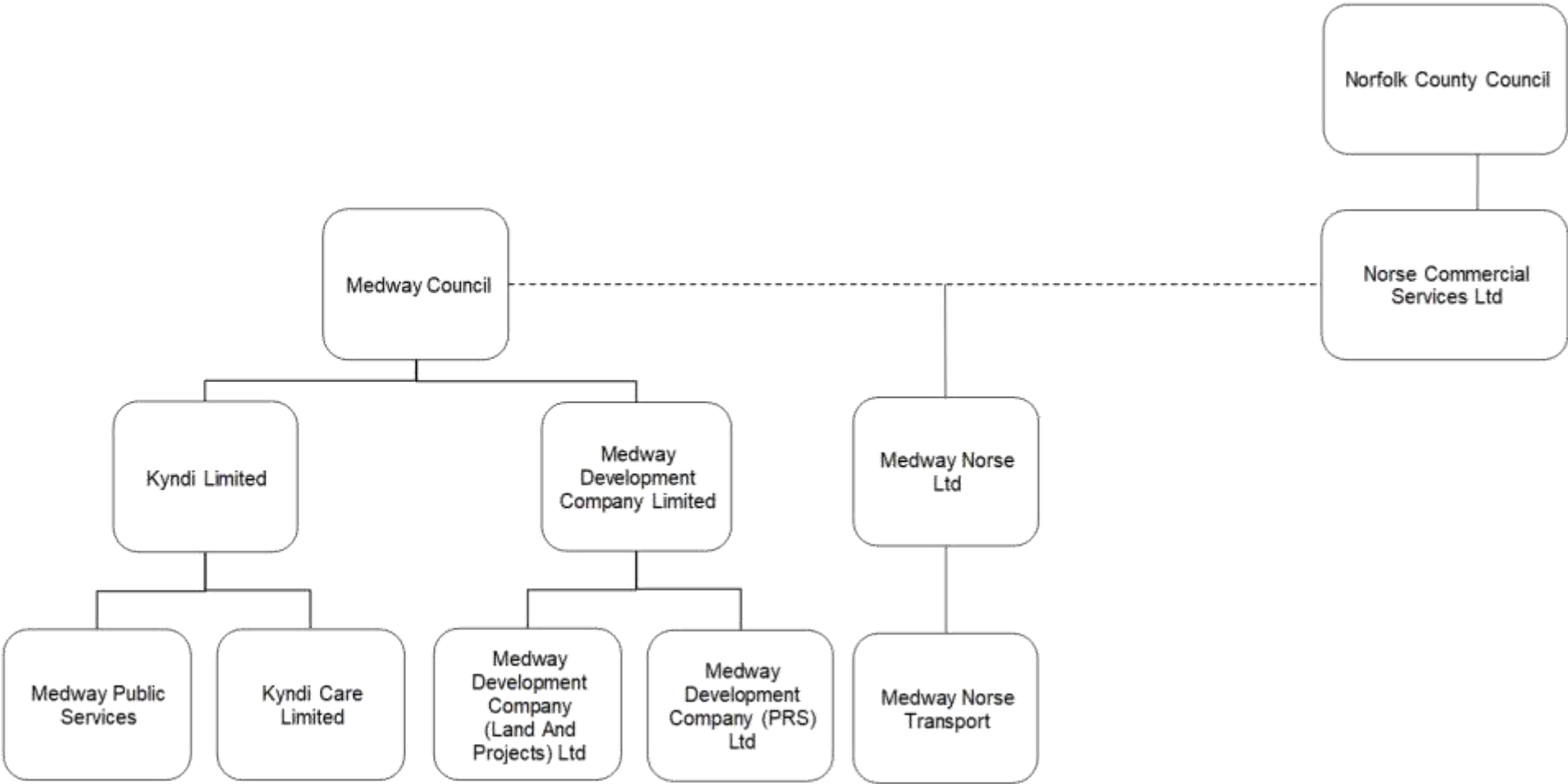
In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- 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 Ltd	100% Subsidiary	Consolidated
Medway Development Company Ltd	100% Subsidiary	Consolidated
Medway Norse Ltd	Joint Venture	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)) (10040313).

In January 2021 the business exited from the provision of Education Services. At the same time, the business agreed a substantial £2.5m 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 or 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.

