



Rochester Bridge,  
Rochester

# Draft Statement of Accounts Medway Council | 2022/23



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The Statement of Accounts for Medway Council have been prepared in accordance with the Accounts and Audit Regulations 2015 and primarily, the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as adopted for the UK public sector under the oversight of the Financial Reporting Advisory Body (FRAB).



**Copper Rivet Distillery,  
Chatham Maritime**

## **A. Narrative Report**

## Narrative Report

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## 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 2023. 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 2022/23.

During 2022/23 we continued to operate in very challenging financial times and saw significant and growing pressures across Adults Social Care, Children's Social Care and the cost of SEND transport in Education during the year. These outstripped the additional funding available from government and that available to the Council from local taxation, resulting in an outturn position that was overspent by £6.094million. The Council was able to deliver a balanced budget for 2023/24, however those same pressures, along with high inflation rates and utilities costs among other pressures manifested early in the 2023/24 financial year and it has been necessary to seek the support of government through the Exceptional Financial Support scheme to balance the budget for 2024/25. The CIPFA Resilience Review commissioned as part of that process however did not identify any financial or governance failings at the Council as the cause of the financial position, and 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 2022/23 the community was represented by 55 elected Members, working on behalf of the 22 wards throughout Medway. The leadership of the Council was provided by the Conservative Group. In September 2021, Local Government Boundary Commission for England reviewed the electoral arrangements in Medway and concluded that from elections to be held in May 2023 the number of wards would increase by 2 to 24 and the number of councillors would increase by 4 to 59. As a result of the May 2023 elections, the leadership of the Council changed to the Labour and Co-operative Group, with the political composition as at 31 March 2023 as follows:

- Labour and Co-operative Group: 33
- Conservative Group: 20
- Independent Group: 2

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

### Decision Making

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

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

### Chief Officer Structure

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

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

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

### Our Council Strategy

The Council's Strategy was refreshed for 2021/22 and 2022/23 ahead of the local elections and a new administration. For 2022/23 the Strategy set out our three key priorities and we believe concentrating our resources in these areas will lead to a better quality of life across Medway;

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

### People

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

## **Organisational Overview, External Environment and Governance (continued)**

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

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

To ensure all children achieve their potential in education, we are working to raise aspiration and ambition through raising standards in education settings, improving the percentage of children in settings that are good or outstanding and engaging with young people. Implementing the actions of the School Effectiveness Strategy will improve the quality of leadership, governance and teaching and help all children to achieve their academic potential

### **Place**

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

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

## **Growth**

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

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

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

We will work to deliver new homes to meet the needs of Medway residents, through a council-wide approach. Progressing Medway's local plan and working with developers will enable housing development on appropriate sites to meet our Medway's successful growth.

Tackling congestion hotspots through transport and public realm improvements will enable residents, visitors and businesses to move around Medway easily.

### **Our Council Plan**

Our Strategy is supported by the Council Plan, which sets out the outcomes we want to achieve towards delivering on our priorities, along with the

specific programmes of work we will complete and details of how we will measure our success.

### **Our Core Values**

The Council Plan also sets out our Core Values which underpin the delivery of everything we do. They guide our behaviour, decisions and choices in the way we design and deliver our services. Our Core Values are:

#### **Financial Resilience**

We will deliver efficient and effective services for Medway residents, businesses, and visitors. We will ensure that robust financial systems and processes are in place to manage financial risks and opportunities, and to secure a stable financial position that enables us to operate for the foreseeable future.

#### **Digital Enablement**

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

#### **Creativity and innovation**

We will create a culture of creativity and innovation establishing a legacy of local pride, improving diversity and inclusion, and identifying new ways of providing services around the needs of our residents.

#### **Working together to empower communities**

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

#### **Tackle climate change**

We will take action to tackle the local and global threat of climate change, both internally and in

partnership with local organisations and residents, and to minimise its environmental impact by cutting carbon, waste, and pollution.

#### **Child-friendly**

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

#### **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 2022/23 the Council delivered £4.525m in support to vulnerable residents through this scheme.

#### **Our people**

At 31 March 2023 we had 2,044 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. Twelve teams were included in a pilot phase, and further phases are now underway to cover all permanent staff on MedPay terms and conditions.

### **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 2022/23 Medway hosted shared service arrangements with Gravesham to provide Audit and Counter Fraud Services, Legal Service and Payroll and HR services. 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 Lasselie (JLL) and from the Council's Legal team about a simplified ownership and sale of units once complete.

In February 2021 the Cabinet agreed to provide loans at commercial rates to the new subsidiary of

MDC, MDC (Land & Projects) to enable the company to purchase land from the Council and advise Cabinet about the level of financial risk of the overall venture.

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

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

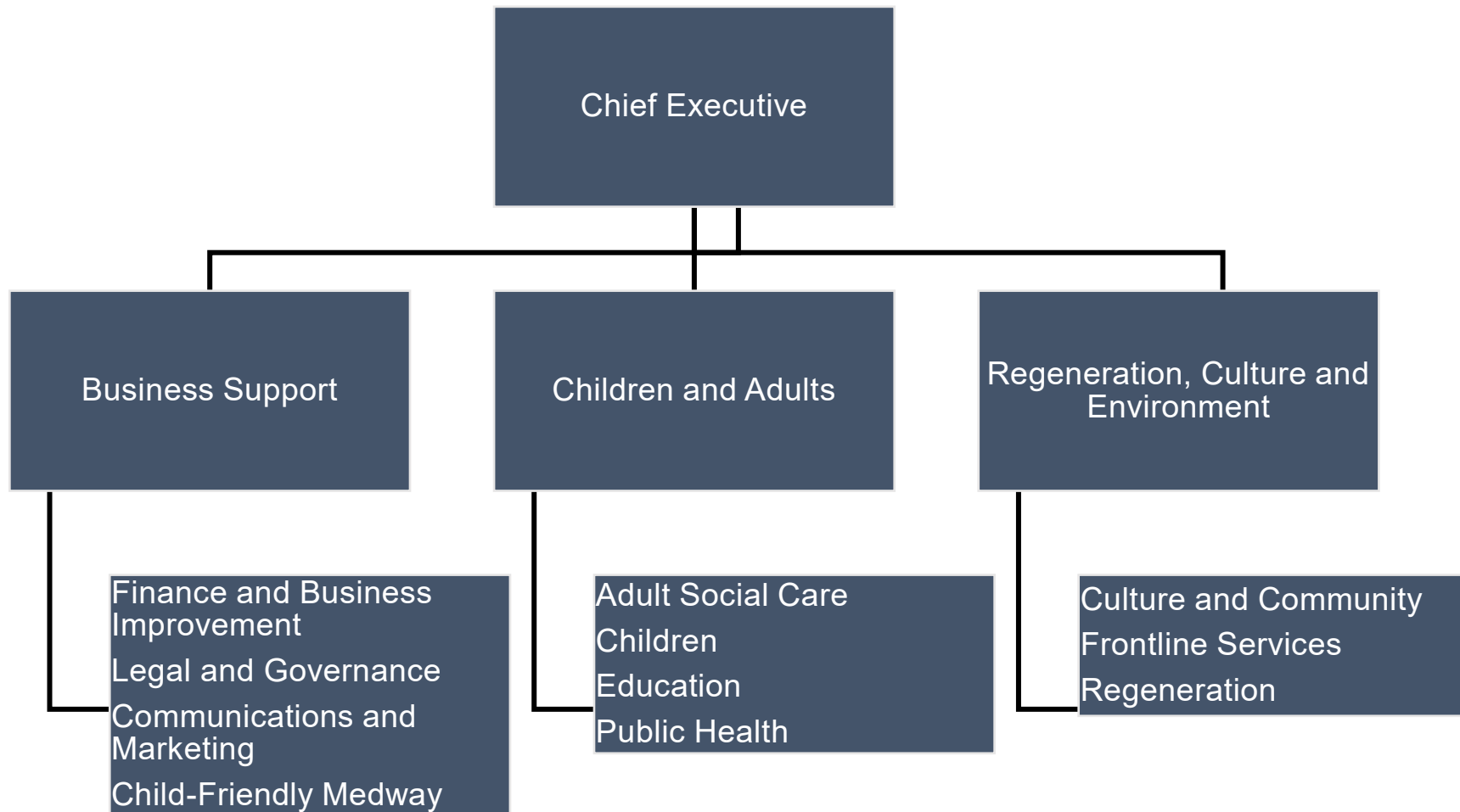
In 2014, the joint venture also took on responsibility for the grounds maintenance contract and for an initial phase of school transport for children with special educational needs attending three schools (now five). In October 2019, Medway Norse took over responsibility for the waste collection and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

### Other Partnership Working

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

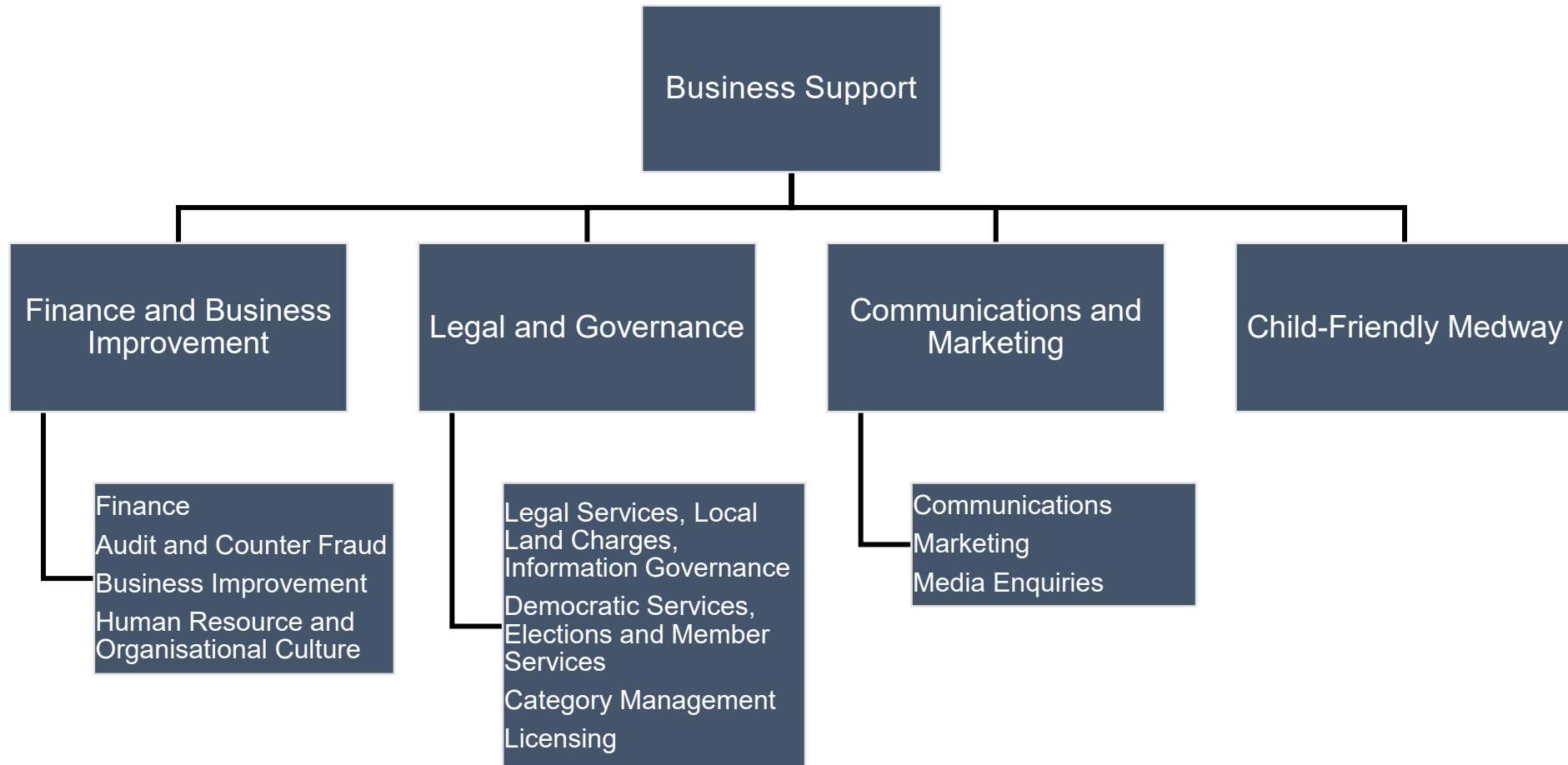
## Operational Model

### Our Directorates and the services they provide



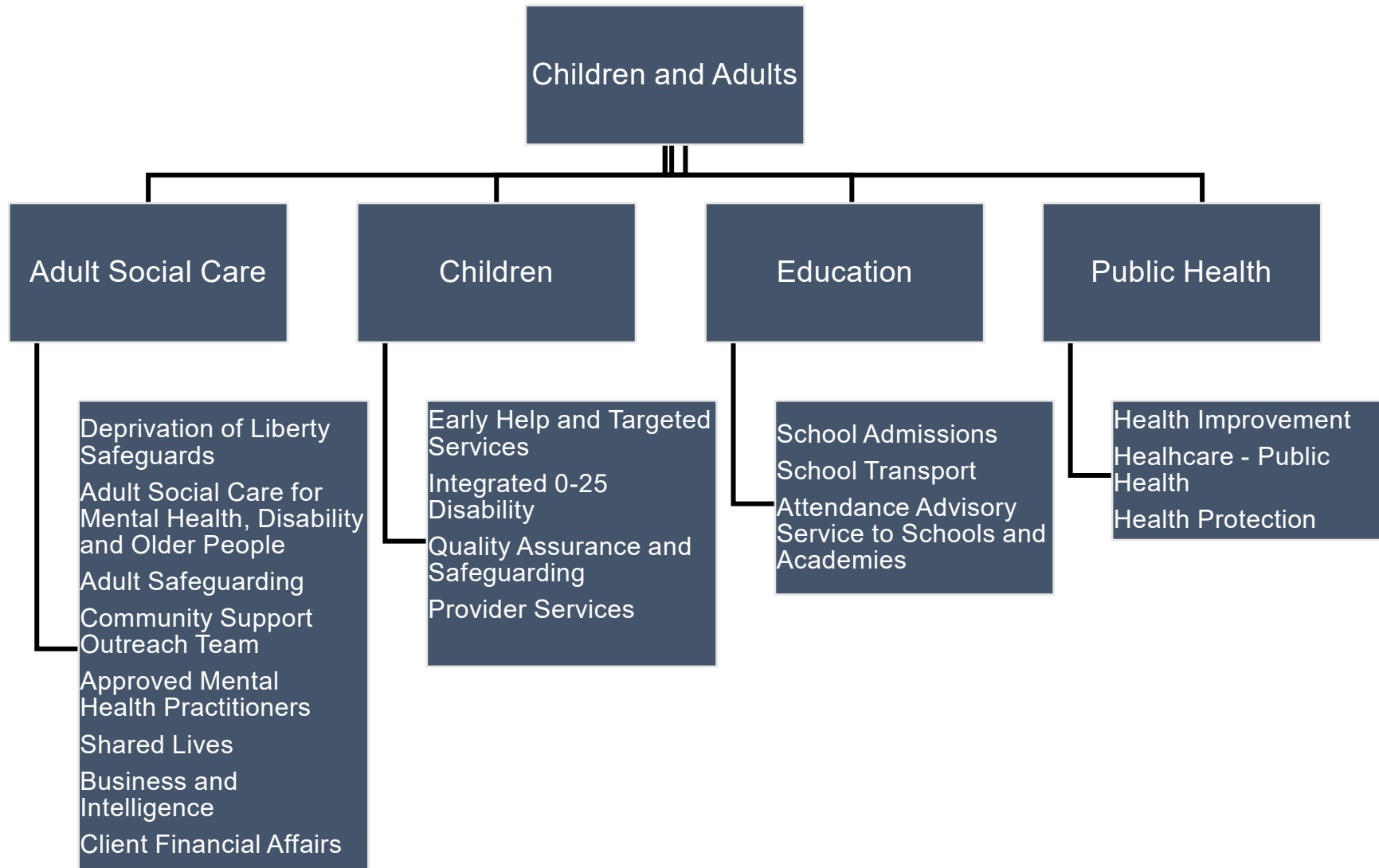
## Operational Model (continued)

### Business Support Directorate



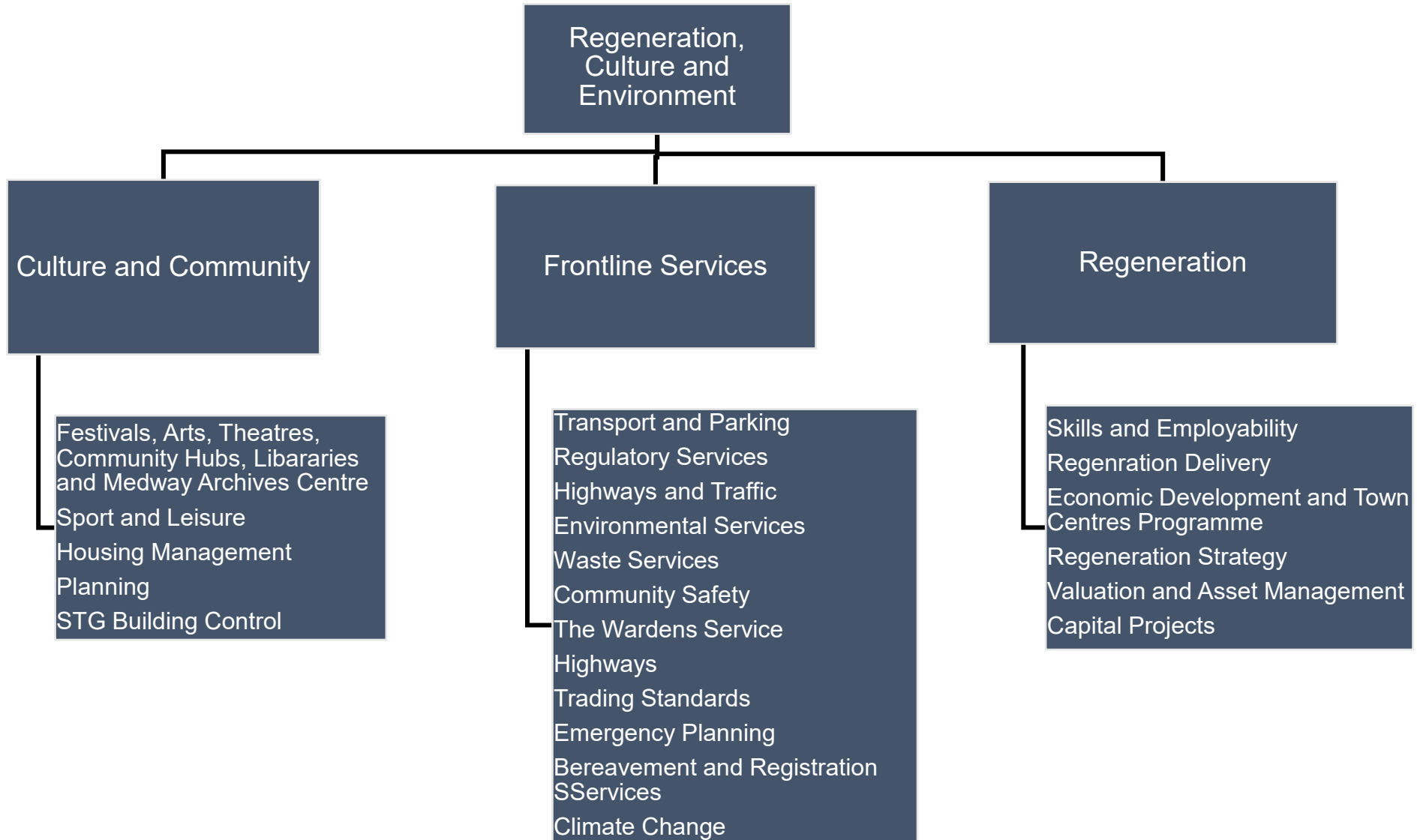
## Operational Model (continued)

### Children and Adults Directorate



## Operational Model (continued)

### Regeneration, Culture and Environment Directorate



## Strategy and Resource Allocation

### Delivering value for money

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

The Council has arrangements in place to monitor performance and the achievement of our strategies and plans, with Council Plan Performance Monitoring reported quarterly to Cabinet and Overview & Scrutiny Committees. Since 2020/21 we have incorporated our Strategic Risk reviews into that report, and for 2022/23 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 2022/23 are set out on page 17.

The Council's external auditors are required each year to deliver an opinion on the Value for Money arrangements in place for securing economy, efficiency and effectiveness in the use of resources. For 2022/23 the Auditor noted that the Council's 'relentless commitment' to improving Children's Services had resulted in an improvement to an overall rating of Good in July 2023. The report also notes that the significant demand and cost pressures in statutory services and reduced levels of general reserves represent a significant risk to the Council's financial sustainability. Finally the

Auditor noted the extensive work underway to improve the Council's financial position, including commissioning an independent review from CIPFA and engaging with the government.

### 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 2022/23 Settlement was the first of a two-year settlement, following a one-year settlement agreed for 2021/22. 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.

In the Autumn of each year the Council refreshes its financial projections; though typically these are published through a Medium Term Financial Strategy/Plan, the short-term funding settlements through the pandemic rendered this work ineffectual, and instead we published shorter term Financial Outlook documents. From September 2023 we will publish Medium Term Financial Projections at least biannually; in the Autumn and alongside the final budget each year.

Our Capital Strategy provides a high-level overview of how capital expenditure and the way it is financed contribute to the provision of services. It

also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance processes for approval and monitoring of capital expenditure.

## Risks and Opportunities

### Risk Management

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

Our Strategic Risk Register is reviewed and updated on a quarterly basis, and is presented to Members alongside our quarterly Council Plan Performance Monitoring information, so assist Members making informed decisions. These combined reports were presented to the Cabinet and Overview and Scrutiny Committees throughout 2022/23 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 31/03/2023)**

Full details of each risk on the Council's register at the end of 2022/23, including scores and arrangements in place to manage them, is included in the full version reported to the [Cabinet in June 2023](#).

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

- Finances
- Climate change
- Meeting the needs of Older People and Working Age Adults
- Failure to meet the needs of children and young people
- Financial pressures on SEN budgets
- Delivering regeneration
- Medway's Economic Recovery from Covid-19
- Alternative Service Delivery Models
- Cyber security
- Data and information
- Delivering £170m Housing infrastructure fund programme
- Business continuity and emergency planning.

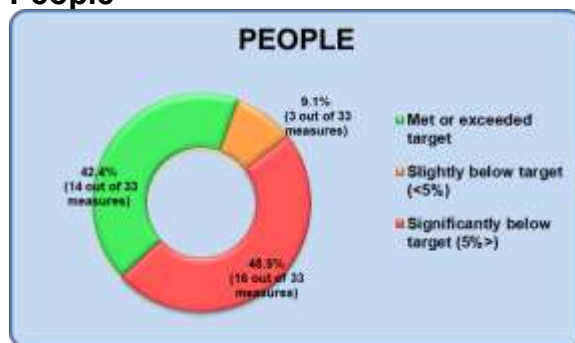
## **Opportunities**

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

## Performance Management

Medway Council's Strategy is our overarching strategy and sets out our vision, priorities, values and the outcomes we expect to achieve. The Medway Council Plan sets out how we'll achieve the outcomes outlined in our Strategy and the measures we'll use to track our performance. Quarterly Council Plan monitoring reports are published via Cabinet and Overview and Scrutiny Committee agendas with full commentary on all measures and outcomes provided. Quarterly Council Plan monitoring reports are published via Cabinet and Overview and Scrutiny Committee agendas with full commentary on all measures and outcomes provided. The data below relates to the year end outturn for the 2022/23 financial year as reported in full to [Cabinet in June 2023](#).

### People



88.9% of children and young people achieved a lifestyle improvement as a result of completing a young people weight management service.

The annual Medway Healthy Weight summit took place in February 2023.

66% of children visited within 1 day for child and family assessments which started as S47.

91% of Medway's Year R and Year 6 children took part in The National Child Measurement Programme for the 2021/22 academic year.

30% of long term packages were placements.

The Medway Social Isolation Action Alliance was held in March 2023.

The average attainment 8 score was 47.9 for 21/22 academic year.

100% special schools judged to be good or better

100% maintained primary schools judged to be good or better.

### Place



8 green flags awarded; the national standard that recognises well managed green spaces. The Great Lines Heritage Park was once again awarded the Green Heritage Award.

96% of streets surveyed were free from litter at the time of the inspections.

The Animal Warden service awarded the RSPCA Gold Paw Prints Award which in recognition of our work with stray dogs; we are one of only six Local Authorities to have won this nationally.

The second Medway Light Nights, a spectacular festival of light, transformed Rochester's historic buildings and spaces into works of art and attracted 54,000 visitors. The first Medway Food and Drink festival took place in Rochester Castle Gardens in March and April 2023.

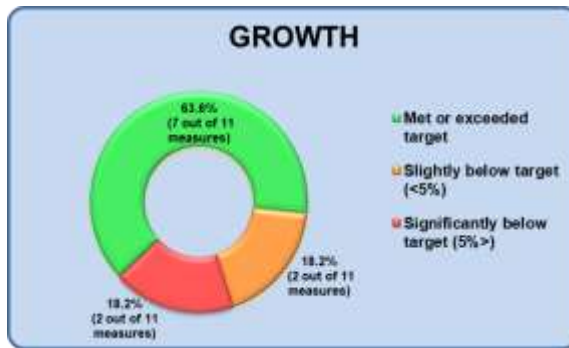
More than 1,300 children and young people took part in activities to mark World Book Day during March, through Child-Friendly Medway's partnership working

with Medway Libraries. Medway Council received funding from the Urban tree Challenge Fund to

support tree planting across greenspaces and schools.



## Growth



97.88% Medway Adult Education (MAE) achievement rate.

100% of square footage let at Innovation Centre Medway.

393 jobs created and safeguarded.

921 private sector properties improved as a result of the Council's intervention.

Band 3 Department for Transport Highways Asset Management award achieved.

28 new homes delivered as part of Phase 4 of the council's programme to deliver newly built affordable housing was completed in January 2023.

£4.9M funding received from the Department for Transport (DfT) towards ongoing Tunnel Maintenance costs. This is in addition to the £4.9M received for the Challenge Fund.

## Financial Performance

### Financial Review of 2022/23

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

At its meeting on 24 February 2022, the Council set a total revenue budget requirement of £367.493million for 2022/23. After the budget was approved, additional grant funding primarily related to the Household support Fund, the Holiday Activity Fund and through the Safety Valve Intervention Programme was announced. These additions took the final revenue outturn budget requirement to a total of £386.353million.

The Capital and Revenue Budget Outturn for 2022/23 was reported to the Cabinet in June 2023, and represented a net overspend on the cost of services of £6.094million. Including the budgeted use of reserves, funding the 2022/23 financial year required the use of £10.947million of general reserves, reducing the balance to £10.083million.

### Treasury Management

The Council's Treasury Outturn 2022/23 was reported to Audit Committee in August 2023 confirmed that the Council complied with its legislative and regulatory requirements in the delivery of the treasury function in 2022/23. 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 2023 stood at £0.017million (2021/22, £8.4million) and externally managed of £14.6million (£19.2m in 2021/22). During 2022/23 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 £308.7million long-term borrowing as at 31 March 2023 (31 March 2022, £237.2million), primarily in the form of PWLB and market loans. In addition, short term borrowing stood at £97.2million at 31 March 2023 (£71.5million at 31 March 2022).

The Council achieved an average return of 3.90% on its cash investments (0.34% in 2021/22). In addition, property fund investments yielded an overall return of 8.05% based on original cost (17.45% in 2021/22). The return on property funds comprises dividends received and the change in the capital value of the investments.

### The Level of Working Balances and Reserves

The council's working balances stood at £16.610 million as at 31 March 2023 (£31.833million 31 March 2022). The council also holds earmarked

reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2023 is £42.584million (£44.375million at 31st March 2022).

## **Financial outlook**

Commencing in Summer 2022, during formulation of the Medium Term Financial Outlook, and continuing throughout the overview and scrutiny process, officers worked closely with portfolio holders to identify savings, efficiencies and income generating measures to achieve a balanced budget, without recourse to reserves and whilst attempting to minimise the impact on service delivery. On 24 February 2023 Council approved the balanced budget for 2023/24.

The Spending Round 2022 set departmental spending for a two year period, following the one year settlement for 2021/22. The sector as a whole will need significant additional financial support from the government to offset continued expenditure and income pressures arising on statutory services. We continue to lobby government to ensure local authorities are adequately supported to deliver quality services to residents.

## Financial Performance (continued)

### How the Authority's Budget has Changed

	£'000	£'000
<b>Budget requirement 2021/22</b>	371,471	
<b>Changes in function and funding</b>	(6,974)	
<b>Adjusted Base Budget</b>		<b>364,497</b>
Inflation	4,381	
Other cost pressures	22,706	
Service pressures	50,952	
Efficiency and other savings	(56,182)	
<b>Total</b>		<b>21,857</b>
<b>Budget Requirement 2022/23</b>		<b>386,354</b>
Financed By:		
Retained Business Rates	50,745	
Baseline Need Funding	15,379	
Other Specific Grant	177,290	
Council Tax	138,087	
Reserves	4,853	
<b>Total</b>		<b>386,353</b>

### Summary of the Local Government Finance Settlement 2022/23

	Final 2021/22	Final 2022/23	Change	Change
	£'000	£'000	£'000	%
NNDR Redistribution	48,214	48,214	0	0.0%
Revenue Support Grant	6,185	6,380	195	3.2%
<b>Total</b>	<b>54,399</b>	<b>54,594</b>	<b>195</b>	<b>0.4%</b>

The tables above show that whilst 2021/22 was a financially difficult year, funding from the Local Government Finance Settlement increased by just 0.4% in 2022/23.

**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](http://www.medway.gov.uk). The final outturn position for the year is shown in the table below, together with how this expenditure was financed:

<b>Directorate</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>Budget</b>	<b>Variation</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business Support Department	95,072	(86,066)	9,006	10,682	(1,677)
Children and Adults (including Public Health)	377,350	(79,232)	298,118	280,077	18,041
Regeneration, Culture and Environment	131,296	(56,136)	75,160	78,272	(3,112)
Covid-19 Grant Expenditure	24,318	(223)	24,095	25,108	(1,013)
<b>Sub-total Included in Cost of Services in Statutory Accounts</b>	<b>628,035</b>	<b>(221,657)</b>	<b>406,379</b>	<b>394,139</b>	<b>12,239</b>
<b>Amounts included within management accounts but excluded from services within statutory accounts:</b>					
Investment Properties (included in RCE in Management Accounts)	9	(1,065)	(1,056)	(820)	(237)
<b>Sub-total included within Business Support Department in Management Accounts but included within Other Operating Income and expenditure within the Statutory Accounts</b>	<b>9</b>	<b>(1,065)</b>	<b>(1,056)</b>	<b>(820)</b>	<b>(237)</b>
Medway Norse	0	(263)	(263)	(578)	314
Levies	1,721	(33)	1,689	1,626	63
Interest & Financing	11,292	(7,420)	3,872	4,669	(796)
<b>Sub-total Other Operating Income and Expenditure within the Statutory accounts</b>	<b>13,022</b>	<b>(8,781)</b>	<b>4,241</b>	<b>4,897</b>	<b>(656)</b>
Repayment of Debt	1,641	0	1,641	7,646	(6,005)
Depreciation Credit	0	(20,330)	(20,330)	(20,330)	0
<b>Amounts included within Interest &amp; Financing in Management Accounts but excluded from Surplus or Deficit on the Provision of Services within the Statutory Accounts</b>	<b>1,641</b>	<b>(20,330)</b>	<b>(18,689)</b>	<b>(12,684)</b>	<b>(6,005)</b>
<b>Total Management Accounts Variance</b>	<b>642,698</b>	<b>(250,767)</b>	<b>391,931</b>	<b>386,353</b>	<b>5,579</b>

**Financial Performance (continued)**

	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>Budget</b>	<b>Variation</b>
<b>Funding:-</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contribution To/(From) Reserves	0	(4,853)	(4,853)	(4,853)	0
Baseline Need Funding	0	(15,783)	(15,783)	(15,379)	(404)
Additional Government Support Ringfenced Grant Income	0	(24,190)	(24,190)	(25,108)	919
Retained Business Rates	0	(50,745)	(50,745)	(50,745)	0
Council Tax	0	(138,087)	(138,087)	(138,087)	0
Dedicated Schools Grant	0	(109,360)	(109,360)	(109,360)	0
Other School Grants	0	(4,556)	(4,556)	(4,556)	0
Childrens Services Grants	0	(916)	(916)	(916)	0
Adult Services Grants	0	(17,296)	(17,296)	(17,296)	0
New Homes Bonus	0	(1,979)	(1,979)	(1,979)	0
Public Health Grant	0	(18,075)	(18,075)	(18,075)	0
<b>Total Funding</b>	<b>0</b>	<b>(385,839)</b>	<b>(385,839)</b>	<b>(386,353)</b>	<b>514</b>
<b>Total Funding and Expenditure Variance</b>	<b>642,699</b>	<b>(636,605)</b>	<b>6,092</b>	<b>(1)</b>	<b>6,093</b>

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 2022/23 Outturn Report that was considered at Cabinet on 13 June 2023.

**Housing Revenue Account**

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

	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>Budget</b>	<b>Variation</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing Revenue Account	14,635	(15,726)	(1,091)	(202)	(889)
<b>Total Management Accounts Variance against Budget Requirement</b>	<b>14,635</b>	<b>(15,726)</b>	<b>(1,091)</b>	<b>(202)</b>	<b>(889)</b>
<b>Funding:-</b>					
Contribution To/(From) Reserves					
<b>Total Funding</b>	1,091	0	1,091	202	889
<b>Total Funding and Expenditure Variance</b>	<b>15,726</b>	<b>(15,726)</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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 2022/23 the Council spent £91.363million on General Fund and £9.182million Housing Revenue Account capital schemes. Of this, £55.9million was spent on the creation of new fixed assets or enhancement of existing assets used in the provision of services in the Medway area. Major schemes completed included the provision of new classrooms £1.8million, improvements to school infrastructure (£1.2million), SEND Provision (£11.5million), provision of an operational depot (£2.4million), LED street lantern replacement (£2.8million), highways improvements (£5.4million), future high street fund schemes (£2.9million), regeneration schemes (£11.4million), and improvements to the Council's housing stock (£9.2million). The remainder of expenditure of £13.3million relates to "Revenue Expenditure Funded from Capital under Statute" (see Note 28 Accounting Policies page 131) and a further £31.2million related to schemes held within the Council's capital programme for which assets were produced by Medway Development Company (MDC), for which the funding has been provided in the form of a long-term loan to MDC. The final capital outturn position for the year is shown in the table below together with how this expenditure was financed:

<b>Capital Budget 2022/23</b>	<b>Approved Programme</b>	<b>Forecast Spend</b>	<b>Outturn</b>	<b>Variation to Forecast</b>	<b>Budget c/fwd</b>
	<b>2022/23+</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2023/24+</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Directorate/Service</b>					
Business Support	724	300	253	(47)	471
Children and Adults (inc. Public Health)	20,885	15,046	14,963	(83)	5,922
Regeneration, Culture & Environment	426,128	83,951	76,733	(7,218)	349,395
Member Priorities	363	25	15	(10)	348
Housing Revenue Account	28,157	15,743	9,182	(6,561)	18,974
<b>Total</b>	<b>476,257</b>	<b>115,065</b>	<b>101,146</b>	<b>(13,919)</b>	<b>375,111</b>
<b>Funding source</b>			<b>£'000</b>		
Borrowing (supported capital expenditure and unsupported)			34,099		
Government Grants and Other Contributions			24,571		
Major Repairs and Other Contributions			4,002		
Capital Receipts			3,738		
Developer Contributions			1,663		
Revenue and Reserves			1,837		
Long Term Debtors			31,237		
<b>Total</b>			<b>101,146</b>		



## 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 2023 and its income and expenditure for the year.

### Annual Governance Statement

The Authority is required to carry out an annual review of the effectiveness of the system of internal control and to include a report accompanying the Statement of Accounts. This Statement explains how the Authority has complied with the 'CIPFA/SOLACE Delivering Good Governance' Framework during the year and up to the date of the approval for publication of the Statement of Accounts. The Annual Governance Statement is set out on pages 27 to 37.

### 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 49 to 56.

### 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 57 to 194. The supplementary financial statements are set out on pages 195 to 210 and are presented as follows:

### Housing Revenue Account (HRA) Income and Expenditure Statement

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

### Movement on the Housing Revenue Account Statement

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

### Collection Fund

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

### Group Accounts

The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2023 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kyndi Ltd and Medway Development Company Ltd and are set out on pages 211 to 226.

### 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 227 to 234.



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Rochester

## B. Annual Governance Statement

## **Annual Governance Statement**

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## Scope of responsibility

Medway Council is a unitary local authority in the Southeast of England and is responsible for providing numerous public services to its population. The Council is obligated through law when conducting its business that:

- it does so in accordance with the law and proper standards,
- public money is safeguarded,
- public money properly accounted for, used economically, efficiently and effectively.

The Council also has a Best Value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging its functions, the Council must put in place proper arrangements for the governance of its affairs, effective exercise of its functions and manages risk.

In 2016, CIPFA and the Society of Local Authority Chief Executives (SOLACE) published a revised 'Delivering Good Governance' framework that "defines the principles that should underpin the governance of each local government organisation". The Council approved a local code of corporate governance based on the original guidance at its meeting on 13 November 2008. This Annual Governance Statement for 2022/23 has been prepared in line with the revised code of corporate governance and the 2016 framework.

Corporate governance is overseen by the Audit Committee each year when it reviews this statement, under delegation from the full Council. The operational elements of the Council's governance framework are the responsibility of the Chief Operating Officer (S151 Officer) and the Monitoring Officer within their statutory roles. The council operates a leader and cabinet governance model and thus they also play a significant role in ensuring that decision making and policy setting is undertaken appropriately.

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

Account has been taken of the 7 April 2020 CIPFA Better Governance Forum briefing paper. Whilst much of the responsive work of local authorities to the Covid-19 pandemic had now ceased, the impact was continued to be felt during the period this statement relates to.

## The purpose of the governance framework

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

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

## Review of effectiveness of the governance framework

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

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

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

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

The following sections of this statement summarises the results of this review; presenting the governance framework that has been in place at Medway Council for the year ended 31 March 2023 and up to the date of approval of this Statement.

<b>Core Principle A</b>	<b>How we have complied in 2022/23</b>
<p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The roles and responsibilities of elected Members, officers and the processes to govern the conduct of the Council's business are set out in the Constitution, this includes summaries in the Articles of the Constitution and detailed rules governing contracting, procurement and financial matters. The Monitoring Officer, supported by a team, is responsible for reviewing and updating the constitution as required.</p> <p>Codes of conduct, based on the Nolan principles for conduct in public life are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity. The codes require disclosure of relevant interests and abstaining from debate and decision making in defined circumstances.</p> <p>The Monitoring Officer and his team are responsible for ensuring that agreed procedures are followed, that decisions are intra vires and that all applicable statutes and regulations are complied with. All reports to decision making forums contain detailed financial and legal implications written by subject matter professionals.</p> <p>The council has appointed an Independent Person to support the Monitoring officer and the work of the Councillor Conduct Committee, which is periodically updated on compliance with the Code of Conduct.</p> <p>Complaints received under the Council's whistle blowing policy, Speak Up, are received and reviewed by the Councils S151, Monitoring and Chief of Organisational Culture officers. The outcome of such complaints are reported to the Audit Committee on an annual basis.</p> <p>The Council seeks feedback from the public through its complaints and comments procedures and responds to the outcomes, as appropriate. The Council's corporate management team regularly receive reports on complaints handling and the Monitoring Officer receives communications on and attends meetings to discuss the outcomes of complaints escalated to the Local Government and Social Care Ombudsman.</p>
<p><b>Core Principle B:</b> Ensuring openness and comprehensive stakeholder engagement</p>	<p>Council meetings and reports considered there are produced, circulated and held in public unless there are good reasons for not doing so, primarily relating to material considered to be "exempt" within the meaning of the Local Government Act 1972, Schedule 12A.</p> <p>Where possible, as much of report is produced for consideration in public with limited information being placed on exempt documents.</p> <p>Meetings of the Council, Cabinet and other committees are now accessible by members of public through live streaming in addition to attendance in person. The constitution also details those forums and the mechanisms by which questions/ representations can be made by members of the public/ stakeholders.</p> <p>Unless confidential, decisions made by Council, the Cabinet or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.</p> <p>Urgent decisions allowed for in the Constitution are retrospectively reported to Council. The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users using a variety of engagement methods.</p>

## Medway Council

<b>Core Principle C</b>	<b>How we have complied in 2022/23</b>
<p>Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>The Council works with its partners to set the vision and priorities for the area. The Council manages a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities.</p> <p>The Council Plan forms an essential part of the Council's governance framework, setting out the council's priorities and the measures against which success will be judged. A light refresh of the plan was conducted early in the municipal year.</p> <p>There is programmed periodic reporting of progress against the plan and achievement against targets and milestones. The overview and scrutiny committees are able to hold the executive to account in public meetings on their performance levels and proposed remedial plans, if any are required.</p> <p>All Cabinet and Council (including matters delegated to committees) decisions are made on the basis of formal reports, which all follow a standard Council template.</p> <p>The template includes guidance on report writing which specifically refers to Diversity Impact Assessments ("DIA") and provides a link to the Council's DIA guidance which sets out how and when these should be completed.</p> <p>All such reports are checked on behalf of the Chief Operating Officer, (S151 Officer) and the Assistant Director for Legal and Governance (the Monitoring Officer) for financial and legal implications.</p> <p>Cabinet reports also include a mandatory paragraph on risks, equalities and climate change implications to enable the Council to consider holistically the implications of its proposed decisions, promote its general public sector duty and as well as explicit equalities implications to promote fair access to services and take the longer view about the impact of the decision on future generations impacted by climate change.</p> <p>The Council is rigorous and transparent about how decisions are taken and recorded, with clear recommendations set out in the reports together with reasons for those recommendations.</p>
<p><b>Core Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>Reports presented to decision making forums present a number of options followed by a clear objective analysis and a set of recommendations together with reasons for those recommendations. Associated risks and mitigations strategies are also detailed.</p> <p>In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Where greater levels of efficiencies and or effectiveness can be achieved, this is achieved through partnership working and collaborative use of resources across the voluntary, public and private sectors. Community benefit and added social value is an important and formal consideration in the procurement of goods and services where possible.</p> <p>The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council Plan.</p> <p>The budget setting process is extensive utilising economic projections and service led demand analysis to make sure estimates are robust and realistic.</p>



## Medway Council

<b>Core Principle E</b>	<b>How we have complied in 2022/23</b>
<p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>The corporate management team and members of the cabinet meet regularly to discuss and agree strategic direction and operational matters. Such meetings are conducted away from the public gaze to enable the frank exchange of views, appropriate checks and balances on authority, and a meeting of minds to facilitate collective decision making. Such conversations support capacity development and the attainment of new skills and experience.</p> <p>The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.</p> <p>There are regular meetings between senior officers and cabinet portfolio holders, committee chairpersons to ensure close working and the development of professional relationships.</p> <p>The corporate management team consists of the Chief Executive, two Directors (one of whom is the Deputy Chief Executive), the Director of Public Health, Chief Operating Officer (the statutory Section 151 Officer), Assistant Director Legal and Governance (the statutory Monitoring Officer), six Assistant Directors and the Chief Organisational Culture Officer.</p> <p>The roles of officers are defined in agreed job profiles. Staff performance is formally reviewed on an annual basis (inclusive of a mid-year review), regular 121s in accordance with the performance and development review (PDR) process.</p> <p>The Member development programme has included a focus on scrutiny of Children's Services to support the work to improve that area of the Council. The council has a number of functions delivered through a shared services model, external partners and wholly owned companies.</p> <p>The constitution includes a member officer protocol approved by full Council delineating the separate roles of officers and members and also citing how both need to work together to optimise outcomes for the population. A publicised scheme of delegations sets out those matters on which different member fora have decision making responsibility and further a scheme for officers sets out those matters upon which they have authority to take decisions.</p>

## Medway Council

<p><b>Core Principle F:</b> Managing risks and performance through robust internal control and strong public financial management</p>	<p>The Council has overall responsibility for directing and controlling the organisation, it has approved an Executive / Scrutiny model of decision making. The executive or Cabinet is the primary decision-making and monitoring body with four scrutiny committees appointed for reviewing policy decisions before and after implementation, and members have the power to “call in “decisions made by the executive for review. Portfolio holders periodically attend scrutiny meetings held in public to be held to account and each such committee is supported by a senior officer.</p> <p>The Council has a risk management strategy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public.</p> <p>The Chief Operating Officer (statutory Section 151 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters.</p> <p>The Council’s system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A Medium Term Financial Strategy and associated risk register, and plans for revenue and capital income and expenditure based on corporate priorities are developed, led by the Cabinet and Corporate Management Team, and presented for approval by Council in February each year. Managers monitor budgets on monthly basis with revenue and capital budget monitoring reports considered by the corporate management team and Cabinet on a quarterly basis for monitoring and control purposes including the annual outturn.</p>
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Core Principle G	How we have complied in 2022/23
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>The Head of Internal Audit &amp; Counter Fraud provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The opinion of the Head of Internal Audit &amp; Counter Fraud over the Council's overall control environment, delivered in the Audit &amp; Counter Fraud Annual Report 2022/23 is:</p> <p>The Accounts &amp; Audit Regulations 2015 require local authorities to ensure that they have: a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.</p> <p>In my capacity as Chief Audit Executive, with responsibility for the provision of internal audit services to the council, I am required to provide the organisation, and the Chief Executive, with a statement as to my opinion of the adequacy and effectiveness of the organisation's risk management, internal control, and governance processes. This opinion is intended to support the council's annual governance statement.</p> <p>The overall scope of Internal Audit work is defined in the Internal Audit Charter and the specific scope of work for the year 2022-23 was detailed in the Internal Audit Plans, which were approved by the Audit Committee. The Plans cannot address all risks across the council, but available resources are focused on the highest areas of risk to the authority and those linked to its corporate objectives. The opinion that follows is based on a limited scope due to resourcing issues experienced in year and the knock-on effect of overrunning assurance work from 2021-22, which resulted in a reduced level of assurance work completed as part of the 2022-23 plan and only 31 assurance reviews completed in comparison to an estimated 38 at the start of the year.</p> <p>The Internal Audit Team operates in accordance with the working practices set out in the Internal Audit Manual and work is subject to supervision and quality review. This means we can be satisfied that the team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance &amp; Improvement Programme.</p> <p>In forming my opinion, I have considered the following:</p> <ul style="list-style-type: none"> <li>• The outcomes of work completed by internal audit during the year,</li> <li>• The findings of previous years' audit work carried out,</li> <li>• The risk management processes of the council,</li> <li>• The monitoring of progress to implement agreed actions identified in earlier reviews to ensure that control weaknesses identified by internal audit have been mitigated,</li> <li>• The outcomes of consultancy work completed by internal audit, and</li> <li>• The outcomes of counter fraud and investigation work completed by the counter fraud team.</li> </ul> <p>There were no matters identified through the counter fraud work carried out which have a material impact upon the corporate governance, risk, and internal control framework of the Council. While placing no specific reliance on sources of external assurance, these have been considered alongside the work completed by the Internal Audit Team.</p> <p>The council has a duty to manage its resources in a proper, economic, efficient, and effective manner to achieve its objectives. It applies internal controls to manage risks to an acceptable level as it is not possible to remove risks to achieving these objectives</p>

completely. Internal Audit can only provide reasonable and not complete assurance of effectiveness. The work completed as part of the Internal Audit Plans for 2022-23 is summarised in this report, assessing the effectiveness of managing the risks identified by the council, and forms the basis of evidence for my overall opinion.