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 2024				Year ended 31 March 2025		
Gross Expenditure	Gross Income	Net Expenditure	Service	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
103,808	(87,003)	16,804	Business Support Department	101,791	(75,337)	26,454
402,802	(240,379)	162,423	Children's and Adults (inc. Public Health)	447,833	(270,678)	177,155
19,040	(16,702)	2,339	Local authority housing (HRA)	11,218	(18,629)	(7,411)
130,907	(47,648)	83,259	Revaluation of HRA Non-Current assets	148,601	(54,647)	93,954
656,557	(391,732)	264,825	Regeneration, Culture & Environment	709,443	(419,291)	290,152
22,703		22,703	Group Cost of Services	11,550	0	11,550
9,158	(10,919)	(1,761)	Other operating expenditure	14,262	(8,457)	5,806
142	(279,535)	(279,394)	Net Surplus on trading accounts	0	(282,810)	(282,810)
688,559	(682,186)	6,372	Financing and investment income and expenditure	735,255	(710,558)	24,697
		(247)				(967)
		0	Taxation and non-specific grant income and expenditure			38
666,559	(683,177)	6,126	- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	735,293	(710,558)	23,768
			(Surplus) or Deficit on Provision of Services			
			Share of (surplus)/Deficit of joint venture.			
			Taxation of Group Entities			
		(41,140)	Group (Surplus)/Deficit			(15,686)
		15,911	Surplus on revaluation of property, plant and equipment assets			8,084
		(1,379)	Revaluation losses on non-current assets charged to the Revaluation Reserve			13,002
			Re-measurement of net defined pension liability/(asset)			5,400
			Other Comprehensive Income and Expenditure			
		(26,608)	Total Comprehensive Income and Expenditure			5,400

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.

2024/25	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 2024	(10,061)	(30,466)	(40,527)	(7,524)	0	(7,524)	(2,908)	0	(63,099)	(114,059)	(440,767)	(554,826)	5,112	(549,714)	
Movement in reserves during 2024/25															
Comprehensive Expenditure and Income	33,714		33,714	(7,044)	0	(7,044)	0	0		26,670	5,400	32,070	(1,973)	30,097	
Adjustments between group account and authority accounts	(7,150)		(7,150)			0				0		0	7,150	0	
Net increase or decrease before transfers	26,564	0	26,564	(7,044)	0	(7,044)	0	0	0	19,520	5,400	24,920	5,177	30,097	
Adjustments between accounting basis and funding basis under regulations	(54,490)		(54,490)	7,363	0	7,363	(174)	(33)	6,163	(41,173)	41,173	0	0	0	
Net (increase)/decrease before transfers to Earmarked Reserves	(27,926)	0	(27,926)	319	0	319	(174)	(33)	6,163	(21,653)	46,573	24,920	5,652	30,098	
Movements in Earmarked Reserves	7,687	(7,392)	294	0		0	(219)	0	129	203	0	203	0	203	
Capitalisation Directive	20,239		20,239							20,239	(20,239)				
(Increase)/Decrease in 2023/24	(1)	(7,392)	(7,393)	319	0	319	(394)	(33)	6,292	(1,210)	26,334	25,124	5,177	30,301	
Balance at 31 March 2025 carried forward	(10,061)	(37,859)	(47,920)	(7,206)	0	(7,206)	(3,302)	(33)	(56,807)	(115,269)	(414,433)	(529,702)	10,289	(519,413)	

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves.

2023/24	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 2023	(10,238)	(42,583)	0	(52,821)	(6,373)	0	(6,373)	(4,285)	0	(42,142)	(105,620)	(443,141)	(548,761)	1,607	(547,154)
Movement in reserves during 2023/24															
Comprehensive Expenditure and Income	15,762		0	15,762	2,350	0	2,350	0	0		18,113	(26,608)	(8,496)	(462)	(8,957)
Adjustments between group account and authority accounts	(3,492)			(3,492)			0				0		0	3,492	0
Net increase or decrease before transfers	12,271	0	0	12,271	2,350	0	2,350	0	0	0	14,621	(26,608)	(11,987)	3,030	(8,957)
Adjustments between accounting basis and funding basis under regulations	(4,834)		0	(4,834)	(3,502)	0	(3,502)	444	0	(21,091)	(28,983)	28,983	0	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	7,437	0	0	7,437	(1,152)	0	(1,152)	444	0	(21,091)	(14,362)	2,375	(11,987)	3,030	(8,957)
Movements in Earmarked Reserves	(7,260)	6,714	0	(546)	0		0	932	0	134	520	0	520	0	520
(Increase)/Decrease in 2023/24	177	6,714	0	6,891	(1,152)	0	(1,152)	1,376	0	(20,957)	(13,842)	2,375	(11,468)	3,030	(8,437)
Balance at 31 March 2024 carried forward	(10,061)	(35,869)	0	(45,930)	(7,525)	0	(7,525)	(2,909)	0	(63,099)	(119,463)	(440,767)	(560,228)	4,637	(555,591)

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2024. The net assets of the Group are matched by Group reserves.