While not all risks have been examined within our work programme, I am satisfied that those not directly examined have a sufficient assurance approach in place to provide reasonable assurance of effective management.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review since my last opinion was issued in June 2022, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the council's exposure to risk. Where such findings have been identified, actions have been agreed by management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these actions and follow up arrangements are in place to ensure that appropriate action is taken.

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

#### Annual Opinion 2022-23

#### Corporate Governance

Corporate Governance is defined as being the structure of rules, practices, and processes. that direct and control the Council. The reviews of Constitution Maintenance and Performance management Framework undertaken in 2021-22 and the review of Procurement Compliance and Risk Management Framework undertaken in 2022-23 all fall within this area and lead me to be satisfied that the council complies with corporate governance guidance.

#### Risk Management

The council has a risk management strategy that is approved by Cabinet and maintains a corporate risk register that is regularly reviewed. A review of risk management compliance was conducted in 2022-23, resulting in an Amber opinion and plans to implement the one action arising have been put in place.

I am satisfied that we can place sufficient assurance on the council's risk management arrangements for 2022-23.

#### Internal control

Fieldwork was completed in relation to 31 assurance reviews during 2022-23, 22 of which have been finalised with client services, along with a further ten reviews from 2021-22 that were finalised in 2022-23. Of these finalised reviews, 31 resulted in Amber or Green opinions, indicating that all key risks were being managed effectively.

Where actions for improvement were agreed, these were subject to a follow up process to ensure that they had been implemented appropriately. This follow up process identified that 88% of all actions due to be implemented in 2022-23 (88 of 100 actions) have been completed.

I am satisfied that the council can place assurance on the aspects of the system of control tested and in operation during 2022-23.

	<p><b><u>Overall Opinion</u></b></p> <p><b>It is my opinion that during the year ended 31 March 2023, Medway Council’s framework of governance, risk management, and system of internal control, were sufficient and effective, and contributed to the proper, economic, efficient, and effective use of resources in achieving the council’s objectives.</b></p> <p>James Larkin</p>
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## **Update on actions identified in the 2021/22 Annual Governance Statement**

The Annual Governance Statement for 2021/22 did not identify any areas for review and possible enhanced arrangements.

## **Proposed enhancements to the Council’s governance arrangements**

The review of the effectiveness of the Council’s governance framework for 2022/23 did not highlight any specific areas of concern. Where internal audit work has indicated additional controls could be in place, officers are focussed on making the necessary changes to do so.

## **Conclusion**

Based on the results of the review, reasonable assurance can be placed upon the adequacy and effectiveness of Medway Council’s systems of internal control and governance. The annual review demonstrates sufficient evidence that the Council’s Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

**Certification by the Leader of the Council**

I confirm that the 2022/23 Annual Governance Statement has been considered and approved by Medway Council at the meeting of the Audit Committee on 28 September 2023 (minute 273 refers) :



Date: 28 October 2024

**Certification by the Chief Executive**

I confirm that the 2022/23 Annual Governance Statement has been considered and endorsed by Medway Council's Corporate Management Team ( 04 September 2023) :



Date: 28 October 2024



The Lines,  
Gillingham

## C. Written Statements

## Statement of Responsibilities

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## Statement of Responsibilities

### The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### The Chief Financial Officer's Responsibilities

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

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

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

The chief financial officer has also:

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

## Certificate of the Chief Finance Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2023.

Signed:

A black rectangular box redacting the signature of the Chief Finance Officer.

Phil Watts

Chief Finance Officer, Section 151 Officer

Dated: 28 October 2024

### **Approval of the Statement of Accounts**

In accordance with Accounts and Audit Regulations 2015 I certify that the Statement of Accounts for the period ending 31 March 2023 was approved at the meeting of Audit Committee held on 26 November 2024.

Signed:

A black rectangular redaction box covers the signature of Hazel Browne. To the left of the box, the letter 'C' is visible, and to the right, the letter 'R' is visible, likely part of the name 'Councillor Hazel Browne'.

Councillor Hazel Browne

Chair of the Audit Committee

Dated: 26 November 2024

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# Independent Auditors Report to the Members of Medway Council

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Medway Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

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

## **Opinion on other matters required by the Code of Audit Practice**

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of the Authority and the Chief Operating Officer**

As explained more fully in the Statement of 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 Operating Officer. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

## **Auditor’s responsibilities for the audit of the financial statements**

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 29 November 2023 we identified:

- a significant weakness in the Authority’s governance arrangements. The Council did not produce financial statements for 2022/23 by the statutory deadline of 31 July 2023 and were not yet published by 29 November 2023. We recommended the Authority publish the draft financial statements at the earliest opportunity
- significant weaknesses in the Authority’s arrangements for financial sustainability. This was in relation to:

- The Council forecast their budget gap of £38.7 million for 2024/25, rising to £71.8 million by 2027/28. Since the end of 2022/23 the Authority has taken steps to explore options for bringing finances back under control, therefore plans to bridge the medium-term gap are in their infancy. We recommended the Authority take urgent action to address the 2023/24 financial pressures and determine a realistic plan for the medium-term financial challenge.
- The Council do not monitor savings plans separately from the base budget and no sensitivity analysis is applied to medium term forecasts. We recommended the Authority monitor savings plans and introduce sensitivity analysis for medium-term financial planning.

## **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

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

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

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

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Medway Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Darren Wells**, Key Audit Partner

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

London

09 December 2024





Chatham Waterfront  
Bus Station,  
Chatham

## D. Core Financial Statements



## **Core Financial Statements**

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## Comprehensive Income and Expenditure Statement

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

2021/22			Service	Notes	2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
70,276	(42,213)	28,063	Business Support Department		85,392	(66,976)	18,416
334,089	(174,319)	159,770	Children's and Adults (inc. Public Health)		365,330	(199,171)	166,159
10,432	(14,445)	(4,014)	Local authority housing (HRA)		11,803	(15,429)	(3,626)
(15,451)	0	(15,451)	Revaluation of HRA Non-Current Assets		0	0	0
130,325	(41,944)	88,381	Regeneration, Culture & Environment		147,110	(45,890)	101,220
<b>529,670</b>	<b>(272,921)</b>	<b>256,749</b>	<b>Cost of Services</b>		<b>609,635</b>	<b>(327,466)</b>	<b>282,169</b>
1,259	0	1,259	Other operating expenditure	9	2,924	0	2,924
10,474	(6,779)	3,695	Financing and investment income and expenditure	10	20,958	(8,136)	12,822
0	(239,780)	(239,780)	Taxation and non-specific grant income and expenditure	11	0	(264,633)	(264,633)
<b>541,403</b>	<b>(519,480)</b>	<b>21,923</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>633,517</b>	<b>(600,234)</b>	<b>33,283</b>
<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
	(9,833)		Surplus on revaluation of property, plant and equipment assets	36			(102,012)
	2,795		Revaluation losses on non-current assets charged to the Revaluation Reserve	36			22,318
	(45,390)		Re-measurement of net defined pension liability/(asset)	37			(335,809)
	<b>(52,427)</b>						<b>(415,504)</b>
<b>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
	0		(Surplus)/deficit on revaluation of available for sale financial assets	36			0
	<b>0</b>						<b>0</b>
	<b>(52,427)</b>		<b>Other Comprehensive Income and Expenditure</b>				<b>(415,504)</b>
	<b>(30,504)</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>(382,221)</b>

## 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.

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

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

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

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

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

**Movement in Reserves Statement (continued)**

2022/23	Notes	Revenue Reserves General Fund Balance	Revenue Reserves Earmarked General Fund Reserves	Revenue Reserves Total General Fund Balance	Revenue Reserves Housing Revenue Account	Revenue Reserves Earmarked Housing Revenue Account Reserves	Revenue Reserves Total Housing Revenue Account	Capital Reserves Capital Receipts Reserve	Capital Reserves Major Repairs Reserve	Capital Reserves Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2022</b>		(26,550)	(44,375)	(70,925)	(5,283)	(0)	(5,282)	(8,113)	0	(21,092)	(105,413)	(61,127)	(166,540)
<b>Movement in reserves during 2022/23</b>													
Total Comprehensive Expenditure and Income		35,697	0	35,697	(2,414)	0	(2,414)	0	0	0	33,283	(415,504)	(382,221)
Adjustments between accounting & funding basis under regulations	19	(16,029)	0	(16,029)	1,324	0	1,324	2,265	0	(21,050)	(33,490)	33,490	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>		<b>19,668</b>	<b>0</b>	<b>19,668</b>	<b>(1,090)</b>	<b>0</b>	<b>(1,090)</b>	<b>2,265</b>	<b>0</b>	<b>(21,050)</b>	<b>(207)</b>	<b>(382,014)</b>	<b>(382,221)</b>
Movements in Earmarked Reserves	20	(3,355)	1,791	(1,564)	0	0	0	1,564	0	0	0	0	0
<b>(Increase)/Decrease in 2022/23</b>		<b>16,313</b>	<b>1,791</b>	<b>18,104</b>	<b>(1,090)</b>	<b>0</b>	<b>(1,090)</b>	<b>3,829</b>	<b>0</b>	<b>(21,050)</b>	<b>(207)</b>	<b>(382,014)</b>	<b>(382,221)</b>
<b>Balance at 31 March 2023 carried forward</b>		<b>(10,237)</b>	<b>(42,583)</b>	<b>(52,821)</b>	<b>(6,373)</b>	<b>(0)</b>	<b>(6,372)</b>	<b>(4,284)</b>	<b>0</b>	<b>(42,142)</b>	<b>(105,619)</b>	<b>(443,141)</b>	<b>(548,761)</b>

**Movement in Reserves Statement (continued)**

2021/22	Notes	Revenue Reserves General Fund Balance	Revenue Reserves Earmarked General Fund Reserves	Revenue Reserves Total General Fund Balance	Revenue Reserves Housing Revenue Account	Revenue Reserves Earmarked Housing Revenue Account Reserves	Revenue Reserves Total Housing Revenue Account	Capital Reserves Capital Receipts Reserve	Capital Reserves Major Repairs Reserve	Capital Reserves Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2021</b>		<b>(22,689)</b>	<b>(57,399)</b>	<b>(80,088)</b>	<b>(5,395)</b>	<b>(306)</b>	<b>(5,701)</b>	<b>(6,674)</b>	<b>0</b>	<b>(25,916)</b>	<b>(118,378)</b>	<b>(17,657)</b>	<b>(136,036)</b>
<b>Movement in reserves during 2021/22</b>													
Total Comprehensive Expenditure and Income		39,204	0	39,204	(17,281)	0	(17,281)	0	0	0	<b>21,923</b>	(52,427)	<b>(30,505)</b>
Adjustments between accounting & funding basis under regulations	19	(28,192)	0	(28,192)	17,699	0	17,699	(3,289)	0	4,825	<b>(8,957)</b>	8,957	<b>0</b>
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>		<b>11,012</b>	<b>0</b>	<b>11,012</b>	<b>418</b>	<b>0</b>	<b>418</b>	<b>(3,289)</b>	<b>0</b>	<b>4,825</b>	<b>12,965</b>	<b>(43,470)</b>	<b>(30,505)</b>
Movements in Earmarked Reserves	20	(14,874)	13,024	(1,850)	(306)	306	0	1,850	0	0	<b>0</b>	0	<b>0</b>
<b>(Increase)/Decrease in 2021/22</b>		<b>(3,862)</b>	<b>13,024</b>	<b>9,162</b>	<b>112</b>	<b>306</b>	<b>418</b>	<b>(1,440)</b>	<b>0</b>	<b>4,825</b>	<b>12,965</b>	<b>(43,470)</b>	<b>(30,505)</b>
<b>Balance at 31 March 2022 carried forward</b>		<b>(26,550)</b>	<b>(44,375)</b>	<b>(70,925)</b>	<b>(5,283)</b>	<b>0</b>	<b>(5,283)</b>	<b>(8,113)</b>	<b>0</b>	<b>(21,092)</b>	<b>(105,413)</b>	<b>(61,127)</b>	<b>(166,540)</b>

## 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 2022	Balance Sheet Summary	Notes	31 March 2023
£'000			£'000
722,920	Property Plant & Equipment	21	805,891
18,723	Heritage Assets	22	19,723
17,629	Investment Property	24	16,663
73	Intangible Assets		41
25,011	Long Term Investments	26	21,099
37,655	Long Term Debtors	30	71,411
<b>822,011</b>	<b>Long Term Assets</b>		<b>934,828</b>
15,205	Assets Held for Sale <1 Year	25	15,910
121	Inventories		121
19,206	Short Term Investments	26	14,633
81,284	Short Term Debtors	30	102,490
8,465	Cash and Cash Equivalents	32	3,563
<b>124,282</b>	<b>Current Assets</b>		<b>136,717</b>
(3,096)	Cash and Cash Equivalents	32	0
(17,797)	Grants Receipts in Advance - Revenue		(3,555)
(71,509)	Short Term Borrowing	26	(97,196)
(85,292)	Short Term Creditors	33	(73,727)
(276)	Finance Leases < 1 Year	29	(257)
(1,391)	Provisions (Short Term)	34	(2,849)
<b>(179,359)</b>	<b>Current Liabilities</b>		<b>(177,584)</b>
(29,437)	Long Term Creditors	33	(28,278)
(7,428)	Provisions (Long Term)	34	(2,090)
(237,260)	Long Term Borrowing	26	(308,695)
(322,377)	Other Long Term Liabilities	29,37	(341)
(3,890)	Grants Receipts in Advance - Capital	17	(5,079)
<b>(600,393)</b>	<b>Long Term Liabilities</b>		<b>(344,483)</b>
<b>166,540</b>	<b>Net Assets</b>		<b>549,477</b>
(105,413)	Usable Reserves	31	(105,620)
(61,127)	Unusable Reserves	36	(443,141)
<b>(166,540)</b>	<b>Total Reserves</b>		<b>(548,761)</b>

These financial statements replace the unaudited financial statements confirmed by the Chief Operating Officer on 31 October 2024 and were authorised for issue on 26 November 2024.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or 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.

<b>2021/22</b>		<b>Notes</b>	<b>2022/23</b>
<b>£'000</b>			<b>£'000</b>
21,923	Net (Surplus) or deficit on the provision of services		33,283
(57,803)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements		14,327
31,371	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities		47,492
<b>(4,509)</b>	<b>Net cash flows from Operating Activities</b>	<u>38</u>	<b>95,102</b>
41,228	<u>Investing Activities</u>	<u>39</u>	3,826
(25,154)	<u>Financing Activities</u>	<u>40</u>	(97,122)
<b>11,566</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>1,807</b>
<b>16,936</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>5,370</b>
<b>5,370</b>	<b><u>Cash and cash equivalents at the end of the reporting period</u></b>	<u>32</u>	<b>3,563</b>





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## E. Notes to the Core Financial Statements



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## E1. Statement of Accounting Policies

## **Statement of Accounting Policies**

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## Note 1. Accounting Policies

### General Principles

The financial statements summarise the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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.

## Note 1. Accounting Policies (continued)

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.

### 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 £500 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 payable is included in the accounts as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 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 2022/23 accounts. The following are listed in Appendix C of the 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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

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

- **IFRS 16 Leases This standard was issued in January 2016 and was planned to be adopted by Local Authorities in 2020-21 but has been deferred for local government to 1 April 2024. The impact of adopting this standard is that**

**most of the Council's leases where it is the lessee will require a 'right of use asset' to be recognised on the Balance Sheet with corresponding lease liabilities. This is different from the current accounting standard where leases are classified as operating and finance leases, with only the assets and liabilities relating to finance leases recognised on the Balance Sheet. This accounting change is likely to have a significant impact on the Council's accounts, but this it is not possible to quantify the potential effect this will have on the Statements until further works are carried out.**

### **Note 3. Critical Judgement in Applying Accounting Policies**



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

- **Future funding for Local Government:** There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Interests in Companies and Other Entities:** The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in both Kyndi Ltd and Medway Development Company as subsidiaries are considered material to the Council's overall financial position and therefore have been consolidated within group accounts for 2022/23. The Council's interest in Medway Norse Ltd who reported net assets as at 31 March 2023 of £1.335million (31 March 2022 £1.248million) as a joint venture is not currently considered material and therefore has not been consolidated into Group Accounts, but this position will remain under review for future financial years.

- **Joint Working:** The Council operates a number of joint working arrangements with other neighbouring local authorities. The Council believes that it is not necessary to impair any non-current assets in light of these working arrangements and any current proposals for changes to the way the services are to be delivered by the Council. Medway Council provided the following shared services and received contributions from Gravesham Borough Council in 2022/2023:
  - Legal (£381k)
  - Audit & Counter Fraud (£206k)
  - Payroll (40k)
  - HR (£96k)
  - Information Governance (£75k)
  - Monitoring Officer (£10k)
 Gravesham Borough Council ran the following shared services on behalf of Medway Council leading to a contribution of:
  - Licensing (215k)
 Medway Council contributed to the South Thames Gateway Building Control Partnership (STG), an organisation working with other Local Authorities to run Building Control Services for 2022/2023 as follows:
  - Building Control (£133k)

- **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.

### Note 3. Critical Judgement in Applying Accounting Policies (Part 2)

The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Authority's Balance Sheet. Remaining land relating to playing fields associated with the schools is however recognised on the Authority's Balance Sheet as follows:

	Number of Schools	Value of Land Recognised £'000
Voluntary Aided and Voluntary Controlled Schools	10	479

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Public sector consultants Barnett Waddingham are engaged to provide the Authority with expert advice about the assumptions applied in producing the estimations.</p>	<p>The following sensitivity analysis relating to the present value of obligations of £655.236m as detailed within the sensitivity analysis table within Note 37 to the financial statements, are based upon complex judgements:</p> <p>A 0.5% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £56.405m.</p> <p>A 1-year reduction in life expectancy assumptions would result in a £23.62m decrease in the pension liability.</p>
Property, Plant & Equipment, Investment Properties & Assets Held for Sale	<p>The Council's internal valuers provided valuations as of March 2022 for all the Council's investment portfolio and approximately 20% of its operational portfolio, all council dwellings and investment properties. Different valuation methods are undertaken for different types of assets and each of these can be affected by external factors such as BCIS rates for those valued using depreciated replacement cost, and assumptions for rents and yields relating to those valued on an existing use basis and those such as Surplus Assets that are valued on a fair value basis.</p> <p>The value of the assets subject to revaluation during 2022/23 were as follows:</p> <ul style="list-style-type: none"> <li>• Council Dwellings      £187.288m</li> <li>• Other land &amp; buildings £238.538m</li> <li>• Surplus Assets            £ 18.771m</li> <li>• Investment Assets (£ 0.965m)</li> </ul>	<p>Were there to be a 5% negative impact on the value of the assets valued in 2022/23, this would mean a reduction in the non-current assets in the balance sheet of £22.212m together with the associated unusable reserves.</p>

	• Assets Held for Sale £ 0.615m	
<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Fair Value measurements	<p>Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 21, 24 and 26.</p>	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



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

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

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## Note 5. Expenditure and Funding Analysis

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

2021/22					2022/23					
Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis (See Note 6)	Net Expenditure Chargeable to the General Fund and HRA Balances	Directorate	Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis (See Note 6)	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
8,113	7,616	15,729	(8,474)	7,255	Business Support Department	9,688	8,729	18,417	(8,193)	10,224
276,938	(107,300)	169,639	(20,894)	148,744	Children's and Adults (Inc. Public Health)	303,953	(137,791)	166,159	(16,029)	150,130
77,494	12,539	90,033	(22,348)	67,684	Regeneration, Community, Environment and Transformation	77,823	23,397	101,220	(40,939)	60,281
113	(18,764)	(18,651)	17,699	(952)	Housing Revenue Account	(1,091)	(2,535)	(3,626)	1,324	(2,302)
<b>362,657</b>	<b>(105,909)</b>	<b>256,749</b>	<b>(34,018)</b>	<b>222,731</b>	<b>Net Cost of Services</b>	<b>390,370</b>	<b>(108,201)</b>	<b>282,170</b>	<b>(63,837)</b>	<b>218,333</b>
4,882	(239,708)	(234,826)	23,525	(211,301)	Other operating income and expenditure	4,241	(253,128)	(248,887)	49,132	(199,755)
<b>367,539</b>	<b>(345,617)</b>	<b>21,923</b>	<b>(10,493)</b>	<b>11,430</b>	<b>(Surplus) or Deficit</b>	<b>394,612</b>	<b>(361,329)</b>	<b>33,283</b>	<b>(14,705)</b>	<b>18,578</b>
				(85,788)	Opening General Fund and HRA Balance <sup>1</sup>					(76,208)
				(1,850)	Adjustment for Use of Capital Receipts to fund Transformation Programme					(1,564)
				11,430	Less Deficit on General Fund and HRA Balance in Year					18,578
				(76,208)	<b>Closing General Fund and HRA Balance <sup>2</sup></b>					(59,193)

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

<sup>2</sup> 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
- Nonservice 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



## 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

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
<b>Net Cost of Services</b>	<b>(51,915)</b>	<b>(12,072)</b>	<b>0</b>	<b>(63,987)</b>	<b>150</b>	<b>(63,837)</b>
Other income and expenditure from the Expenditure and Funding Analysis	43,025	(2,674)	(3,839)	36,472	12,660	49,132
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,890)</b>	<b>(14,746)</b>	<b>(3,839)</b>	<b>(27,514)</b>	<b>12,810</b>	<b>(14,705)</b>

### Adjustments between Funding and Accounting Basis

2021/22

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

## 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 receivables in the year to those receivables 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

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:

	2021/22		2022/23	
	Income from Services	Revenues from Transactions with Other Operating Segments of the Council	Income from Services	Revenues from Transactions with Other Operating Segments of the Council
	£'000	£'000	£'000	£'000
Business Support Department	(3,804)	(22,332)	(5,204)	(22,788)
Children's and Adults (inc. Public Health)	(16,678)	(47,602)	(19,411)	(11,922)
Regeneration, Community, Environment and Transformation	(29,407)	(22,105)	(31,581)	(16,512)
Housing Revenue Account	(14,475)	(416)	(15,403)	(307)
<b>Total income analysed on a segmental basis</b>	<b>(64,364)</b>	<b>(92,456)</b>	<b>(71,599)</b>	<b>(51,530)</b>

## Note 8. Expenditure and income Analysed by Nature

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

		2022/23										
		Management Accounts										
	2021/22	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	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure/Income</b>												
<b>Expenditure</b>												
Employee benefits expenses	156,852	17,369	88,877	26,157	132,402	1,690	134,092	11,529	(2,608)	143,013	2,674	145,687
Other services expenses	390,235	72,872	256,918	82,160	411,950	8,181	420,131	5,062	(8,607)	416,586	4,093	420,679
Support service recharges	584	6,746	8,903	11,335	26,984	762	27,746	0	(27,145)	601	0	601
Depreciation, amortisation and impairment	7,613	559	4,660	15,110	20,330	4,002	24,332	24,710	0	49,042	965	50,007
Interest payments	11,948	0	0	0	0	0	0	0	0	0	13,226	13,226
Precepts and levies	2,170	0	0	0	0	0	0	0	0	0	2,284	2,284
Payments to Housing Capital Receipts Pool	349	0	0	0	0	0	0	0	0	0	0	0
Gain on the disposal of assets	(1,260)	0	0	0	0	0	0	0	0	0	640	640
Pension Adjustments	377	0	0	0	0	0	0	393	0	393	0	393
<b>Total expenditure</b>	<b>568,869</b>	<b>97,547</b>	<b>359,357</b>	<b>134,762</b>	<b>591,665</b>	<b>14,635</b>	<b>606,300</b>	<b>41,695</b>	<b>(38,360)</b>	<b>609,635</b>	<b>23,882</b>	<b>633,517</b>

		2022/23										
		Management Accounts										
	2021/22	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	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>				-	-	-	-	-	-	-	-	
Fees, charges and other service income	(65,409)	(27,992)	(31,333)	(48,093)	(107,418)	(15,710)	(123,129)	4,608	38,360	(80,161)	(1,065)	(81,226)
Interest and investment income	(5,964)	0	(13)	0	(13)	0	(13)	0	0	(13)	(7,070)	(7,083)
Income from council tax and non-domestic rates	(191,612)	0	0	0	0	0	0	0	0	0	(201,027)	(201,027)
Government grants and contributions	(283,951)	(59,865)	(24,058)	(8,850)	(92,773)	(15)	(92,789)	(154,503)	0	(247,291)	(63,607)	(310,898)
<b>Total income</b>	<b>(546,936)</b>	<b>(87,857)</b>	<b>(55,404)</b>	<b>(56,943)</b>	<b>(200,204)</b>	<b>(15,726)</b>	<b>(215,930)</b>	<b>(149,895)</b>	<b>38,360</b>	<b>(327,465)</b>	<b>(272,769)</b>	<b>(600,234)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>21,933</b>	<b>9,689</b>	<b>303,953</b>	<b>77,819</b>	<b>391,461</b>	<b>(1,091)</b>	<b>390,370</b>	<b>(108,201)</b>	<b>0</b>	<b>282,170</b>	<b>(248,887)</b>	<b>33,283</b>



Rochester Castle,  
Rochester

## E3. Notes Supporting the Comprehensive Income and Expenditure Statement

## Notes Supporting the Comprehensive Income and Expenditure Statement

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## Note 9. Other Operating Expenditure

Parish Council Precepts
Levies
Payment to the Government Housing Capital receipts Pool
Gains/losses on disposal of non-current assets
<b>Total</b>

2021/22 £'000	2022/23 £'000
524	563
1,646	1,721
349	0
(1,260)	640
<b>1,259</b>	<b>2,924</b>

## Note 10. Financing & Investment Income and Expenditure

Interest payable and similar charges
Net interest on the net defined benefit liability (asset)
Pensions interest costs and expected return on pensions assets
Gain/(Loss) on Financial Assets at Fair Value through Profit and Loss
Interest receivable and similar income
Income and expenditure in relation to investment properties and changes in their fair value
Other investment income
<b>Total</b>

2021/22 £'000	2022/23 £'000
12,014	13,176
6,862	2,674
0	0
(3,476)	3,913
(5,928)	(6,849)
(5,777)	(91)
0	0
<b>3,695</b>	<b>12,822</b>

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

Council tax income
Non-domestic rates income and expenditure
Non-ringfenced government grants
Capital grants and contributions
<b>Total</b>

2021/22 £000s	2022/23 £000s
(136,308)	(141,312)
(55,314)	(59,714)
(31,999)	(21,389)
(16,160)	(42,218)
<b>(239,781)</b>	<b>(264,633)</b>



## Note 12. Pooled Budgets

### Better Care Fund (BCF)

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

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

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

#### Better Care Fund (BCF)

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Funding provided by each partner:</b>				
Medway Council (included in the authority's Comprehensive Income & Expenditure Statement)	(9,564)		(9,778)	
Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	(5,903)		(4,602)	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	(14,440)		(16,894)	
		(29,907)		(31,273)
<b>Expenditure paid as part of the agreement:</b>				
Medway Council/Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	15,467		14,380	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	14,440		16,894	
		29,907		31,273
<b>Net surplus/(deficit) arising on the pooled budget during the year</b>		<b>(0)</b>		<b>0</b>
<b>Authority share of 50% of the net surplus arising on the pooled budget</b>		<b>(0)</b>		<b>0</b>

## Note 12. Pooled Budgets (continued)

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

The Council entered into an RAA with Kent County and the London Borough of Bexley and the RAA is 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 based on the income each partner contributed to the total overall funding of the partnership. Medway's percentage is therefore 20% of any surplus or deficits generated.

At their meeting in March, the partnership board agreed the surplus generated during the year would be transferred into reserves to be spent in the next financial year rather than returning the surplus to partners but the brought forward balance was returned to partners during 2021/22.

### 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 20%

	2022/23 £'000	£'000	
	(941)		
	<u>(3,211)</u>		*2
		(4,153)	
	916		
	<u>3,126</u>		*2
		<u>4,296</u>	
		<u>143</u>	
		(318)	
		143	
		<u>(174)</u>	*1
		<u>(35)</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:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Basic Allowance	585	596
Special Responsibility Allowance	316	324
Expenses	1	3
<b>Total</b>	<b>902</b>	<b>922</b>

Medway Council is comprised of 55 Members. In 2022/23, 56 Members were entitled to claim allowances including 3 who served for only part of the year. (58 Members for the whole of 2021/22).

A total of £130.50 was paid to 5 councillors in April 2023 in respect of travel claims relating to 2022/23. (£207.45 paid to 7 councillors in April 2022 in respect of claims relating to 2021/22).

## Note 14. Officers Remuneration

The remuneration paid to the Authority's senior employees during 2022/23 was as follows:

Post	Salary £	Fees and Allowances £	Salaries, Fees and Allowances £	Expenses £	Compensation for Loss of Office £	Total Excluding Pension Contribution £	Pension Contribution £	Total £
Chief Executive (Neil Davies)	134,948	7,373	142,321	270		142,590	24,807	167,398
Director Of Place&Deputy Chief Executive (Richard Hicks)	127,660	8,214	135,874			135,874	23,501	159,375
Director Of People - Children And Adults (Leanne Farach)	126,395	8,214	134,609	156		134,765	23,269	158,034
Director Of Public Health	119,139	8,214	127,353	53		127,406	21,941	149,347
Chief Finance Officer	115,306	8,214	123,520			123,520	19,334	142,854
Assistant Director Adult Social Care	86,861	5,687	92,548			92,548	16,035	108,583
Assistant Director Front Line Services	92,653	5,687	98,340	142		98,482	17,094	115,577
Deputy Director Of Public Health	83,640		83,640			83,640	15,306	98,946
Assistant Director Regeneration	87,012	5,687	92,699	187		92,886	16,062	108,948
Assistant Director Education And Send	92,182	15,687	107,869			107,869	18,838	126,707
Assistant Director Culture & Community	79,280	5,687	84,967			84,967	14,647	99,614
Assistant Director Legal & Governance	92,730	5,687	98,417			98,417	17,109	115,526
Assistant Director - Children's Services	92,038	15,687	107,725			107,725	18,812	126,537

## Note 14. Officers Remuneration (continued)

Comparative figures for 2021/22 are as follows:

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

## 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	
	2021/22	2022/23	2021/22	2022/23
£50,000 to £54,999	23	20	59	69
£55,000 to £59,999	9	14	35	46
£60,000 to £64,999	7	8	14	16
£65,000 to £69,999	10	4	23	16
£70,000 to £74,999	5	6	6	14
£75,000 to £79,999	4	4	4	7
£80,000 to £84,999	5	1	2	2
£85,000 to £89,999	0	4	0	0
£90,000 to £95,999	0	0	0	1
£95,000 to £99,999	0	0	0	0
£100,000 to £104,999	0	0	0	0
£105,000 to £109,999	0	0	0	0
£110,000 to £114,999	1	1	0	0
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	0	0	0	0
£125,000 to £129,999	0	0	0	0
£130,000 to £149,999	1	0	0	0
£150,000 to £154,999	0	0	0	0
<b>Total</b>	<b>65</b>	<b>62</b>	<b>143</b>	<b>171</b>

## 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 the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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			Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2022/23			2022/23			2022/23			2022/23		
	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £
£0 - £20,000	0	2	2	3	4	7	3	6	10	10,330	35,713	46,042
£20,001 - £40,000	0	0	0	2	0	2	2	0	4	54,123	0	54,123
£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	1	1	0	1	1	0	146,377	146,377
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>7</b>	<b>12</b>	<b>64,453</b>	<b>182,090</b>	<b>246,543</b>

The total cost of £0.247m detailed in the table above for exit packages agreed during 2022/23. An amount of £0.247m 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			Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2021/22			2021/22			2021/22			2021/22		
	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £	Schools £	Non- School £	Total £
£0 - £20,000	0	0	0	2	5	7	2	5	7	680	38,071	38,750
£20,001 - £40,000	0	0	0	0	1	1	0	1	1	0	22,589	22,589
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>680</b>	<b>60,660</b>	<b>61,339</b>

The total cost of £0.593m detailed in the table above for exit packages agreed during 2019/20. An amount of £0.574m 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:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Scale fees payable to GT with regard to external audit services carried out by the appointed auditor for the year	113	124
Fees payable to GT with regard to additional external audit services carried out by the appointed auditor for the year	TBC	TBC
Fees payable to GT for the certification of Grant Claims and other services provided by GT	TBC	TBC
<b>Total</b>	<b>TBC</b>	<b>TBC</b>

Audit Committee was informed at its meeting of 27/11/2023 that it would not be possible for the external auditors and Medway Council to complete the audits for 2021-22 and 2022-23 by the March 2024, the then deadline set by government within the available resources. Therefore, it had been decided that the audits for those two years would not take place, however this value for money audit had been published. This would enable the Council and external auditors to undertake the work required for the 2023-24 audit and complete and it within the statutory timescales.

For both 2021/22 and 2022/23 a decision has yet to be made which can be presented to Audit Committee detailing how much of the fees will be returned to Medway Council because of the audit not taking place so these changes have not been included in the table above.

## Note 16. Dedicated Schools Grant

### Accounting Policy — Schools

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

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

The Council has the following types of maintained schools:

- Community
- Voluntary Aided

### 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

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 2022/23 the Council incurred an underspend of £1.477m on DSG funded services. After taking account of the deficit of £23.530m brought forward from 2021/22), £22.053m was carried forward to 2023/24.

## Note 16. Dedicated Schools Grant (continued)

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total 2022/23 £'000	Total 2021/22 £'000
Final DSG before Academy recoupment			290,842	273,544
Less: Academy figure recouped			(190,066)	(179,720)
Total DSG after Academy recoupment			100,776	93,824
Plus: Brought forward from previous reporting period			(25,530)	(16,261)
Agreed initial budgeted distribution	3,579	76,270	79,849	77,563
Final budget distribution in previous reporting period			77,246	77,563
In year adjustments	5,720		5,720	0
Subtotal	5,720	0	82,966	77,563
Less: Actual central expenditure	(45,511)		(45,511)	(4,591)
Less: Actual Individual Schools Budget deployed to schools		(59,508)	(59,508)	(96,502)
<b>Carried forward</b>	<b>(45,511)</b>	<b>(59,508)</b>	<b>(22,053)</b>	<b>(23,530)</b>
DSG unusable reserve at the end of the year			(22,053)	(23,530)
Total of DSG unusable reserve at the end of the reporting period			<b>(22,053)</b>	<b>(23,530)</b>
<b>Total carried forward to next reporting period</b>			<b>(22,053)</b>	<b>(23,530)</b>

## 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

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 2022/23.

	2021/22 £'000	2022/23 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<u>Department for Levelling Up, Housing &amp; Communities</u>		
- Covid 19 Council Tax Hardship Fund Grant	(2,197)	0
- Covid-19 Emergency Funding	(7,864)	0
- Covid-19 Energy Bill Support Scheme	0	(222)
- Covid-19 Energy Rebate Scheme	0	(606)
- Covid-19 Local Additional Restrictions Grant (discretionary grant to support businesses)	(390)	0
- Covid-19 Local Authority Support Grant	0	(2,485)
- Covid-19 Local Restrictions Support Grant New Burdens Funding	(176)	0
- Covid-19 Sales Fees & Charges Income Compensation Scheme	(1,048)	0
- Covid-19 Test and Trace Isolation Payment scheme (discretionary fund)	(567)	0
- Covid-19 Test and Trace Isolation Payment Scheme (new burdens funding)	(95)	0
- Formula Grant / Revenue Support Grant	(6,549)	(10,095)
- New Homes Bonus	(986)	(1,979)
 <u>Department for Education</u>		
- Additional Dedicated Home to School and College Transport	(160)	0
- Holiday Activities & Food Programme	(1,002)	(1,137)
- Homes for Ukraine Education Grant	0	(309)
- Wellbeing for Education Return Grant	(132)	0
 <u>Department for Work &amp; Pensions</u>		
- Household Support Grant	(1,908)	(4,525)
- C19 Local Support Grant Extension	(977)	0
 <u>Department of Health &amp; Social Care</u>		
- Adult Social Care Infection Control and Testing Fund	(2,215)	0
- Covid-19 Contain Outbreak Management Fund	(2,030)	0
- Covid-19 Infection Control Fund	(928)	0
- Covid-19 Practical Support Grant	(639)	(0)
- Covid-19 Test, track and trace fund	(249)	0
- Covid-19 Workforce Capacity Grant	(1,854)	0
 <u>Kent &amp; Essex Inshore Fisheries Conservation Authority</u>		
- Inshore Fisheries Conservation Authorities Grant	(32)	(32)
 Recognition of Capital Grants and Contributions	(16,160)	(42,218)
<b>Total</b>	<b>(48,158)</b>	<b>(63,607)</b>



**Note 17. Grant Income (continued)****Credited to Services**Cabinet Office

- Elections Grant	(404)	0
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Department for Digital, Culture, Media & Sport

- Chatham Dockyard Grant	0	(40)
- Creative Medway	0	(22)
- NPO Guildhall Museum	(39)	0
- Picture Medway	4	(4)
- Theatre 31	(325)	(406)
- Windrush	(1)	0

Department for Education

- Adoption Support Fund	(76)	0
- Child Improvement	(64)	0
- Covid 19 National Tutoring Programme	(222)	(127)
- Dedicated Schools Grant	(93,824)	(100,776)
- Dedicated Schools Grant – Safety Value	0	(5,720)
- Dedicated Schools Grant – NNDR	0	(2,084)
- Dedicated Schools Grant – Lagged Early Years Funding	0	(393)
- DFE Other	(2,621)	(1,084)
- Education Funding Agency	(136)	(77)
- ESF Support Grant	0	(1,074)
- Extended Rights to Free HTS Transport	(75)	(91)
- Holiday Activities and Food Funding	0	(33)
- Leaving Care	(34)	0
- Medway Childrens Improvement Funding	0	(916)
- Misc Covid Expenditure	(165)	0
- Multiply Programme	0	(272)
- NQT Backfill Grant	0	(21)
- NQT Education Recovery Grant	0	(18)
- PE & Sport Premium Grant	0	(484)
- Pupil Premium Grant	(3,513)	(4,045)
- School Covid Catch Up	(801)	(405)
- School Led Tutoring Grant	0	(493)
- Sec 31 Extension of the Role of Virtual School Heads to Certain Previously Looked after Children Implementation	(130)	0
- Sixth Form Grant	(694)	(897)
- Social Work Teaching Partnerships Programme.	(154)	(102)
- Stay Put and PA Support	(230)	(189)
- Student Loan Company	(12)	(13)
- Supporting Families Grant	0	(235)
- Teachers Pay, Teachers Pension, PE&SG	(517)	(110)

- Teachers Pensions Supplementary Grant	(80)	0
- Universal Infant Free School Meals	0	(2,295)

## Note 17. Grant Income (Continued)

### Department of Health & Social Care

- ASC Discharge Fund	0	(832)
- Clinical Weight Management	(275)	0
- Covid 19 Lateral Flow Test Grant	(1,803)	0
- DHSC Other	0	(187)
- Local Reform & Community Voices Grant/ War Pensions Scheme Disregard Grant/Social Care in Prisons Grant	(247)	(264)
- Public Health Grant	(17,581)	(18,075)
- Public Health Other	0	(259)

### Department for Levelling Up, Housing & Communities

- Administering Council Tax Reduction Scheme Grant	(287)	0
- Benefit Subsidy	(61,206)	(56,594)
- Covid-19 Re Opening The High Streets Safely	(20)	0
- Cyber Security	0	(100)
- DLUHC Other	(95)	(180)
- Domestic Abuse Grant	(35)	0
- Domestic Abuse Grant	0	(1,191)
- Financial Reporting Grant	0	(54)
- Flexible Homelessness Support	(1,221)	0
- Former Independent Living Fund Grant	(720)	(720)
- Future High Streets Fund (Pre Contract Support)	(3)	0
- Homelessness Prevention	0	(1,832)
- Homelessness Reduction Act New Burdens Funding	(770)	0
- Improved Better Care Fund	(7,093)	(7,308)
- Levelling Up Funding	0	(56)
- Local Council Tax Support (LCTS) Administration Subsidy	(264)	(259)
- Mandating Data Transparency	0	(13)
- Market Sustainability and Fair Cost of Funding	0	(693)
- Neighbourhood Planning Grant	0	(5)
- New Burdens Business Rates Relief	0	(679)
- New Burdens Funding - Elections	0	(43)
- Oast Pocket Park Project	(1)	0
- Pavement Licensing New Burdens	0	(9)
- Rough Sleeper Initiative	(1,310)	(1,096)
- Shared Prosperity Fund	0	(108)
- Social Care Support Grant	(6,098)	(8,497)



- Supported Housing Improvement Programme	0	(121)
- Supporting Families Programme	(894)	(793)
- Transparency Code Set Up	(70)	0
- Welcome Back Fund	(257)	0

Department for Environment, Food and Rural Affairs

- Food Standards Grant	0	(2)
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**Note 17. Grant Income (Continued)**Department for Transport

- Bikeability Grant	(11)	(32)
- Bus Capacity Grant	0	(171)
- Bus Service Operator Grant	(403)	0
- DoT Other	(66)	(66)
- LA Capacity Buidling	0	(100)
- Local Electric Vehicle Infrastructure (LEVI) Fund	0	(68)
- On Street Residential Charge point Grant	0	(21)

Department for Work & Pensions

- Housing Benefit Administration	(739)	(719)
- Kickstart Grant	(319)	(86)
- LA Funding Allocations/New Burdens Grant	(195)	0
- Multiple Youth Grant	(143)	(58)
- New Burdens Council Tax Reduction	0	(10)
- New Burdens Universal Credit	0	(186)

Home Office

- Afghan Citizens Resettlement Scheme	(14)	(90)
- Exploitation Prevention Young Women and Girls	0	(21)
- IAG Grant	(300)	300
- Leaving Care Grant	0	(83)
- Safer Streets	0	(38)
- Unaccompanied Asylum-Seeking Children Grant	(301)	(141)

Ministry of Justice

- Contributions from the Youth Justice Board	(691)	(529)
- MoJ Other	(118)	(120)
- Turnaround Funding	0	(40)

Department for Business, Energy & Industrial Strategy

- Skills Funding Agency	(1,843)	(1887)
- BEIS Other	0	(34)

- Heat Network Grant	(76)	0
- New Burdens Welfare Reform	0	(37)
<u>Miscellaneous</u>		
Other Miscellaneous Grants	(485)	(455)
Contributions from NHS Partners	(13,305)	(10,564)
Contributions from Other Local Authorities	(3,874)	(3,500)
Miscellaneous Contributions	(2,530)	(1,853)
Recognition of Capital Grants and Contributions	(7,815)	(4,283)
<b>Total</b>	<b>(237,591)</b>	<b>(247,291)</b>

## Note 17. Grant Income (continued)

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

<b>Capital Grants Receipts in Advance (Capital Grants)</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Applicable Section Agreements	(3,890)	(5,079)
<b>Total</b>	<b>(3,890)</b>	<b>(5,079)</b>

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:

<b>Grants Receipts in Advance - Revenue</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
<u>Department for Levelling Up, Housing &amp; Communities</u>		
- Arts and Homelessness	0	(10)
- Chatham Town Centre Design Code	0	(39)
- Digital Funding	(400)	(632)
- Domestic Abuse Grant	(597)	0
- Energy Rebate Scheme	(15,512)	0
- Levelling Up Housing	(120)	0
- Rough Sleeper Initiative	(68)	0
- Shared Prosperity Fund	0	(137)
<u>Home Office</u>		
- Safer Streets 1&3	(42)	0
<u>Department for Culture, Media &amp; Sport</u>		
- Arts Council for England Picture Medway Grant	(8)	0
<u>Department for Business, Energy &amp; Industrial Strategy</u>		
- BIS084 BEIS GRANT 11. PIA	(25)	0
<u>Department for Environment, Food and Rural Affairs</u>		
- Air Quality Grant	0	(128)
- Bio-Diversity Net Gain Grant	0	(20)
- Food Standards Grant	(7)	0
<u>Department for Education</u>		
- Multiply Programme	0	(168)

## Note 17. Grant Income (Continued)

<u>Department for Transport</u>		
- Active Travel Tranche 2 under	(166)	(222)
- Bikeability Grant	0	(7)
- Bus Capacity Work	(215)	0
- Bus Recovery funding (LTA BRG)	(41)	(724)
- Funding for Supported Bus Services	(61)	0
- LTP Travel Plan funding	(179)	(179)
- Tech Facilitators Grant	0	(117)
<u>Department of Health &amp; Social care</u>		
- NIHR Health Determinants Research Collaboration	0	(148)
<u>Miscellaneous</u>		
Arts Council for England - Medway Music Hall Grant	0	(2)
Arts Council for England - Picture Medway	0	(4)
Arts Council for England - Theatre 31 Medway	(199)	(1)
Chatham Dockyard Grant	(55)	(45)
Contributions from NHS Partners	(3)	0
Contributions from Other Local Authorities	0	(65)
Good Things Foundation	(17)	(8)
Historic England High Street HAZ funding	(10)	0
Libraries Connected	(1)	(1)
Miscellaneous Contributions	(51)	(0)
Porchlight Funding for Arts and mental Health	0	(4)
Reading Agency	(15)	(5)
Royal Opera House Bridge Funding	(1)	0
Sport 4 Life Funding	0	(887)
Theatre Deposits	0	(4)
S106 Developer Contribution Re Market Review	(4)	0
<b>Total</b>	<b>(17,797)</b>	<b>(3,555)</b>

## Note 17. Grant Income (continued)

The Authority received a number of grants that Medway Council were acting as an Agent, therefore were not recognised through the Comprehensive Income & Expenditure Statement but would be shown within the Balance Sheet as liabilities until such time as they are discharged.