Balance Sheet Summary	31 March 2024	31 March 2025
	£'000	£'000
Property Plant & Equipment	806,099	827,896
Heritage Assets	19,723	23,839
Investment Property	16,663	54,803
Intangible Assets	41	21
Long Term Investments	21,099	17,741
Long Term Debtors	893	77,884
Long Term Assets	864,519	1,002,185
Assets Held for Sale <1 Year	15,910	15,910
Inventories	72,629	67,621
Short Term Investments	14,633	20,148
Short Term Debtors	103,468	96,501
Cash and Cash Equivalents	5,497	21,829
Current Assets	212,136	222,009
Cash and Cash Equivalents	0	(12,604)
Grants Receipts in Advance - Revenue	(3,555)	(2,721)
Short Term Borrowing	(97,196)	(90,001)
Short Term Creditors	(79,395)	(62,046)
Finance Leases < 1 Year	(257)	0
Provisions (Short Term)	(2,849)	(1,776)
Current Liabilities	(183,252)	(169,148)
Long Term Creditors	(28,278)	(27,539)
Provisions (Long Term)	(3,080)	(3,395)
Long Term Borrowing	(308,754)	(495,705)
Other Long-Term Liabilities	(1,057)	(3,193)
Grants Receipts in Advance - Capital	(5,079)	(5,800)
Long Term Liabilities	(346,249)	(535,633)
Net Assets	547,154	519,414
Usable Reserves	(104,846)	(104,981)
Unusable Reserves	(442,308)	(414,433)
Total Reserves	(547,154)	(519,414)

Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period.

2023/24		Notes	2024/25
£'000			£'000
18,587	Net (Surplus) or deficit on the provision of services		24,697
(6,941)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements	G6	32,617
48,954	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	G6	33,025
60,600	Net cash flows from Operating Activities		90,339
(11,223)	<u>Investing Activities</u>	<u>G7</u>	4,226
(53,850)	<u>Financing Activities</u>	<u>G8</u>	(93,819)
(4,473)	Net (increase) or decrease in cash and cash equivalents		746
5,497	Cash and cash equivalents at the beginning of the reporting period		9,969
9,969	<u>Cash and cash equivalents at the end of the reporting period</u>		9,223

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 xx and estimation uncertainties can be found in Note 5 on page xx 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

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.

31 March 2024				31 March 2025		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
75,703	28,785	104,488	Trade receivables	77,393	50,224	127,616
0	(6,720)	(6,720)	Less impairment allowance	0	(8,190)	(8,190)
75,703	22,066	97,769	Net trade receivables	77,393	42,033	119,426
0	0					
0	4,181	4,181	Prepayments	0	9,421	9,421
	192	192	Other receivables:		516	516
0	31	31	Client Financial Affairs Debtors	0	31	31
491	0	491	Education Related Debtors	491	0	491
0	64	64	Elections Debtors	0	225	225
0	9,289	9,289	Housing Benefit Debtors		9,368	9,368
0	(6,223)	(6,223)	Less impairment allowance	0	(5,978)	(5,978)
0	3,066	3,066	Net Housing Benefit Debtors	0	3,390	3,390
0	1,999	1,999	HRA Rent/Service Charge Debtors	0	2,391	2,391
0	(562)	(562)	Less impairment allowance	0	(499)	(499)
0	1,437	1,437	Net HRA Rent/Service Charge Debtors	0	1,893	1,893
0	34,818	34,818	Local Taxation Debtors	0	39,324	39,324
0	(10,497)	(10,497)	Less impairment allowance	0	(9,028)	(9,028)
0	24,321	24,321	Net Local Taxation Debtors	0	30,296	30,296
0	401	401	Rechargeable Works Debtors	0	761	761
0	1,039	1,039	Schools Debtors	0	1,037	1,037
0	5	5	SOCH Mortgage Debtors	0	5	5
0	35	35	Employee Related Debtors	0	67	67
0	5,476	5,476	VAT Debtors	0	6,824	6,824
491	36,066	36,558	Other receivables	491	45,046	45,537
76,194	62,313	138,507	Total Debtors	77,884	96,501	174,385