<b>Grants - Medway Council as Agent</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
<u>Department of Business, Energy and Industrial Strategy</u>		
- Covid 19 Christmas Support Payment for Wet Led Pubs	0	0
- Covid 19 Local Restrictions Grant Mandatory: Business Grants for Closed Businesses (LRSG)	(1,256)	0
- Covid 19 Local Restrictions Grant Mandatory: Closed Business Lockdown Payment	0	0
- Covid 19 Restart Grants	(9,021)	0
- Covid 19 Omicron Hospitality and Leisure Grant	(1,179)	0
<u>Ministry of Housing, Communities &amp; Local Government</u>		
- Covid 19 Test and Trace Isolation Payment scheme (Mandatory Isolation Support Payments)	(725)	0
Support for energy bills – the council tax rebate 2022-23 non-discretionary	0	(14,908)
<b>Total</b>	<b>(12,181)</b>	<b>(14,908)</b>

## 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

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, catering and domestic refuse collection.

The Authority owns 20% of the share capital. 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 2022/23 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 2022/23 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 several 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**

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

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

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of 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)

Adjustments for 2022/23	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s	£000s	£000s
<b>ADJUSTMENTS TO THE REVENUE RESEOURCES</b>						
<b>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:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	14,454	292	0	0	0	(14,746)
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	3,839	0	0	0	0	(3,839)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(13,625)					13,625
Holiday pay (transferred to the Accumulated Absences Account)	(151)	1				150
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):	13,829	4,590	0	0	30,488	(48,907)
<b>Total Adjustments To Revenue Resources</b>	<b>18,346</b>	<b>4,883</b>	<b>0</b>	<b>0</b>	<b>30,488</b>	<b>(53,717)</b>
<b>ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	40	(1,032)	992	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(4,002)	0	4,002	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,641)	0	0	0	0	1,641
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(716)	(1,173)	0	0	0	1,889
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(2,317)</b>	<b>(6,207)</b>	<b>992</b>	<b>4,002</b>	<b>0</b>	<b>3,530</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,738)	0	0	3,738
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,002)	0	4,002
Application of capital grants to finance capital expenditure	0	0	0	0	(9,438)	9,438
Cash payments in relation to deferred capital receipts	0	0	481	0	0	(481)
<b>Total Adjustments To Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(3,257)</b>	<b>(4,002)</b>	<b>(9,438)</b>	<b>16,697</b>
<b>Total Adjustments 2022/23</b>	<b>16,029</b>	<b>(1,324)</b>	<b>(2,265)</b>	<b>0</b>	<b>21,050</b>	<b>(33,490)</b>

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

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

## 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 2022/23.

	Balance 31 March 2021 £'000	Transfers in 2021/22 £'000	Transfers out 2021/22 £'000	Balance 31 March 2022 £'000	Transfers in 2022/23 £'000	Transfers out 2022/23 £'000	Balance 31 March 2023 £'000
<b>General Fund</b>							
HSE Decent Homes Loan Funds	0	0	0	0	(18)	0	(18)
Balances held by schools under a scheme of delegation	(1,414)	(960)	624	(1,750)	(726)	721	(1,756)
School Rev Contributions To Capital	(124)	(385)	259	(250)	(35)	167	(118)
Revenue Contributions To Capital BSD	(0)	0	0	(0)	0	0	(0)
Revenue Contributions To Capital C&A	17	0	0	17	0	0	17
Revenue Contributions To Capital RCET	(86)	(20)	11	(95)	0	0	(95)
Development Plan Reserve	(150)	(1,000)	666	(484)	0	378	(106)
Provision For Local Election	(125)	(138)	0	(263)	(151)	120	(294)
Bereavement Services Reserves	(175)	(138)	0	(313)	(2)	0	(315)
Rate Equalisation Fund	(4,663)	0	0	(4,663)	0	687	(3,976)
Community Hubs Reserve	(41)	0	0	(41)	0	0	(41)
BRMF - Annual Programme	(636)	(750)	939	(447)	(750)	1,058	(139)
ICT Reserve	0	(500)	97	(403)	0	399	(4)
Reserve Fund Computer Development	(1,000)	0	0	(1,000)	0	0	(1,000)
Developer Contributions Revenue Reserves	(5,247)	(2,605)	1,431	(6,421)	(2,250)	1,571	(7,100)
Economic Development Loans Fund	(80)	0	1	(79)	0	0	(79)
Directorate Carry Forwards	(3,775)	(3,240)	1,669	(6,205)	(3,920)	3,701	(6,424)
Homelessness Reduction	(168)	0	0	(168)	0	0	(168)
BirdWatch/Samms Inv Funds	(1,030)	(450)	0	(1,480)	(500)	0	(1,980)
Parish Grants Fund	0	0	0	0	(40)	0	(40)
Mosaic Forms Development Reserve	0	0	0	0	(1,703)	24	(1,679)
Brook Theatre Structural Survey Reserve	0	0	0	0	(250)	163	(87)
Severance Payment Reserve	(1,000)	0	5	(995)	0	147	(848)
South Medway Development Reserve	(4,000)	0	0	(4,000)	0	0	(4,000)
Transformation Reserve	(2,000)	0	1,000	(1,000)	0	0	(1,000)
Salix Repayments	(76)	(60)	0	(136)	(40)	148	(28)
HEE Public Health Grant	(176)	0	0	(176)	0	176	0
Medway Tunnel Maintenance	0	0	0	0	0	0	0
Mayors Expenses Fund	(0)	0	0	(0)	0	0	(0)
Unpresented Chqs Written Back	(50)	(16)	7	(59)	0	0	(59)
Medway Archives and Local Studies Centre Donations	(1)	0	0	(1)	0	0	(1)
Country Park Donations	(6)	0	0	(6)	0	0	(6)
Museum Exhibits Fund	(51)	(1)	0	(52)	(3)	0	(55)
Temple Manor Public Donations	(2)	0	0	(2)	0	0	(2)
Eastgate House Chalet Donations	(1)	0	0	(1)	0	0	(1)
Rochester Castle Donations	(2)	0	0	(2)	0	0	(2)

Upnor Castle Public Donations	(0)	0	0	(0)	0	0	(0)
Corn Exchange Deposits	(10)	(3)	0	(13)	(3)	0	(16)
Res Fd Pier & Wharf Mtc	(47)	(8)	0	(55)	(16)	0	(71)
Res Fd Pier & Wharf Reserve	(13)	0	0	(13)	0	0	(13)
Theatres Gift Vouchers	(10)	(3)	1	(12)	0	0	(12)
Other Earmarked Reserves	(192)	(31)	8	(215)	(22)	0	(237)
Carry Forward Covid-19	(9,439)	(232)	8,465	(1,206)	0	770	(436)
Covid-19 Reserve Funding	0	0	0	0	0	0	0
Covid-19 Reserve Funding	(9,439)	(232)	8,465	(1,206)	0	770	(436)
Collection Fund S.31 Grant Adjustment Reserve	(18,502)	(497)	8,882	(10,117)	496	7,256	(2,365)
Insurance	(2,378)	0	(25)	(2,403)	0	(696)	(3,179)
Risk Management	(81)	0	0	(81)	0	0	(81)
Insurance Reserve	(2,458)	0	(25)	(2,483)	0	(696)	(3,179)
<b>Total Earmarked General Fund Reserves</b>	<b>(57,401)</b>	<b>(11,006)</b>	<b>24,032</b>	<b>(44,375)</b>	<b>(9,909)</b>	<b>16,790</b>	<b>(37,494)</b>
Dedicated Schools Grant Reserve*	0	(2,854)	2,854	0	(4,415)	2,326	(2,089)
Ringfenced Dedicated Schools Grant Reserve	0	0	0	0	(3,000)	0	(3,000)
<b>DSG Reserve</b>	<b>0</b>	<b>(2,854)</b>	<b>2,854</b>	<b>0</b>	<b>(7,415)</b>	<b>2,326</b>	<b>(5,089)</b>
<b>Housing Revenue Account</b>							
HRA Earmarked Reserves	(306)	(1,939)	2,245	0	(1,173)	1,173	0
<b>Total Earmarked Housing Revenue Account Reserves</b>	<b>(306)</b>	<b>(1,939)</b>	<b>2,245</b>	<b>0</b>	<b>(1,173)</b>	<b>1,173</b>	<b>0</b>
<b>Total Earmarked Reserves</b>	<b>(57,707)</b>	<b>(15,799)</b>	<b>29,131</b>	<b>(44,375)</b>	<b>(18,498)</b>	<b>20,289</b>	<b>(42,584)</b>

## Note 20. Movements in Earmarked Reserves (continued)

### 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.

### BRMF (Building Repairs and Maintenance Fund) - Annual Programme

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

### Community Hubs Reserve

To finance development of community hubs in our libraries.

### Reserve Fund Computer Development

Reserve Fund for Computer Development/Replacement of Steria and then Medway Grid for Learning (MGfL) reserve added in 2016/17.

### DSG Reserve

Dedicated School Grant reserves. Significant increase in Special Educational Needs (SEN) expenditure in 2018/19 was transferred here. The deficit on this reserve will be addressed over the medium term through a recovery plan to be agreed by the School's forum.

### 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.

### 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.

## Note 20. Movements in Earmarked Reserves (continued)

### 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.

### Covid-19 Reserve

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

### 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.

### HRA Earmarked Reserves

Monies held in an Earmarked Reserve for the HRA.

### 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.

### Directorate Carry Forwards

Revenue carry forwards relating to the general fund.

### 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 fewer running costs of the Samms team.

### 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 several years by the service benefitting from the saving.

### Collection Fund S.31 Grant Adjustment Reserve

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





St Mary's Island

## E5. Notes Supporting the Balance Sheet

## Notes Supporting the Balance Sheet

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## Note 21. Property, Plant & Equipment

### Accounting Policy

#### 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:

- infrastructure, 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 lives have been used in the computation of depreciation

## 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

## Note 21. Property, Plant & Equipment (continued)

The Authority categorises its operational Property, Plant and Equipment into several 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 2022/23	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 2022	174,676	338,856	18,803	8,959	20,747	41,270	603,311
Assets Under Construction brought into use	5,910	6,761	0	0	0	(12,671)	0
Additions	4,672	3,594	352	143	53	37,130	45,944
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,265	59,286	0	0	606	0	65,157
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,675)	(27,536)	0	0	(640)	0	(30,851)
Derecognition – disposals	(559)	(1)	0	0	(0)	0	(560)
Derecognition - other	0	(1,110)	(34)	0	0	0	(1,144)
<b>As at 31 March 2023</b>	<b>187,288</b>	<b>379,850</b>	<b>19,121</b>	<b>9,102</b>	<b>20,765</b>	<b>65,729</b>	<b>681,856</b>
<b>Accumulated Depreciation and Impairment</b>							
As at 1 April 2022	0	(15,702)	(12,247)	(11)	(22)	0	(27,982)
Depreciation Charge	(3,724)	(12,722)	(923)	0	(13)	0	(17,381)
Depreciation written out to the Revaluation Reserve	1,358	12,174	0	0	6	0	13,539
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,354	3,172	0	0	2	0	5,528
Derecognition – disposals	12	54	7	0	0	0	73
Other movements in depreciation and impairment	0	0	(269)	0	0	0	(269)
<b>As at 31 March 2023</b>	<b>(0)</b>	<b>(13,023)</b>	<b>(13,433)</b>	<b>(11)</b>	<b>(26)</b>	<b>0</b>	<b>(26,493)</b>
<b>Net Book Value</b>							
<b>At 31 March 2023</b>	<b>187,288</b>	<b>366,827</b>	<b>5,689</b>	<b>9,091</b>	<b>20,739</b>	<b>65,729</b>	<b>655,363</b>
<b>At 31 March 2022</b>	<b>174,676</b>	<b>323,154</b>	<b>6,556</b>	<b>8,948</b>	<b>20,725</b>	<b>41,270</b>	<b>575,329</b>

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

## Note 21. Property, Plant & Equipment (continued)

### Effects of Changes in Estimates

In 2022/23 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. All other property and land revaluations were undertaken by Phillip Smith a Registered Valuer of Wilks Head & Eve Chartered Surveyors.

The effective date of the Pentagon valuation was 31 March 2022. All other valuations carried out in 2022/23 had an effective date of 28 February 2023.

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 outgoing.
- 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:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Community assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valued at historical cost	0	1,987	0	0	0	0	1,987
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	947	19,121	9,102	0	65,729	94,899
Carried at historic cost	0	2,934	19,121	9,102	0	65,729	96,886
Valued at current value (fair value for surplus assets) during the year ending:							0
31 March 2023	187,288	238,538	0	0	18,771	0	444,597
31 March 2022	0	27,565	0	0	51	0	27,616
31 March 2021	0	33,707	0	0	1,597	0	35,304
31 March 2020	0	74,806	0	0	345	0	75,151
31 March 2019	0	2,299	0	0	0	0	2,299
<b>Total</b>	<b>187,288</b>	<b>379,849</b>	<b>19,121</b>	<b>9,102</b>	<b>20,764</b>	<b>65,729</b>	<b>681,853</b>

## Removal of Schools

### Transferring to Academies

One school achieved academy status between 1 April 2022 and 31 March 2023 with a balance sheet value of £1.1m (1 in 2021/22; £1.1m). Two schools are likely to achieve academy status between 1 April 2023 and 31 March 2024 with a balance sheet value of approximately £7.4m.

## Note 21. Property, Plant & Equipment (continued)

### Capital Commitments

As at 31 March 2023 the following capital commitments were in place:

Directorate	2021/22 £'000	2022/23 £'000
Business Support Department	0	0
Children's and Adults (inc. Public Health)	7,755	2,646
Regeneration, Community, Environment and Transformation	18,650	7,621
Housing Revenue Account	23	386
<b>Total</b>	<b>26,428</b>	<b>10,653</b>

In Children's and Adults (inc. Public Health), the two SEN education schemes have now completed and the capital commitments relate to two Basic Need projects ongoing at Hundred of Hoo Primary (approx. £1.5m with Perfect Homes) and Hoo Academy (approximately £1.1m with G A Harpers Ltd.) .

In Regeneration, Community & Environment, approx. £1.2m of the capital commitments are with Volker for works on the Stoke Crossing and Medway Tunnel. The contract with FM Conway for works at Innovation Park Medway is coming to an end which

has reduced the capital commitment with this contractor from £11.2m in 2021/22 to £2.5m in 2022/23.

### Fair Value Measurement

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

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

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

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

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

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

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

## Note 21. Property, Plant & Equipment (continued)

### Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as of 31 March 2023 are shown below.

Recurring fair value measurements using:	Level 2 inputs	Level 3 Inputs	Fair Value as at 31 March 2022	Level 2 valuation technique
	£000's	£000's	£000's	
Commercial development	17,205	0	17,205	Market based approach
Residential dwellings	439	0	349	Market based approach
Non-residential buildings	880	0	880	Market based approach
Other leased land	540	0	540	Market based approach
Vacant land and buildings	1,792	0	1,792	Market based approach
	<b>20,765</b>	<b>0</b>	<b>20,765</b>	

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 surveyors 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)

### Highways infrastructure assets

#### Accounting Policy

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

## Note 21. Property, Plant & Equipment (continued)

### Disposals and derecognition

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

	2021/22	2022/23
	£'000	£'000
Net book value (modified historical cost) at 1 April	137,608	147,592
Additions	15,811	9,859
Derecognition	(17)	0
Depreciation	(6,521)	(6,919)
Revaluation increases/(decreases) recognised in the Revaluation Reserve		(1)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(2)
Other movements in cost	711	
<b>Net book value at 31 March</b>	<b>147,592</b>	<b>150,528</b>

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

	31 March 2022	31 March 2023
	£'000	£'000
Infrastructure Assets	147,592	150,528
Other PPE Assets	575,329	655,363
<b>Total PPE Assets</b>	<b>722,920</b>	<b>805,891</b>

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

## Note 22. Heritage Assets

### Accounting Policy

#### Heritage Assets

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

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

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

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

#### Art Collection

The collection consists of items including various paintings, marble busts and engravings dating from the 17th, 18th and 19th centuries. Part of this category was revalued during both 2014/15 and

2016/17 by industry experts to provide an updated insurance valuation.

#### Other

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

#### Heritage Assets – General

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

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

**Note 22. Heritage Assets (continued)****Reconciliation of the Carrying Value of Heritage Assets Held by the Authority**

	Buildings £'000	Furniture £'000	Silver / Gold Collections £'000	Art Collection £'000	Other £'000	Total Assets £'000
<b>Cost or Valuation</b>						
1 April 2021	12,490	238	1,189	1,559	2,746	18,223
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluations	500	0	0	0	0	500
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
<b>31 March 2022</b>	<b>12,990</b>	<b>238</b>	<b>1,189</b>	<b>1,559</b>	<b>2,746</b>	<b>18,723</b>
<b>Cost or Valuation</b>						
1 April 2022	12,990	238	1,189	1,559	2,746	18,723
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluations	1,000	0	0	0	0	1,000
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	(142)	0	142	0
<b>31 March 2023</b>	<b>13,990</b>	<b>238</b>	<b>1,047</b>	<b>1,559</b>	<b>2,888</b>	<b>19,723</b>



## Note 22. Heritage Assets (continued)

### Heritage Buildings

Those buildings which have been classified as Heritage are:

- Rochester Castle
- Temple Manor
- Eastgate House
- Brook Pumping Station
- Various clocks and war memorials

Rochester Castle and Temple Manor are both in the freehold ownership of Medway Council and in the care and guardianship of English Heritage. Medway Council manage the day-to-day care of these properties.

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

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

### Furniture, Silver/Gold Collection, Art Collection and Other

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

There has been an annual programme of selective valuations in prior years which have resulted in minor changes to the values held in the balance sheet. However, in line with the Authority's accounting policies for heritage assets, there needs to be assurance that the costs of providing valuations give value for money for taxpayers with regards to the information provided within the financial statements versus the cost of obtaining the data. Due to the disproportionate costs of providing valuations from industry experts against the changes in valuation held in the balance sheet, it has been decided that there will be no valuations carried out during 2022/23. A decision as to whether revaluations will be carried out in future years will be taken in due course.

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

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

Other historical interest items include:

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

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

### Policy on acquiring Heritage Assets for its Museum Service

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

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

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

high-level research in the disciplines of geology, archaeology and natural history.

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

### Preservation of Heritage Assets

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

### Management of Heritage Assets

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

### Disposals of Heritage Assets

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

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

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

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

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

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

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

## Note 24. Investment Properties

### Accounting Policy

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

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

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

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
- 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	2021/22	2022/23
	£'000	£'000
Rental income from investment property 823		(1,065)
Direct operating expenses arising from investment property	(9)	9
Net gain/(loss)	814	(1,056)

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.

### 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

## Note 24. Investment Properties (continued)

### Movement in Fair Value

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

<b>Investment Properties</b>	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Balance at start of year	16,869	17,629
Additions		
• Purchases	0	0
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(4,200)	0
Net gains/(loss) from fair value adjustments	4,960	(965)
Transfers (to)/from Property, Plant and Equipment	0	0
<b>Balance at end of year</b>	<b>17,629</b>	<b>16,663</b>

### Fair Value Hierarchy

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

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

The fair value of investment property has been measured using a market approach, which takes into account prices for similar assets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's Investment Asset portfolio has also been

used. As a result, properties have been categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use

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

### Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. Jonathan Rogers, MRICS and Registered Valuer of Harrisons Chartered Surveyors was commissioned to undertake the valuations of ten distribution depots held by Medway Council as investment properties and let to Bobby's foods. All

valuations of other investment properties are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The other investment properties are as follows:

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

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

## Note 25. Assets Held for Sale

### Accounting Policy - Non-current Assets Held for Sale

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

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

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

During 2020/21, several pieces of land within Rochester and Chatham were sold for sale for property development. The proposed disposal of the site of the former Civic Centre in Strood has been reconsidered and so the land has been transferred from assets held for sale.

	Current 2021/22 £'000	2022/23 £'000	Non-Current 2021/22 £'000	2022/23 £'000
<b>Balance Outstanding at start of year</b>	<b>18,392</b>	<b>15,206</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:	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
Revaluation losses	(2,281)	0	0	0
Revaluation gains	0	615	0	0
Impairment losses	0	0	0	0
Assets declassified 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
Assets sold	(1,000)	0	0	0
Transfers from non-current to current	0	0	0	0
Additions	95	89	0	0
<b>Balance Outstanding at year end</b>	<b>15,206</b>	<b>15,910</b>	<b>0</b>	<b>0</b>

### 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.

### Fair Value Hierarchy

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.

## Note 26. Financial Instruments

### Accounting Policy - Financial Instruments

#### Financial Assets

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

- amortised cost „
- fair value through profit or loss (FVPL), 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 26. Financial Instruments (continued)

### Long Term Investments

Long-term Investments 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 Financial Instrument Revaluation reserve and the gain/loss is recognised in the Surplus or deficit on revaluation of financial assets measured at fair value through profit and loss. 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 Financial Instrument Revaluation Reserve.

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

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

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

## Note 26. Financial Instruments (continued)

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

### Financial Assets

	Non-Current Investments		Debtors		Current Investments		Debtors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	25,011	21,099	0	0	19,206	14,633	0	0	44,217	35,732
Amortised cost - soft loans	0		0		0		0		0	0
Amortised cost - other	0	0	37,651	71,406	0	0	46,517	54,322	84,168	125,728
Fair value through other comprehensive income- designated equity instruments	0		0		0		0		0	0
Cash & cash equivalents at amortised cost	0	0	0	0	30,981	13,250	0	0	30,981	13,250
Fair value through other comprehensive income- other	0		0		0		0		0	0
<b>Total financial assets</b>	<b>25,011</b>	<b>21,099</b>	<b>37,651</b>	<b>71,406</b>	<b>50,187</b>	<b>27,883</b>	<b>46,517</b>	<b>54,322</b>	<b>159,366</b>	<b>174,710</b>
Non-financial assets	0	0	4	0	0	0	34,767	41,628	34,771	41,628
<b>Total</b>	<b>25,011</b>	<b>21,099</b>	<b>37,655</b>	<b>71,406</b>	<b>50,187</b>	<b>27,883</b>	<b>81,284</b>	<b>95,950</b>	<b>194,137</b>	<b>216,338</b>

### Financial Liabilities

	Non-Current Borrowings		Creditors		Current Borrowings		Creditors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	(237,260)	(308,695)	(29,411)	(28,268)	(71,509)	(97,196)	(58,061)	(54,320)	(396,241)	(488,479)
Bank Overdrafts					(25,612)	(9,687)			(25,612)	(9,687)
<b>Total financial liabilities</b>	<b>(237,260)</b>	<b>(308,695)</b>	<b>(29,411)</b>	<b>(28,268)</b>	<b>(97,121)</b>	<b>(106,883)</b>	<b>(58,061)</b>	<b>(54,320)</b>	<b>(421,853)</b>	<b>(498,166)</b>
Non-financial liabilities	0	0	(26)	(4)	0	0	(27,231)	(12,867)	(27,257)	(12,871)
<b>Total</b>	<b>(237,260)</b>	<b>(308,695)</b>	<b>(29,437)</b>	<b>(28,272)</b>	<b>(97,121)</b>	<b>(106,883)</b>	<b>(85,292)</b>	<b>(67,187)</b>	<b>(449,110)</b>	<b>(511,037)</b>



## Note 26. Financial Instruments (continued)

### Income, Expense, Gains & Losses

	2021/22		2022/23	
	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	(3,476)	0	3,917	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
<b>Total net gains/losses</b>	<b>(3,476)</b>	<b>0</b>	<b>3,917</b>	<b>0</b>
Interest revenue:				
• Financial assets measured at amortised cost	0	0	0	0
• Other financial assets measured at fair value through other comprehensive income	(5,928)	0	(6,849)	0
<b>Total interest revenue</b>	<b>(5,928)</b>	<b>0</b>	<b>(6,849)</b>	<b>0</b>
Interest expense:	12,014	0	10,384	0
Fee income:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
• Trust and other fiduciary activities	0	0	0	0
<b>Total fee income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 26. Financial Instruments (continued)

### Accounting Policy - Fair Value Measurement

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

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

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

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

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

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

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

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

The fair values calculated are as follows:

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

## Note 26. Financial Instruments (continued)

Financial Assets	31 March 2022		31 March 2023	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables - Investments	19,206	19,206	14,633	14,633
Cash and Cash Equivalents	30,981	30,981	13,250	13,250
Investments at Fair Value through Profit & Loss	25,011	25,011	21,099	21,099
Debtors	64,009	64,009	125,728	125,728

Financial Liabilities	31 March 2022		31 March 2023	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	308,769	325,446	405,891	312,495
Creditors	88,486	87,472	82,588	82,588
Bank Overdraft	25,612	21,612	9,687	9,687

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 4.41% to 4.77%
- Market Debt 0%
- PWLB maturity 4.24% to 4.78%
- PWLB annuity 4.4% Temporary Loans 4.36 to 4.53%

### Other assumptions

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

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

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

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

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

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

### Credit Risk

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

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

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

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

The full investment strategy for 2021/22 was approved by full Council on 18/02/21 and the 2022/23 strategy was approved on 24/02/22. 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 the 31 March 2023 that this was likely to crystallise.

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

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

	Amount at 31 March 2023	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	14,650	0.00	0
Customers	25,650	26.61	6,569
<b>Total</b>	<b>40,300</b>		<b>6,569</b>

* This is made up of the following:	Amount at 31 March 2023
	£'000
NatWest	0
Svenska Handelsbanken	1
Lloyds	11
Santander	1
Barclays	4
CCLA	14,633
<b>Total</b>	<b>14,650</b>

	Amount at 31 March 2022	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks, financial institutions and other local authorities*	27,624	0.00	0
Customers	24,021	29.93	7,190
<b>Total</b>	<b>51,645</b>		<b>7,190</b>

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

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

The Authority does not generally allow credit for customers, such that £19.6m of the £27.2m balance is past its due date for payment. The past amount can be analysed by age as follows:

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Less than three months	1,847	3,489
Three to six months	2,647	2,329
Six months to one year	2,722	2,671
More than one year	10,420	10,451
	<b>17,636</b>	<b>18,941</b>

The Authority provision for expected credit losses stood at £6.57m at 31 March 2023 (£7.19m at 31 March 2022). The provision is calculated by applying the aged debt analysis and applying percentages to agreed categories of debt.

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

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

### Liquidity Risk

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

	Lower Limit	Upper Limit	Actual 31 March 2022	Actual 31 March 2023
	%	%	%	%
Less than one year	0	50	23.64	23.61
Between one and two years	0	50	1.65	13.94
Between two and five years	0	50	10.64	13.52
Between five and ten years	0	50	8.10	5.64
More than ten years	0	100	55.97	43.29

Included within liabilities with maturity in over 10 years are £96.8m 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 a LOBO of £5m which was repaid in 2022/23 is included within the amount maturing in under 12 months.

In addition to the fixed rate borrowing the authority has £82m (31 March 2022 £75m) 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 2022	31 March 2023
	£'000	£'000
Less than one year	79,569	112,855
Between one and two years	18,241	64,104
Between two and five years	45,841	58,620
More than five years	391,274	320,355
<b>Total Principal and Interest</b>	<b>534,925</b>	<b>555,934</b>

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

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

	Lower Limit	Upper Limit	Actual
	%	%	31 March 2022
	%	%	%
Less than one year	0	75	30.56
Between one and two years	0	50	18.68
Between two and five years	0	50	24.24
Between five and ten years	0	50	5.64
More than ten years	0	100	20.89

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.

- 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)

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 50% of borrowings in variable rate loans.

### 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)

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

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



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

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

Borrowing Analysis	Fixed or Variable Rate	Borrowing as at 31 March 2022 £'000	Borrowing as at 31 March 2023 £'000
Long-Term Borrowing:			
PWLB Loans (Principal)	Fixed	123,524	121,024
LOBO Loans (Principal)	Variable	101,800	101,800
Other Local Authorities	Fixed	10,000	84,000
Other Loans and Accounting Adjustments	Fixed	1,936	1,871
<b>Total Long-Term Borrowing</b>		<b>237,260</b>	<b>308,695</b>
Short-Term Borrowing:			
PWLB Loans (Principal)	Fixed	0	0
Other Local Authorities	Fixed	70,000	95,696
Other Short-Term Borrowing and Accrued Interest	Fixed	1,509	1,500
<b>Total Short-Term Borrowing</b>		<b>71,509</b>	<b>97,196</b>

Other loans and accounting adjustments (£1.87m) includes an accounting adjustment of £1.388m in respect of LOBO loans. This technical accounting adjustment represents the cash benefit obtained by paying lower interest payments over a specified initial period on some of the LOBO loans. The adjustment is shown in the balance sheet as an addition to the value borrowed but is reduced by way of a credit to the income and expenditure account each year over the full term of the relevant loans. The adjustment has been included above as being at fixed rates because the value will not be affected even if the LOBO lenders exercise their option to change the rates of interest on the underlying loans.

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, this strategy is then used to monitor against the budget throughout the year. This allows for any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

According to this assessment strategy, as at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2022 £000s	31 March 2023 £000s
Increase in interest payable on variable rate borrowing	697	1,440
Increase in interest receivable on variable rate investments	16	284
Increase in government grant receivable for financing costs		
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>681</b>	<b>1,156</b>
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	41,504	25,000

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

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

### **Price Risk**

The Authority does not generally invest in equity shares or marketable bonds. It does however hold stock in the form of investments in property funds at a value of £21,098m (2021/22 £25,011m).

The funds are classified as "financial assets at fair value through profit and loss" meaning that movement in price would normally impact on gains and losses in the surplus or deficit on the provision of services within the Comprehensive Income and Expenditure Statement for 2022/23. However there is a statutory override currently in place meaning that any changes in the values of these investments will instead be taken through unusable reserves.

### **Foreign Exchange Risk**

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

## Note 28. Capital Expenditure & Capital Financing

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

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of recognisable non-current assets has been charged as expenditure to the relevant Directorate in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves

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.

	2021/22	2022/23
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	344,871	391,649
<b>Capital Investment</b>		55,803
Property Plant and Equipment	53,759	0
Heritage Assets	0	0
Investment Properties	30	0
Intangible Assets	0	0
Assets Held for Sale	95	89
Revenue Expenditure Funded from Capital under Statute	10,920	13,287
Long Term Debtors – Capital Principal	20,158	31,237
Long Term Debtors – Capital Interest	1,881	3,115
<b>Sources of Finance</b>		
Capital receipts	(3,758)	(3,758)
Government grants and other contributions	(28,774)	(25,451)
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(2,215)	(1,889)
Major Repairs Reserve	(3,680)	(4,002)
Minimum Revenue Provision	(1,639)	(1,641)
<b>Closing Capital Financing Requirement</b>	<b>391,649</b>	<b>458,459</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	46,779	66,810
Assets acquired under finance leases	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>46,779</b>	<b>66,810</b>

## Note 29. Leases

### Accounting Policy - Leases

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

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

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

### Accounting Policy - The Authority as Lessee (Finance Leases)

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

Lease payments are apportioned between:

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

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

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

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

	31 March 2022	31 March 2023
	£'000	£'000
Other Land & Buildings	699	742

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

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

## Note 29. Leases (continued)

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

	31 March 2022	31 March 2023
	£'000	£'000
Vehicles, Plant & Equipment	1,230	956

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

	31 March 2022	31 March 2023
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	276	257
• non-current	956	699
Finance costs payable in future years	97	123
<b>Minimum Lease Payments</b>	<b>1,329</b>	<b>956</b>

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

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2022	31 March 2023	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Not later than one year	303	297	276	245
Later than one year and not later than five years	895	782	956	699
Later than five years	131	0	0	0
	<b>1,329</b>	<b>1,079</b>	<b>1,232</b>	<b>944</b>

**Note 29. Leases (continued)****Accounting Policy -  
Authority as Lessee  
(Operating Leases)**

Operating Leases Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	769	635
Later than one year and not later than five years	986	628
Later than five years	1,323	843
<b>Total</b>	<b>3,078</b>	<b>2,106</b>

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Minimum Lease Payments	769	635
Sublease Payments Receivable	(52)	(52)
	<b>717</b>	<b>583</b>

**Note 29. Leases (continued)****Accounting Policy - The Authority as Lessor (Operating Leases)**

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

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

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

The future minimum lease payments receivable are:

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,696	2,023
Later than one year and not later than five years	4,493	5,473
Later than five years	13,073	14,431
<b>Total</b>	<b>19,262</b>	<b>21,927</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23; £0.210m contingent rents were receivable by the Authority (2021/22 £0.210m).

**Note 30. Debtors**

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

31 March 2022				31 March 2023		
Long-Term £'000	Short-Term £'000	Total £'000		Long-Term £'000	Short-Term £'000	Total £'000
37,151	51,799	88,930	Trade receivables	70,920	57,387	128,307
0	(8,727)	(8,727)	Less impairment allowance	0	(6,767)	(6,767)
<b>37,151</b>	<b>43,052</b>	<b>80,203</b>	<b>Net trade receivables</b>	<b>70,920</b>	<b>50,620</b>	<b>121,540</b>
<b>0</b>	<b>3,029</b>	<b>3,029</b>	<b>Prepayments</b>	0	17,802	17,802
			<b>Other receivables:</b>			
0	31	31	Client Financial Affairs Debtors	0	31	31
503	0	503	Education Related Debtors	491	0	491
0	0	0	Elections Debtors	0	4	4
0	10,162	10,162	Housing Benefit Debtors	0	9,142	9,142
0	(7,343)	(7,343)	Less impairment allowance	0	(6,223)	(6,223)
0	2,819	2,819	Net Housing Benefit Debtors	0	2,919	2,919
0	1,225	1,225	HRA Rent/Service Charge Debtors	0	1,805	1,805
0	(393)	(393)	Less impairment allowance	0	(376)	(376)
0	832	832	Net HRA Rent/Service Charge Debtors	0	1,429	1,429
0	32,956	32,956	Local Taxation Debtors	0	32,461	32,461
0	(9,144)	(9,144)	Less impairment allowance	0	(10,482)	(10,482)
0	23,812	23,812	Net Local Taxation Debtors	0	21,979	21,979
0	283	283	Rechargeable Works Debtors	0	311	311
0	1,047	1,047	Schools Debtors	0	1,042	1,042
0	5	5	SOCH Mortgage Debtors	0	5	5
1	47	48	Employee Related Debtors	0	33	33
0	6,327	6,237	VAT Debtors	0	6,316	6,316
<b>504</b>	<b>35,203</b>	<b>35,707</b>	<b>Other receivables</b>	<b>491</b>	<b>34,069</b>	<b>34,560</b>
<b>37,655</b>	<b>81,284</b>	<b>118,939</b>	<b>Total Debtors</b>	<b>71,411</b>	<b>102,490</b>	<b>173,901</b>



## Note 31. Usable Reserves

### Accounting Policy - Usable Reserves

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

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

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

Reserve	Balance as at 01 April 2021 £,000	Net Movement in Year £,000	Balance as at 31 March 2022 £,000	Net Movement in Year £,000	Balance as at 31 March 2023 £,000	Purpose of Reserve
General Fund Balance	(22,689)	(3,862)	(26,551)	16,313	(10,238)	Resources available to the general fund to meet future unforeseen events
Housing Revenue Account Balance	(5,395)	113	(5,283)	(1,090)	(6,373)	Resources available to the housing revenue account to meet future unforeseen events
General Fund Earmarked Reserves	(57,399)	13,024	(44,375)	1,791	(42,584)	See Note 20
Housing Revenue Account Earmarked Reserves	(306)	306	(0)	0	(0)	See Note 20
Capital Receipts Reserve	(6,674)	(1,440)	(8,113)	3,829	(4,284)	Proceeds of fixed assets and loan repayments available to meet future capital expenditure
Major Repairs Reserve	0	0	0	0	0	Details available resources to carry out capital works on Housing Revenue Account dwellings to maintain a decent standard of accommodation.
Capital Grants Unapplied Reserve	(25,916)	4,825	(21,092)	(21,050)	(42,142)	Reflects Government grants and contributions received in year to fund capital projects in progress.
<b>Total Usable Reserves</b>	<b>(118,378)</b>	<b>12,965</b>	<b>(105,413)</b>	<b>(207)</b>	<b>(105,620)</b>	

## Note 32. Cash & Cash Equivalents

### Accounting Policy - Cash and Cash Equivalents

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

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

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

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

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Authority	47	39
Bank current accounts	22,516	13,194
Bank overdraft	(25,612)	(9,687)
Short-term deposits with financial institutions	8,418	17
<b>Total Cash &amp; Cash Equivalents</b>	<b>5,370</b>	<b>3,563</b>

**Note 33. Creditors**

31 March 2022				31 March 2023		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
(514)	(57,885)	(58,399)	Trade payables	(528)	(54,633)	(55,160)
0	(1,056)	(1,056)	Receipts in Advance		(1,565)	(1,565)
			<u>Other payables</u>			
0	0	0	Education Related Creditors	0	0	0
0	(1,963)	(1,963)	Employee Related Creditors	(1)	(1,849)	(1,850)
0	(573)	(573)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(28,900)	(1,204)	(30,104)	Local Government Reorganisation Creditors	(27,745)	(1,156)	(28,901)
0	(22,609)	(22,609)	Local Taxation Creditors	0	(13,951)	(13,951)
0	(1)	(1)	Rechargeable Works Creditors	0	0	0
(23)	0	(23)	SOCH Mortgage Creditors	(4)	0	(4)
0	0	0	VAT Creditors	0	0	0
<b>(29,437)</b>	<b>(85,292)</b>	<b>(114,729)</b>	<b>Total Creditors</b>	<b>(28,278)</b>	<b>(73,727)</b>	<b>(102,005)</b>

## Note 34. Provisions

### Accounting Policy - Provisions

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

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

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

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

### Non Domestic Rate (NDR) Appeals Provision

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

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

**Note 34. Provisions (continued)**

	Short Term			Total £000s
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	
Balance as at 31 March 2022	0	(1,253)	(138)	(1,391)
Additional provisions made in 2022/23	0	(5,738)	(301)	(6,039)
Amounts used in 2022/23	0	0	0	0
Unused amounts reversed in 2022/23	0	8,858	0	8,858
Unwinding of discounting in 2022/23	0	0	0	0
Transfer (from)/to Long Term in 2022/23	0	(4,277)	0	(4,277)
<b>Balance as at 31 March 2023</b>	<b>0</b>	<b>(2,409)</b>	<b>(439)</b>	<b>(2,849)</b>

	Long Term			Total £000s
	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	
Balance as at 31 March 2022	(2,209)	(4,277)	(943)	(7,428)
Additional provisions made in 2022/23	(288)	0	(127)	(414)
Amounts used in 2022/23	905	0	65	970
Unused amounts reversed in 2022/23	0	0	506	506
Unwinding of discounting in 2022/23	0	0	0	0
Transfer (from)/to Short Term in 2022/23	0	4,277	0	4,277
<b>Balance as at 31 March 2023</b>	<b>(1,591)</b>	<b>0</b>	<b>(499)</b>	<b>(2,090)</b>

The other short-term provisions relate to the Carbon Reduction Commitment scheme.

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 2023 in line with IAS 37. Most of the unsettled claims are for public liability.

## Note 35. Pension Schemes Accounted for as Defined Contribution Schemes

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

Some employees of the Authority are members of:

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

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

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

The 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 2022/23, the Authority paid £4.978m to Teachers Pensions in respect of teacher's retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £4.062m representing 23.68% of pensionable pay. There were outstanding contributions of £1,447k remaining payable to the pension scheme as at year end. The contributions due to be paid in the next financial year are estimated to be £4.978m.

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 2022/23 came to £0.05m representing 14.38% of the pensionable pay (£0.055m in 2021/22 representing 14.38% of the pensionable pay). The contributions due to be paid in the next financial year are estimated to be £0.050m.

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

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

## Note 36. Unusable Reserves

### Accounting Policy - Unusable Reserves

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

	31 March 2022	31 March 2023
	£'000	£'000
Revaluation Reserve	(159,642)	(231,268)
Financial Instruments Revaluation Reserve	(2,012)	1,901
Capital Adjustment Account	(256,959)	(236,828)
Financial Instruments Adjustment Account	(1,370)	(1,444)
Deferred Capital Receipts Reserve	(481)	0
Pensions Reserve	321,421	358
Collection Fund Adjustment Account	12,505	(1,120)
Accumulated Absences Account	1,880	1,730
Dedicated Schools Grant Adjustment Account	23,530	23,530
<b>Total Unusable Reserves</b>	<b>(61,127)</b>	<b>(443,141)</b>

### 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.

	2021/22	2022/23	2022/23
	£'000	£'000	£'000
<b>Balance as at 1 April</b>	<b>(160,208)</b>		<b>(159,642)</b>
Upward revaluation of assets	(9,833)	(102,012)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,795	22,318	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services			(79,695)
Difference between current value depreciation and historical cost depreciation	7,557	7,694	
Transfer on assets amalgamated during the year	0	289	
Accumulated gains on assets sold or scrapped	47	85	
Amount written off to the Capital Adjustment Account			8,068
<b>Balance as at 31 March</b>	<b>(159,642)</b>		<b>(231,268)</b>

## Note 36. Unusable Reserves (continued)

### Pooled Investment Adjustment Account

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

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

	2021/22	2022/23
	£'000	£'000
<b>Balance as at 1 April</b>	<b>1,465</b>	<b>(2,012)</b>
Financial Instruments held under Fair Value through Profit & Loss Subject to MHCLG Statutory Over-Ride	(3,477)	3,913
<b>Balance as at 31 March</b>	<b>(2,012)</b>	<b>1,901</b>

### Capital Adjustment Account

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

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

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

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



**Note 36. Unusable Reserves (continued)**

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance as at 1 April</b>		<b>(233,960)</b>		<b>(256,959)</b>
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	29,034		65,162	
• Revaluation gains on Property, Plant and Equipment	(16,974)		(16,151)	
• Amortisation of Intangible Assets	520		31	
• Revenue Expenditure funded from Capital Under Statute	10,920		13,287	
• 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	6,137		1,632	
		29,636		63,960
Adjusting amounts written out of the Revaluation Reserve	(7,604)		(8,068)	
Other adjustments	(6)		(6)	
Net written out amount of the cost of non-current assets consumed in the year		(7,610)		(8,074)
Capital financing applied in the year:				
• Use of Capital Receipts Reserve to finance new capital expenditure	(3,758)		(3,738)	
• Use of the Major Repairs Reserve to finance new capital expenditure	(3,680)		(4,002)	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(17,967)		(16,013)	
• Application of grants to capital financing from the Capital Grants Unapplied Account	(10,807)		(9,438)	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,639)		(1,641)	
• Capital expenditure charged against the General Fund and HRA balances	(2,215)		(1,889)	
		(40,065)		(36,721)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,960)		965
<b>Balance as at 31 March</b>		<b>(256,959)</b>		<b>(236,828)</b>

## Note 36. Unusable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2021 will be charged to the General Fund over the next 30 years.