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 2024				31 March 2025		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
(491)	(49,094)	(49,595)	Trade payables	(1,950)	(46,605)	(48,555)
0	(2,874)	(2,874)	Receipts in Advance	0	(52)	(52)
			<u>Other payables</u>			
0	(465)	(465)	Other Payables	0	(2,931)	(2,931)
0	0	0	Education Related Creditors	0	0	0
(8)	(1,999)	(2,007)	Employee Related Creditors	(15)	(2,522)	(2,538)
0	(480)	(480)	HRA Rent/Service Charge Creditors	0	(699)	(699)
(26,635)	(1,110)	(27,745)	Local Government Reorganisation Creditors	(25,570)	(1,065)	(26,635)
0	(9,130)	(9,130)	Local Taxation Creditors	0	(6,778)	(6,778)
0	0	0	Rechargeable Works Creditors	0	(7)	(7)
(4)	0	(4)	SOCH Mortgage Creditors	(4)	0	(4)
0	0	0	VAT Creditors	0	0	0
(27,139)	(65,152)	(92,291)	Total Creditors	(27,539)	(62,046)	(89,585)

Group Accounts Note 4. Group Cash & Cash Equivalents

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

	31 March 2024	31 March 2025
	£'000	£'000
Single Entity Cash and Cash Equivalents	1,698	1,033
Subsidiary cash and bank balances	(2,256)	(6,064)
Short term deposits with the Money Market	10,528	14,256
Total Group Cash and Cash Equivalents	9,969	9,226

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
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	19,926	17,741	0	0	4,182	4,182	0	0	24,108	21,923
Amortised cost - other	0	0	89,017	116,998	0	0	21,270	11,668	110,287	128,666
Cash & cash equivalents at amortised cost	0	0	0	0	23,203	33,628	0	0	23,203	33,628
Total financial assets	19,926	17,741	89,017	116,998	27,385	37,810	21,270	11,668	157,599	184,216
Non-financial assets	0	0	5	5	0	0	40,445	40,445	40,450	40,450
Total	19,926	17,741	89,022	117,003	27,385	37,810	61,715	52,113	198,049	224,666
Financial Liabilities										
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(352,039)	(495,705)	(26,226)	(26,610)	(118,549)	(90,001)	(104,758)	(86,497)	(601,571)	(698,813)
Cash & cash equivalents at amortised cost	0	0	0	0	(13,234)	(11,799)	0	0	(13,234)	(11,799)
Total financial liabilities	(352,039)	(495,705)	(26,226)	(26,610)	(131,783)	(101,800)	(104,758)	(86,497)	(614,805)	(710,612)
Non-financial liabilities	0	0	(10)	(10)	0	0	(20,476)	(20,476)	(20,486)	(20,486)
Total	(352,039)	(495,705)	(26,236)	(26,620)	(131,783)	(101,800)	(125,234)	(106,973)	(635,291)	(731,098)

Group Accounts Note 6. Group Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

The cash flows for operating activities include the following items:

2023/24		2024/25
£'000		£'000
(4,039)	Interest received	(2,392)
10,863	Interest paid	10,506
102	Dividends received	(1,837)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2023/24		2024/25
£'000		£'000
(21,343)	Depreciation	(19,002)
(17,495)	Impairment and downward revaluations	(13,387)
(1,160)	Increase in valuation of investments	1,081
(220)	(Increase) / decrease in creditors	(2,004)
51,750	Increase / (decrease) in debtors/Impairment for Bad Debts	72,325
(2,628)	Increase / (decrease) in inventories	(2,009)
4,883	Movement in pension liability	3,905
(1,926)	Contributions (to)/from Provisions	1,693
(20,849)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(10,296)
2,046	Other non-cash items charged to the net surplus or deficit on the provision of services	415
	Taxation Charge	(104)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2023/24		2024/25
£'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)	-
471	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,302
48,483	Any other items for which the cash effects are investing or financing cash flows	31,723
48,954		33,025