	2021/22	2022/23	
	£'000	£'000	£'000
<b>Balance as at 1 April</b>	<b>(1,298)</b>		<b>(1,370)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(72)	(74)	
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	(72)		(74)
<b>Balance as at 31 March</b>	<b>(1,370)</b>		<b>(1,444)</b>

### 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.

	2021/22	2022/23
	£'000	£'000
<b>Balance as at 1 April</b>	<b>(481)</b>	<b>(481)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	481
<b>Balance as at 31 March</b>	<b>(481)</b>	<b>0</b>

## Note 36. Unusable Reserves (continued)

### Pensions Reserve

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

	2021/22	2022/23
	£'000	£'000
<b>Balance as at 1 April</b>	<b>334,908</b>	<b>321,421</b>
Remeasurements of the net defined benefit liability/(asset)	(45,390)	(335,809)
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	44,642	28,835
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,739)	(14,089)
<b>Balance as at 31 March</b>	<b>321,421</b>	<b>358</b>

### 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.

	2021/22	2022/23
	£'000	£'000
<b>Balance as at 1 April</b>	<b>23,501</b>	<b>12,505</b>
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	(10,996)	(13,625)
<b>Balance as at 31 March</b>	<b>12,505</b>	<b>(1,120)</b>

The balance of £1.12million shown above consists of the following component parts:

	2021/22	2022/23
	£'000	£'000
Medway Council Tax Surplus	1,644	(1,173)
Medway Renewable Energy Disregard	0	0
Medway Non-Domestic Rate Deficit	10,861	53
<b>Balance as at 31 March</b>	<b>12,505</b>	<b>(1,120)</b>

## Note 36. Unusable Reserves (continued)

### Accumulated Absences Account

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

	2021/22	2022/23
	£'000	£'000
<b>Balance as at 1 April</b>	<b>2,155</b>	<b>1,880</b>
Settlement or cancellation of accrual made at the end of the preceding year	(2,155)	(1,880)
Amounts accrued at the end of the current year	1,880	1,730
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	(275)	(150)
<b>Balance as at 31 March</b>	<b>1,880</b>	<b>1,730</b>

### 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.

	2021/22	2022/23
	£'000	£'000
<b>Adjusted Opening Balance as at 1 April</b>	<b>16,261</b>	<b>23,530</b>
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	7,268	0
<b>Balance as at 31 March</b>	<b>23,530</b>	<b>23,530</b>

## Note 37. Defined Benefit Pension Schemes

### Accounting Policy – Post-employment benefits

The majority of employees of the Authority are members of the Local Government Pensions Scheme, administered by Kent County Council. (See note 35 for details of other pensions schemes)

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

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Kent pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.35%

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Business Support Department
- net interest on the net defined benefit liability/asset, i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on fund 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.

## Note 37. Defined Benefit Pension Schemes (continued)

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements but since 6 January 2007 has ceased to award additional service in the event of early retirement on other than ill-health grounds. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers/public health officers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## Note 37. Defined Benefit Pension Schemes (continued)

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits.

Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The Administering Authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Kent County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the

Fund will be carried out as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge

in the Fund. There are also other demographic risks.

- 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 37. Defined Benefit Pension Schemes (continued)

### Transactions relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund [and Housing Revenue Account] via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2021/22	2022/23
	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
<b>Service cost comprising:</b>		
• Current service costs	38,103	25,759
• Past service costs	(11)	145
• (gain)/loss from settlements	0	(136)
<b>Financing and Investment Income and Expenditure</b>		
Net Interest expense	6,862	2,674
<b>Administration expenses</b>	377	393
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services</b>	<b>45,331</b>	<b>28,835</b>
<b>Remeasurement of the net defined benefit liability comprising:</b>		
• Return on plan assets in excess of interest	(617)	14,654
• Actuarial gains and losses arising on changes in demographic assumptions	0	(6,366)
• Actuarial gains and losses arising on changes in financial assumptions	(46,842)	(402,380)
• Experience (gain) / loss on defined benefit obligation	2069	(21,768)
• Other actuarial (gains)/losses		80,051
<b>Total Remeasurements Recognised in Other Comprehensive Income</b>	<b>(45,390)</b>	<b>(335,809)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(59)</b>	<b>(306,974)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	45,331	28,835
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	(13,428)	(14,089)
<b>Total Movement in Reserves Statement</b>	<b>31,903</b>	<b>14,746</b>



**Note 37. Defined Benefit Pension Schemes (continued)****Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	31 March 2022	31 March 2023
	£'000	£'000
Present value of the defined benefit obligation	(960,068)	(651,315)
Fair value of plan assets	643,188	654,878
Sub-total	(316,880)	3,563
Present value of unfunded obligation	(4,541)	(3,921)
<b>Net liability arising from defined benefit obligation</b>	<b>(321,421)</b>	<b>(358)</b>

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

	Local Government Pension Scheme	
	31 March 2022	31 March 2023
	£'000	£'000
Opening fair value of scheme assets	634,561	643,188
Interest income	12,649	23,002
<b>Remeasurement gain/(loss):</b>		
• The return on plan assets, excluding the amount included in the net interest expense	617	(14,654)
• Other actuarial gains/(losses)	0	6,366
The effect of changes in foreign exchange rates	0	0
Administration expenses	(377)	(393)
Contributions from employer including unfunded	13,428	14,089
Contributions from employees into the scheme	4,711	5,009
Benefits paid	(22,401)	(21,633)
Other (if applicable)	0	0
Settlement prices received/(paid)	0	(96)
<b>Closing fair value of scheme assets</b>	<b>643,188</b>	<b>654,878</b>

**Note 37. Defined Benefit Pension Schemes (continued)****Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)**

	<b>Funded Liabilities: Local Government Pension Scheme</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance at 1 April</b>	<b>969,469</b>	<b>964,609</b>
Current service cost	38,103	25,759
Interest cost	19,511	25,676
Contributions from scheme participants	4,711	5,009
<b>Remeasurement (gains)/losses:</b>		
• Actuarial gains and losses arising on changes in demographic assumptions	0	(21,768)
• Actuarial gains and losses arising on changes in financial assumptions	(46,842)	(402,380)
• Experience loss/(gain) on defined benefit obligation	2,069	80,051
• Other	0	0
Past service cost	0	0
Losses/(gains) on curtailment (where relevant)	0	0
Liabilities extinguished on settlements	0	(232)
Liabilities assumed on entity combinations		
Benefits paid		
Estimated benefits paid net of transfers in	(21,967)	(21,213)
Past service cost, including curtailments	(11)	145
Unfunded pension payments	(434)	(420)
<b>Closing balance at 31 March</b>	<b>964,609</b>	<b>655,236</b>

**Note 37. Defined Benefit Pension Schemes (continued)****Local Government Pension Scheme assets comprised:**

	Period Ended 31 March 2022				Period Ended 31 March 2023			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total asset	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total asset
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equities	407,131	0	407,131	63.30%	390,030	0	390,030	59.56%
Fixed Interest Government Securities	3,926	0	3,926	0.61%	3,587	0	3,587	0.55%
Corporate Bonds	88,805	0	88,805	13.81%	86,009	0	86,009	13.13%
Property	0	62,958	62,958	9.79%	0	65,364	65,364	9.98%
Others:								
Cash	0	13,289	13,289	2.07%	0	11,748	11,748	1.79%
Private Equity	0	6,901	6,901	1.07%	0	27,859	27,859	4.25%
Infrastructure	0	12,592	12,592	1.96%	0	22,309	22,309	3.41%
Absolute Return Portfolio	47,586	0	47,586	7.40%	47,972	0	47,972	7.33%
Derivatives	0	0	0	0.00%	0	0	0	0.00%
<b>Total assets</b>	<b>547,448</b>	<b>95,740</b>	<b>643,188</b>	<b>100.00%</b>	<b>527,598</b>	<b>127,280</b>	<b>654,878</b>	<b>100.00%</b>

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2022 is likely to be different from that shown due to estimation techniques.

## Note 37. Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets, Liabilities and Assumptions

The principal assumptions used by the actuary have been:

To value of the Employer's liabilities at 31 March 2023, 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.

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.

### Impact of McCloud/Sargeant judgement

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

## Note 37. Defined Benefit Pension Schemes (continued)

### Demographic, Statistical and Financial Assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2022. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for both males and females. These base tables are then projected using the CMI\_2021 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 2022	31 March 2023
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners</b>		
• Men	21.6	21.1
• Women	23.7	23.5
<b>Longevity at 65 for future pensioners</b>		
• Men	23.0	22.3
• Women	25.1	25.0

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

	Local Government Pension Scheme	
	31 March 2022	31 March 2023
Rate of increase in Consumer Price Index	3.25%	2.90%
Rate of increase in salaries	4.25%	3.90%
Rate of increase in pensions	3.25%	2.90%
Rate for discounting scheme liabilities	2.60%	4.80%

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 17 years.

An estimate of the Employer's future cashflows is made using sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation the actuary has used the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The sample cashflows are updated on a three-yearly basis using a full valuation of membership data. These are currently based on cashflows derived as at 31 March 2022. At 31 March 2022, using liability durations at that date, Medway is matched with a set of sample cashflows which

best reflects the its cashflow profile and maturity. Although Medway's' liability duration will be remeasured at each accounting date, the actuary has assumed that our cashflow profile will remain stable over the three-year period and so the sample cashflows allocated remain appropriate.

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, the actuaries view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms, and have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 9 years). This results in an overall IRP of between 0.0% p.a. and 0.25% p.a. depending on the term of the liabilities (for terms ranging from 1 year up to 30 years). Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and the actuary intends to use sample cashflows for employers at each year (from 1 to 30 years) in deriving the assumptions for employers.

## Note 37. Defined Benefit Pension Schemes (continued)

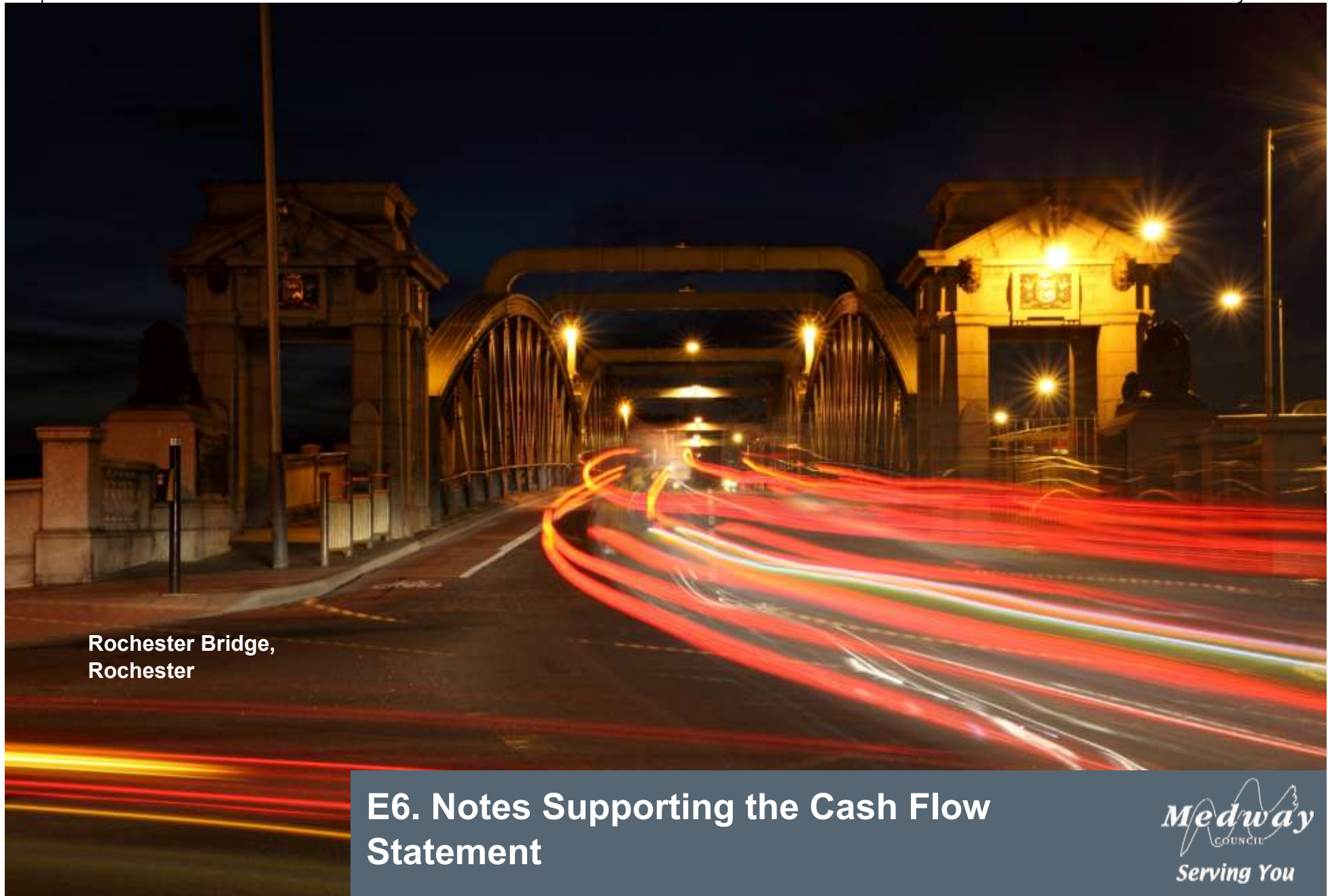
It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.80% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

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

Sensitivity Analysis		31 March 2022				31 March 2023			
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustment to discount rate</b>		<b>0.10%</b>	<b>0.00%</b>	<b>(0.10%)</b>	<b>+0.5%</b>	<b>+1%</b>	<b>0.00%</b>	<b>-1%</b>	<b>-0.5%</b>
	Present Value of Total obligation	945,443	964,609	984,182	605,756	562,145	655,236	776,257	711,641
	Projected Service Cost	32,679	33,840	35,037	11,266	9,362	13,520	19,414	16,203
<b>Adjustment to long term salary increase</b>		<b>0.10%</b>	<b>0.00%</b>	<b>(0.10%)</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.00%</b>	<b>(0.10%)</b>	<b>0.10%</b>
	Present Value of Total obligation	966,033	964,609	963,196	658,611	662,129	655,236	648,897	652,000
	Projected Service Cost	33,858	33,840	33,821	13,565	13,610	13,520	13,430	13,475
<b>Adjustment to pension increases and deferred revaluation</b>		<b>0.10%</b>	<b>0.00%</b>	<b>(0.10%)</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.00%</b>	<b>(0.10%)</b>	<b>0.10%</b>
	Present Value of Total obligation	982,613	964,609	946,957	709,083	770,564	655,236	566,159	607,907
	Projected Service Cost	35,027	33,840	32,688	16,190	19,478	13,520	9,309	11,282
<b>Adjustment to life expectation assumption</b>		<b>+ 1 Year</b>	<b>None</b>	<b>-1 Year</b>	<b>+1 Year</b>		<b>None</b>		<b>-1 Year</b>
	Present Value of Total obligation	1,005,904	964,609	925,086	679,846		655,236		631,616
	Projected Service Cost	35,219	33,840	32,508	13,999		13,520		13,053

The Authority anticipates that it will pay £13.273m expected contributions to the scheme in 2023/24.

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**

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## Note 38. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Interest received	(4)	(5,393)
Interest paid	9,945	7,835
Dividends received	(1,871)	(1,434)

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	(23,936)	(24,332)
Impairment and downward revaluations	11,357	(24,704)
Increase in valuation of investments	3,476	(3,913)
(Increase) / decrease in creditors	(28,268)	32,321
Increase / (decrease) in debtors/Impairment for Bad Debts	13,717	48,418
Increase / (decrease) in inventories	8	(0)
Movement in pension liability	(31,903)	(14,746)
Contributions (to)/from Provisions	(1,083)	3,880
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(6,137)	(1,632)
Other non-cash items charged to the net surplus or deficit on the provision of services	4,965	(965)
	<b>(57,803)</b>	<b>14,327</b>

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
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	7,396	992
Any other items for which the cash effects are investing or financing cash flows	23,975	46,501
	<b>31,371</b>	<b>47,492</b>

## Note 39. Cash Flow Statement – Investing Activities

	2021/22	2022/23
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	53,884	55,892
Purchase of short-term and long-term investments	57,815	227,327
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(7,396)	(992)
Proceeds from short-term and long-term investments	(39,100)	(231,900)
Other receipts from investing activities	(23,975)	(46,501)
<b>Net cash flows from investing activities</b>	<b>41,228</b>	<b>3,826</b>

## Note 40. Cash Flow Statement – Financing Activities

	2021/22	2022/23
	£'000	£'000
Cash receipts of short- and long-term borrowing	(83,344)	(295,186)
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	58,190	198,064
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>(25,154)</b>	<b>(97,122)</b>

**Note 41. Record of Liabilities from Financing Activities**

			Non-cash changes		31 March 2022 £'000
	01 April 2021	Financing cash flows	Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	
Long-term borrowings	235,433	1,827			237,260
Short-term borrowings	48,183	23,326			71,509
• Lease liabilities	282	0	0	(6)	276
<b>Total liabilities from financing activities</b>	<b>283,898</b>	<b>25,153</b>	<b>0</b>	<b>(6)</b>	<b>309,045</b>

			Non-cash changes		31 March 2023 £'000
	01 April 2022	Financing cash flows	Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	
Long-term borrowings	237,260	66,425			303,685
Short-term borrowings	71,509	30,696			102,206
• Lease liabilities	276	0	0	(6)	270
<b>Total liabilities from financing activities</b>	<b>309,045</b>	<b>97,121</b>	<b>0</b>	<b>(6)</b>	<b>406,161</b>



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Castle,  
Rochester

**E7. Other Notes**

## Other Notes

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## Note 42. Related Parties

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

### Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in "Note 11". Grant receipts outstanding at 31 March 2023 are shown in "Note 17".

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in "Note 13".

The Authority holds a statutory register of members' declarations covering employment, sponsorship, property and land holdings, contracts with the Authority etc. Members and senior officers declare any pecuniary interest in committee items prior to their debate. The Authority also holds a Register of Interest relating to members and senior officers. These registers are open to inspection by members of the public.

All members agree to the terms of the National Code of Local Government Conduct and the Authority has introduced a Code of Conduct agreeing guidelines for good working practice between members and officers.

One Councillor is CEO of Medway Citizens Advice Bureau. No payments were made to the organisation from the Council in 2022/23 (£417,000 in 2021/22). Nothing was outstanding at the end of either 2021/22 or 2022/23. No payments were made from the organisation to the Council in 2022/23 (£0.00 in 2021/22, with nil outstanding as of 31 March 2022).

One Councillor is Chair of Trustees for Action for Borstal Community, an organisation which provides a range of services which offer community support, encouragement, and engagement. The Council made payments to Action for Borstal Community of £193,919 in 2022/23 (£68,000 in 2021/22), of which nil was outstanding as of 31 March 2023 (Nil outstanding as of 31 March 2022). There had been no payments from Action for Borstal Community to the Council in either 2022/23 or 2021/22 and nil outstanding.

One Councillor is Chair of Sunlight Development Trust, which is a community owned organisation working with partners across all Sectors. Its overriding aim is to improve health, inequality, and well-being. The Council made payments to the Trust amounting to £193,045 during 2022/23 (£69,000 in 2021/22), no payments were owed to this organisation at the end of either 2022/23 or 2021/22. The Trust provided no services to the Council in either 2022/23 or 2021/22 but payments amounting to £24,722 were made to the Council in 2022/23, with nil outstanding at the end of the financial year (£11,000 outstanding as of 31 March 2022).

Three out of five Trustees of the Dobson Trust are Councillors. The Dobson Trust exists to provide enjoyment and welfare to elderly people within the former Gillingham Borough, by awarding grants. No payments were made from the Authority to the Dobson Trust in 2022/23, with nothing outstanding as of 31 March 2022. The charity provided goods/services with a value of £1,000 to Medway Council during 2021/22, all of which was outstanding on 31 March 2022. No payments were made to the Authority from Dobson Trust in 2022/23. The Council provided services to the Trust of £2,400 in 2022/23 of which £1200 was still outstanding as of 31 March 2023.

A Councillor owns properties that are rented out. During 2022/23 the Councillor received £1,684 in payments from the Council for people occupying these properties (£2,000 in 2021/22). There were no outstanding payments owed at either year end.

Family members of a Councillor run a business with which the Council made payments of £83,484 in 2022/23 (£40,000 in 2021/22), no payments were owed at the end of either 2021/22 but in 22/23 £15,680 was owed.

## **Note 42. Related Parties (continued)**

### **Related Parties which had no transactions with Medway Council during 2020/21**

One Councillor is Chair of Safer Kent, an organisation which advances the education for the public benefit in all matters relating to crime prevention, community safety, alcohol, drug and other solvent abuse or any matter affecting crime in the community.

A Councillor is the Chair of the Medway Community Safety Partnership, which develops and implements strategies to protect against issues of anti-social behaviour, drug and alcohol abuse and re-offending.

Seven out of ten Trustees of Chatham Charities are Councillors. The aim of the charity is to relieve poverty within the Borough of Chatham through the awarding of grants.

The Leader of the Council operates his own consultancy business. There were no transactions between this business and the Council in either 2022/23 or 2021/22.

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

## Note 42. Related Parties (continued)

### Officers

The Chief Executive is a Council member of The University of Kent Governing Body. Payments made by the University to the Council totalled £1,010 in 2022/23 (£900.00 2021/22) with nil outstanding at 31 March 2023 (Nil outstanding 31 March 2022). Payments to the University from the Council totalled £1,010 in 2022/23 (£0.206m in 2021/22). At 31 March 2023 the University was owed nothing by the Council (Nil owed at 31 March 2022).

### 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 £91.568m to Medway Norse/Medway Norse Transport in 2022/23 (£28.028m in 2021/22) and owed £0.0053m as at 31 March 2023 (£0.003m as at 31 March 2022). The total value of transactions to the Council from these companies was £0.608m in 2022/23 (£0.270m in 2021/22) and owed £0.0241m as at 31 March 2023 (£0.027m as at 31 March 2022).

Medway Council currently has two subsidiary companies: Kyndi Limited (formerly Medway Commercial Group Limited - MCG) and Medway Development Company Limited (MDC). As at 31 March 2022, two of the four Directors on the Board of Kyndi Limited were appointed by Medway Council; both elected Cabinet Members. As at the same date, two of the four Directors on the Board

of MDC were elected Cabinet Members of Medway Council.



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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 at

31 March 2023 amount to £1.345m (£2.008m in 2021/22).

The Council made payments of £19.553m to Kyndi in 2022/23 (£12.144m in 2021/22) and owed nil as at 31 March 2022 (£0.106m as at 31 March 2022). The total value of transactions to the Council from Kyndi was £0.701m in 2022/23 (£0.227m in 2021/22) and they owed £0.006m as at 31 March 2023 (£0.192m as at 31 March 2022).

MDC was established to provide consultancy, predominantly to the Council, to turn land assets into viable residential schemes delivering

Medway Council

regeneration and investment returns. The Council has agreed £120million of investment over the first five years of the company with fourteen sites identified. The balance on loans given to MDC as at 31 March 2023 amount to £62.753m (£34.516m as at 31st March 2022).

The Council made payments of £3.426m to MDC in 2022/23 (£1.484m in 2021/22). MDC made purchases from the Council of £0.915m during 2022/23 (£0.246m in 2021/22) of which £0.004m was owing as at 31 March 2023 (£0.047m as at 31 March 2021).

## Note 43. Contingent Liabilities

### Accounting Policy - Contingent Liabilities

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

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

There are several outstanding employment claims – one by an individual where they are seeking £175,000.