Group Accounts Note 7. Group Cash Flow – Investing Activities

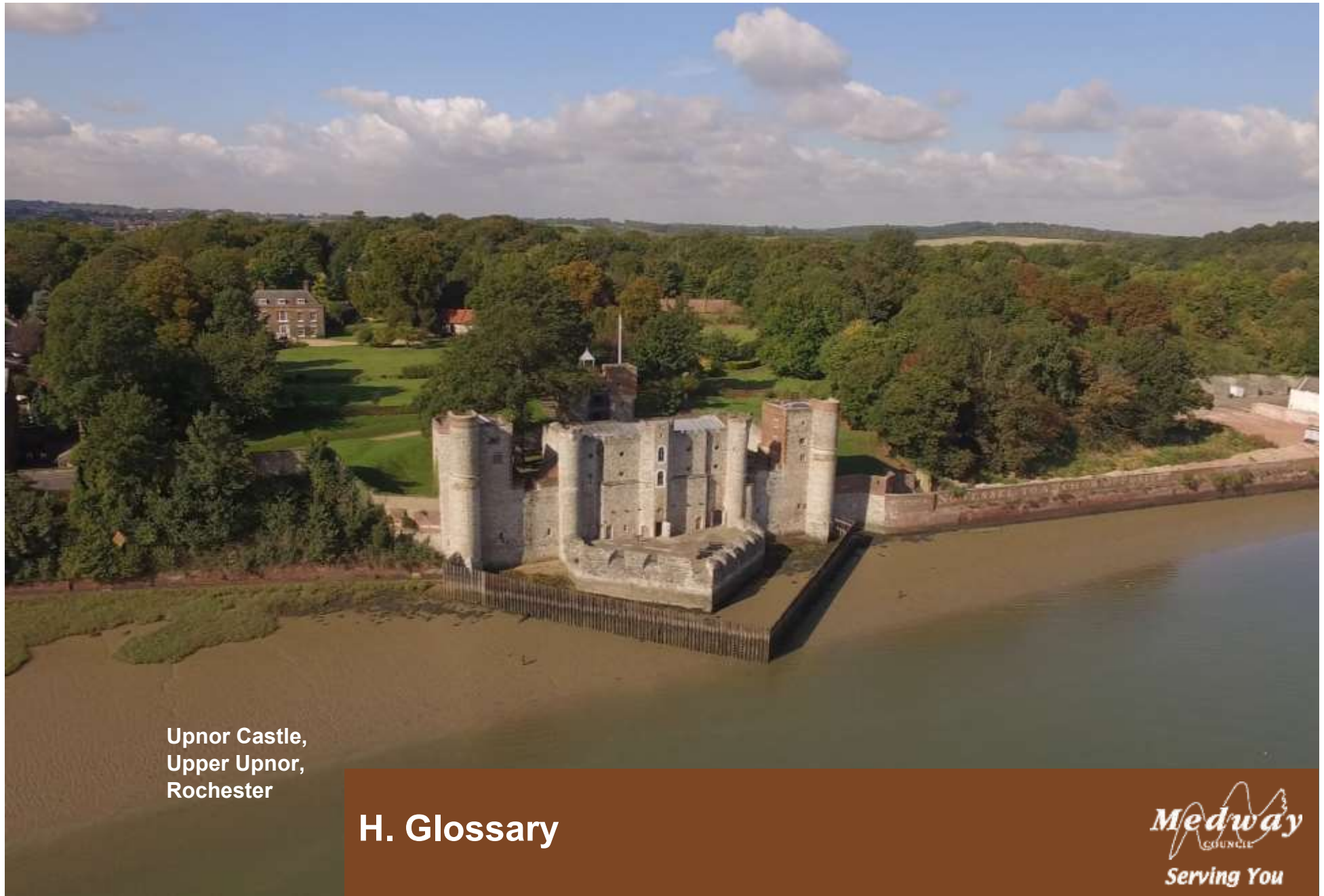
2023/24		2024/25
£'000		£'000
48,056	Purchase of property, plant and equipment, investment property and intangible assets	45,860
146,849	Purchase of short-term and long-term investments	154,966
(471)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,302)
(157,300)	Proceeds from short-term and long-term investments	(163,575)
(48,357)	Other receipts from investing activities	(31,723)
(11,223)	Net cash flows from investing activities	4,226

Group Accounts Note 8. Group Cash Flow – Financing Activities

2023/24		2024/25
£'000		£'000
(203,284)	Cash receipts of short- and long-term borrowing	(325,711)
0	Repayments of short- and long-term borrowing	231,892
149,434	Other payments for financing activities	-
(53,850)	Net cash flows from financing activities	(93,819)

Group Accounts Note 9. Inventories

2023/24		2024/25
£'000		£'000
72,629	Opening Balance	70,002
(2,627)	Raw Materials or works in progress	(2,381)
70,002	Closing Balance	67,621



Upnor Castle,
Upper Upnor,
Rochester

H. Glossary

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, 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 2019/20 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.

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).

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.

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, and 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 (PCCK) 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.