There is an outstanding claim against the Council in relation to a dispute over a lease, there is no value in the lease as such but if unsuccessful in defending the claim the Council could be liable for costs of circa £50,000.

## **Note 44. Contingent Assets**

### **Accounting Policy - Contingent Assets**

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

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

There are no contingent assets at 31st March 2023.

## Note 45. Events after the Reporting Period

### Accounting Policy - Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

and as a result has found the defect to be present in parts of the roof at Gun Wharf in Chatham.

Further works are ongoing to determine the specific condition of the defects and once completed, the Council have approved a sum within its 2024/25 capital programme that will be partially used to enable the appropriate repairs to take place.

Reinforced Autoclaved Aerated Concrete (RAAC) is a lightweight form of precast concrete, that was used in public sector buildings across the UK in the second half of the twentieth century. It is less durable than traditional concrete and recent incidents in schools in other authorities across the UK have highlighted the potential risk from failing RAAC. The Council has carried out work to establish if RAAC is present in any of its buildings

## Note 46. Prior Period Adjustments

### Accounting Policy - Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates will be accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior year period as if the new policy had always been applied.

Material errors discovered in prior year periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There are no prior period adjustments affecting the period ending 31 March 2023.



Eastgate House,  
Rochester

## F. Supplementary Financial Statements

## Supplementary Financial Statements

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## Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

Paralleling the treatment for the Authority's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement
- the Movement on the HRA Statement

As the Movement on the HRA Statement incorporates the surplus or deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the Statement of Accounts. The net movement will reconcile to the statutory outturn for the HRA, even though some of the gross transactions posted to the two statements will not have been specified in the statutory arrangements.



## 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.

2021/22		HRA Notes	2022/23
£'000			£'000
	<b>Expenditure</b>		
3,216	Repairs & maintenance		3,000
2,734	Supervision and management		3,653
161	Rents, rates, taxes and other charges		153
3,680	Depreciation, impairment and revaluation movements of non-current assets		4,002
(15,451)	Revaluation of HRA non-current assets		300
20	Revenue Expenditure Funded from Capital Under Statute		213
63	Debt management costs		63
80	Movement in the allowance for bad debts		86
<b>(5,496)</b>	<b>Total Expenditure</b>		<b>11,469</b>
	<b>Income</b>		
(13,028)	Dwelling rents		(13,548)
(238)	Non-dwelling rents		(252)
(1,148)	Charges for services and facilities		(1,580)
(30)	Contributions towards expenditure		(38)
(1)	Reimbursement of Costs		(4)
<b>(14,445)</b>	<b>Total Income</b>		<b>(15,423)</b>
<b>(19,941)</b>	<b>Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(3,954)</b>
99	HRA services share of Corporate and Democratic Core		99
378	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		234
	Capital grants and contributions receivable		(5)
<b>(19,464)</b>	<b>Net Expenditure/(Income) for Housing Revenue Account Services</b>		<b>(3,626)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(808)	(Gain) or loss on sale of HRA non-current assets		(484)
2,073	Interest payable and similar charges		2,105
0	Interest and investment income		(466)
105	Net interest on the net defined benefit liability (asset)		57
<b>(18,094)</b>	<b>Deficit/(Surplus) for the year on Housing Revenue Account Services</b>		<b>(2,414)</b>

## 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.

2021/22		2022/23
£'000		£'000
<b>(5,395)</b>	<b>Balance on the HRA at the end of the previous reporting period</b>	<b>(5,283)</b>
(18,094)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,414)
813	Adjustment to HRA Income and Expenditure Statement Relating to Recharge Adjustments	
17,699	Adjustments between accounting basis and funding basis under statute (HRA Note 1)	1,324
<b>418</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(1,090)</b>
(306)	Transfers to or (from) Earmarked HRA reserves	
0	Transfers to or (from) GF reserves	0
<b>113</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>(1,090)</b>
	Contribution towards Capital from Reserves	
<b>(5,283)</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>(6,373)</b>

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

2021/22		2022/23
£'000		£'000
<b>ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:</b>		
(3,680)	Charges for depreciation and impairment of non-current assets	(4,002)
15,451	Revaluation movements on Property, Plant and Equipment	(300)
(20)	Revenue Expenditure Funded from Capital Under Statute	(213)
(784)	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	(548)
0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	471
<b>INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:</b>		
1,939	Capital Expenditure charged Against HRA Balances	1,173
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:</b>		
1,592	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,032
<b>ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:</b>		
3,680	Transfer from HRA to the Major Repairs Reserve	4,002
<b>ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:</b>		
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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE:</b>		
(689)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(578)
206	Employer's pension contributions and direct payments to pensioners payable in the year	286
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:</b>		
5	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)
<b>17,699</b>	<b>TOTAL ADJUSTMENTS</b>	<b>1,324</b>

## HRA Note 2. Stock

### Rentable Dwelling Stock

The Council managed 3,019 rentable dwellings as at 31 March 2023. The movement in stock is analysed as follows:

Stock Type	1 April 2022	Adjustments	Additions	Disposals	31 March 2023
Houses	1,238	(9)	30	(3)	1,256
Flats	1,254	0	6	(3)	1,257
Maisonettes	213	0	0	(4)	209
Bungalows	288	9	0	0	297
<b>Total</b>	<b>2,993</b>	<b>0</b>	<b>36</b>	<b>(10)</b>	<b>3,019</b>

### Non-Rentable Dwelling Stock

The Council own 0 non-rentable dwellings as of 31 March 2023

Stock Type	1 April 2022	Adjustments	Additions	Disposals	31 March 2023
Flats	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Non-Dwelling Stock

The Council owned 853 non dwellings as at 31 March 2023. The movement in stock is analysed as follows:

Stock Type	1 April 2022	Adjustments	Additions	Disposals	31 March 2023
Garages	383	16	0	(27)	372
Garages with water	187	(2)	0	0	185
Carports	78	0	0	0	78
Carspaces	207	(15)	0	0	192
Underground carspaces	26	0	0	0	26
Commercial Property	0	0	0	0	0
<b>Total</b>	<b>881</b>	<b>(1)</b>	<b>0</b>	<b>(27)</b>	<b>853</b>

## 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 value is included within the Balance Sheet. The vacant possession value at 1 April 2022 was £530.380m. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

<b>Movements on Balances 2022/23</b>	<b>Dwellings</b>	<b>Other Land and Buildings</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation 1 April 2022	174,676	3,969	4,758	183,403
Assets Under Construction brought into use	5,910	0	(5,910)	0
Additions	4,672	0	4,290	8,962
Donations	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,265	171	0	5,436
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,675)	6	0	(2,669)
Derecognition – disposals	(559)	0	0	(559)
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	1	1	2
<b>Cost or valuation as at 31 March 2023</b>	<b>187,288</b>	<b>4,147</b>	<b>3,139</b>	<b>194,574</b>
Depreciation as at 1 April 2022	0	0	0	0
Depreciation charge	(3,724)	(278)	0	(4,002)
Depreciation written out to the Revaluation Reserve	1,358	262	0	1,620
Depreciation written out to the Surplus//Deficit on the Provision of Services	2,354	16	0	2,370
Derecognition – disposals	12	0	0	12
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
<b>Depreciation as at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>				
As at 31 March 2022	174,676	3,969	4,758	183,403
As at 31 March 2023	187,288	4,147	3,139	194,574

**HRA Note 3. Non-Current Assets (continued)**

<b>Movements on Balances 2021/22</b>	<b>Dwellings</b>	<b>Other Land and Buildings</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or Valuation 1 April 2021	156,182	4,019	555	160,755
Assets Under Construction brought into use	0	0	0	0
Additions	3,006	133	4,203	7,342
Donations	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,803	1	0	3,804
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,452	(146)	0	12,306
Derecognition – disposals	(767)	(38)	0	(805)
Derecognition - Surplus Assets	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in cost or valuation	0	0	0	0
<b>Cost or valuation as at 31 March 2022</b>	<b>174,676</b>	<b>3,969</b>	<b>4,758</b>	<b>183,403</b>
Depreciation as at 1 April 2021	0	0	0	0
Depreciation charge	(3,399)	(281)	0	(3,680)
Depreciation written out to the Revaluation Reserve	261	256	0	517
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,122	23	0	3,145
Derecognition – disposals	16	5	0	21
Derecognition - Surplus Assets	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0
<b>Depreciation as at 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>				
As at 31 March 2021	156,182	4,019	555	160,755
As at 31 March 2022	174,676	3,969	4,758	183,403

## HRA Note 4. Analysis of Capital Expenditure and Funding

	2021/22	2022/23
	£'000	£'000
<b>Capital Expenditure</b>		
Dwellings	3,135	5,543
Other Land and Buildings	3	2
Assets under Construction	4,203	3,418
Revenue Expenditure Funded from Capital under Statute	20	220
<b>Total</b>	<b>7,362</b>	<b>9,182</b>
<b>Funded by:</b>		
Major Repairs Reserve	3,680	4,002
HRA Capital Grants		471
1-4-1 Capital Receipts Reserves	939	1,326
Prudential Borrowing	54	2,210
Section 106 Funding	750	0
Revenue contributions from the HRA	1,939	1,173
<b>Total Funding</b>	<b>7,362</b>	<b>9,182</b>

The Revenue Expenditure Funded from Capital under Statute relates to:

	2021/22	2022/23
	£'000	£'000
<b>Expenditure type:</b>		
New Build Programme-Pre Construction Expenditure	0	194
Non HRA Properties/Leaseholders Expenditure	20	26
<b>Total</b>	<b>20</b>	<b>220</b>

## HRA Note 5. Summary of Capital Receipts

	2021/22	2022/23
	£'000	£'000
Receipts from the sale of land	0	0
Receipts from the sale of other property	0	0
Repayment of discount	0	0
Receipts from the sale of houses other than through the right to buy scheme	0	0
Receipts from disposals of houses through the Right To Buy scheme	(1,631)	(1,032)
<b>Total Capital Receipts</b>	<b>(1,631)</b>	<b>(1,032)</b>

## HRA Note 6. Tenants Arrears

Tenants' Arrears at 1 April 2023 were analysed as follows:

Type of Debt	2021/22	2022/23
	£'000	£'000
General Stock	180	180
Garages	0	0
Former Tenancies – General Stock	218	217
Former Tenancies - Garages	0	0
Court Costs – General Stock	29	29
Former Tenancy Arrears of Current Tenants – General	24	24
Rechargeable Repairs	68	68
Total Arrears	520	520
<b>Percentage of Gross Rents (HRA)</b>	<b>3.63%</b>	<b>3.51%</b>

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

	2021/22	2022/23
	£'000	£'000
<b>Opening Balance</b>	<b>362</b>	<b>393</b>
Additional Provision made during year	80	86
Add Credit write-offs	2	0
Less amounts written off	(51)	(103)
<b>Closing Balance</b>	<b>393</b>	<b>376</b>



## **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 2022				Collection Fund Notes	Year Ended 31 March 2023			
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total	
£'000	£'000	£'000			£'000	£'000	£'000	
			<b>Amounts required by statute to be credited to the Collection Fund</b>					
	(163,846)	(163,846)	Council Tax	1		(170,668)	(170,668)	
(76,515)		(76,515)	Non-Domestic Rates	2	(87,469)		(87,469)	
(76,515)	(163,846)	<b>(240,361)</b>	<b>Total Amount required by statute to be credited to the Collection Fund</b>		<b>(87,469)</b>	<b>(170,668)</b>	<b>(258,137)</b>	
			<b>Amounts required by statute to be debited to the Collection Fund</b>					
			<u>Precepts and demands from major preceptors and the Authority</u>					
45,703	135,101	180,804	- Medway Council		42,231	140,702	182,933	
0	18,996	18,996	- Police and Crime Commissioner for Kent (PCCK)			20,087	20,087	
933	7,038	7,971	- Kent Fire and Rescue Service (KFRS)		845	7,250	8,095	
			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>					
46,646	0	46,646	- payment to Central Government		41,387		41,387	
268	0	268	- costs of collection		268		268	
66	0	66	enterprise zone growth disregard					
2,106	0	2,106	renewable energy		48		48	
			- transitional protection		310		310	
		0	<u>Impairment of debts/appeals</u>	3				
			- write-offs of uncollectable amounts		0	0	0	
919		919	- allowance for impairment		2,407	2,647	5,054	
1,163	0	1,163	- increase/decrease in provision for appeals		2,490	0	2,490	
(5,266)	(1,045)	(6,311)	Transfer of Collection Fund surplus/(deficit)		19,751	(3,377)	16,374	
<b>92,528</b>	<b>160,090</b>	<b>252,618</b>	<b>Total Amount required by statute to be debited to the Collection Fund</b>		<b>109,737</b>	<b>167,309</b>	<b>277,046</b>	
<b>(38,185)</b>	<b>5,706</b>	<b>(32,479)</b>	<b>Opening fund balance</b>		<b>(22,172)</b>	<b>1,950</b>	<b>(20,222)</b>	
<b>(22,172)</b>	<b>1,950</b>	<b>(20,222)</b>	<b>Closing Fund Balance</b>		<b>95</b>	<b>(1,408)</b>	<b>(1,313)</b>	
<b>16,013</b>	<b>(3,756)</b>	<b>12,257</b>	<b>Movement on fund balance</b>		<b>22,268</b>	<b>(3,359)</b>	<b>18,909</b>	
			<b>Allocation of Closing Deficit/(Surplus)</b>					
(10,864)	1,644	(9,220)	<u>Medway Council</u>		46	(1,173)	(1,219)	
0	213	213	Police and Crime Commissioner for Kent			(178)	(178)	
(222)	93	(129)	<u>Kent Fire and Rescue Service</u>		1	(58)	(59)	
(11,086)	0	(11,086)	Central Government		48		(48)	
<b>(22,172)</b>	<b>1,950</b>	<b>(20,222)</b>			<b>95</b>	<b>(1,408)</b>	<b>(1313)</b>	

## 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 2022/23 was £88,041.50 (£87,078.75 in 2021/22). The tax base for 2022/23 was approved by the Portfolio Holder for Finance on 6 January 2022 and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,404	6/9	7,603	557	7,045.90
B	38,443	7/9	29,900	2,191	27,709.12
C	34,628	8/9	30,780	2,374	28,406.46
D	18,439	9/9	18,439	1,396	17,042.55
E	9,713	11/9	11,871	808	11,063.91
F	4,156	13/9	6,003	394	5,609.50
G	1,492	15/9	2,487	156	2,331.14
H	67	18/9	134	46	87.84
<b>Total</b>	<b>118,342</b>		<b>107,217</b>	<b>7,921</b>	<b>99,296.42</b>
Council Tax Support					(9,349.15)
Sub Total					89,947.27
Allowance for Non Collection (2.4%)					(2,158.73)
Sub Total					87,788.54
Crown Contribution					252.96
<b>Tax Base for the Calculation of Council Tax 2022/23</b>					<b>88,041.50</b>
<b>Tax Base for the Calculation of Council Tax 2021/22</b>					<b>87,078.73</b>

## 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 2022/23 was £41.4m (£55.1m in 2021/22).

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 2023. Authorities are required to make provision for these amounts. Appeals are charges and provided for in proportion to the precepting shares. The increase in provision debited to the collection fund for 2022/23 was £2.41m (£1.28m 2021/22).

For 2022/23 the total non-domestic rateable value at the year-end is £249.4m (£227.2m in 2021/22). The national multipliers for 2022/23 were 49.9p for qualifying Small Businesses, and the standard

multiplier being 51.2p for all other businesses (49.9p and 51.2p respectively in 2021/22).

## Collection Fund Note 3. Impairment of Debts/Appeals

The Collection Fund account provides for bad debts on arrears of Council Tax based on prior years' experience and current years collection rates.

2021/2022			2022/23	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
9,839	8,250	<b>Balance at 1 April</b>	8,368	7,007
(1,471)	(1,243)	Write-offs during year	(1,979)	(1,612)
		Contributions to provisions during year	2,647	2,157
(1,471)	(1,243)	<b>Net Increase/(decrease) in Provisions</b>	669	545
8,368	7,007	<b>Balance at 31 March</b>	9,037	7,552

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

2021/22			2022/23	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
3,877	1,900	<b>Balance at 1 April</b>	4,361	2,137
		Amendment due to Pooling		
(435)	(213)	Write-offs during year	(783)	(384)
919	450	Contributions to provisions during year	2,407	1,179
		Provisions utilised during the year		
484	237	<b>Net Increase/decrease in Provisions</b>	1,623	795
4,361	2,137	<b>Balance at 31 March</b>	5,984	2,932

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 2020. This is the eighth year of the provision.

2021/22			2022/23	
£000s			£000s	
Collection Fund	Medway Share		Collection Fund	Medway Share
10,121	4,959	<b>Balance at 1 April</b>	11,284	5,528
0	0	Amendment due to Pooling	0	0
(1,289)	(632)	Contributions to provisions during year	(8,858)	(4,341)
2,452	1,201	Provisions utilised during the year	2,490	1,220
1,163	569	<b>Net Increase/(decrease) in Provisions</b>	(6,368)	(3,120)
11,284	5,528	<b>Balance at 31 March</b>	4,916	2,408



St Mary's  
Island

## G. Group Accounts

## Group Accounts

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## Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Kyndi Ltd and Medway Development Company Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

## Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

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

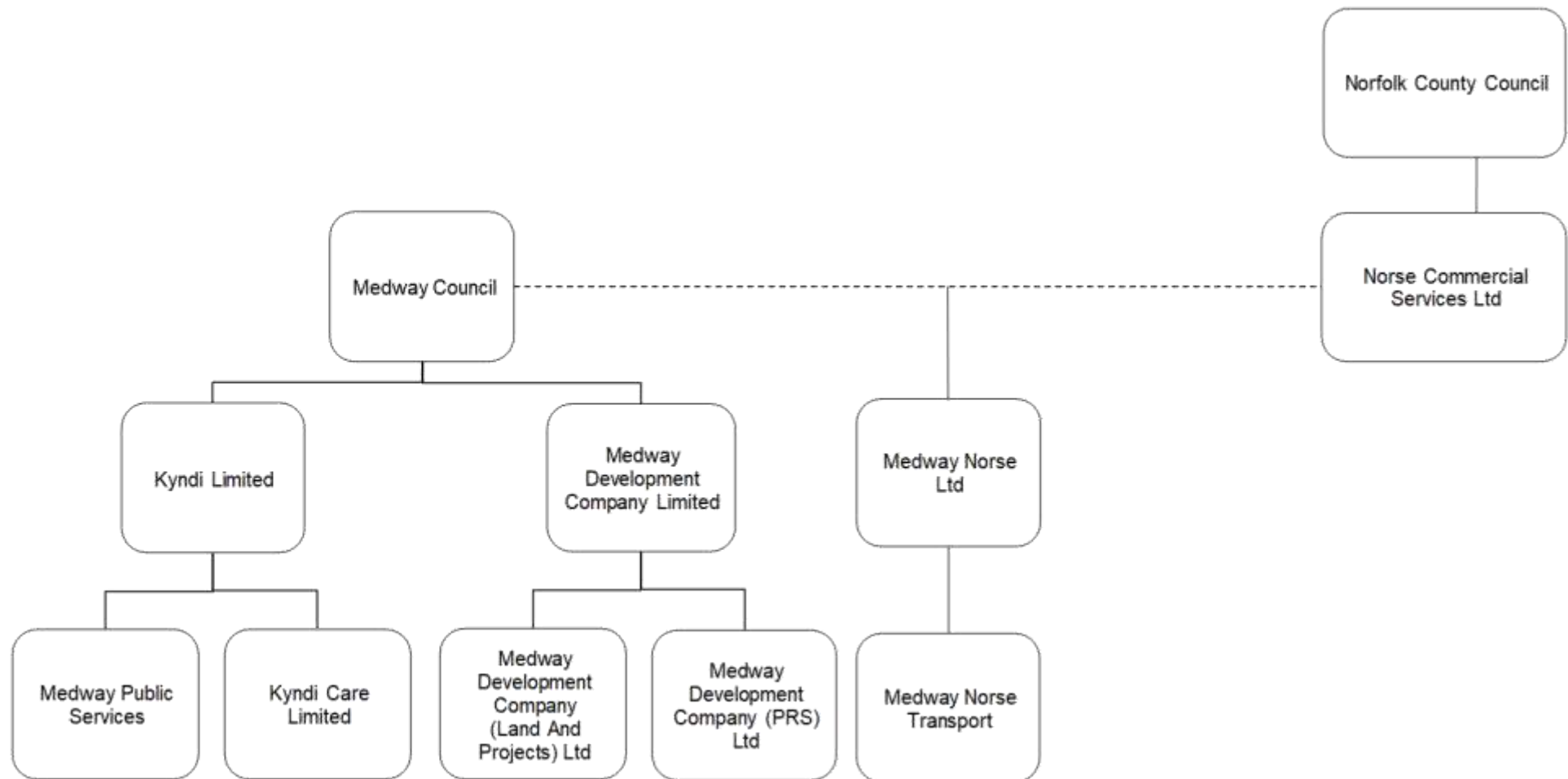
- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

<b>Kyndi Ltd</b>	100% Subsidiary	Consolidated
<b>Medway Development Company Ltd</b>	100% Subsidiary	Consolidated
<b>Medway Norse Ltd</b>	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 2022				Year ended 31 March 2023		
Gross Expenditure	Gross Income	Net Expenditure	Service	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
70,331	(42,114)	28,217	Business Support Department	87,042	(74,386)	12,656
333,679	(174,319)	159,360	Children's and Adults (inc. Public Health)	365,272	(199,171)	166,101
10,432	(14,445)	(4,014)	Local authority housing (HRA)	11,803	(15,429)	(3,626)
(15,451)	-	(15,451)	Revaluation of HRA Non-Current assets	-	-	-
129,967	(41,944)	88,022	Regeneration, Culture & Environment	146,726	(46,153)	100,572
<b>528,958</b>	<b>(272,822)</b>	<b>256,135</b>	<b>Group Cost of Services</b>	<b>610,841</b>	<b>(335,139)</b>	<b>275,703</b>
1,328	(1,067)	261	Other operating expenditure	3,581	(730)	2,851
10,474	(6,779)	3,695	Net Surplus on trading accounts			0
			Financing and investment income and expenditure	22,030	(9,126)	12,904
15	(239,661)	(239,647)	Taxation and non-specific grant income and expenditure	0	(264,633)	(264,633)
			- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	0	0	0
173	-	173				
<b>540,947</b>	<b>(520,329)</b>	<b>20,618</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>636,453</b>	<b>(609,627)</b>	<b>26,825</b>
		0	Share of (surplus)/Deficit of joint venture.			(263)
		0	Taxation of Group Entities			(19)
		<b>20,618</b>	<b>Group (Surplus)/Deficit</b>			<b>26,543</b>
		(9,833)	Surplus on revaluation of property, plant and equipment assets			(102,012)
		2,795	Revaluation losses on non-current assets charged to the Revaluation Reserve			22,318
		(45,390)	Re-measurement of net defined pension liability/(asset)			(335,809)
		<b>(52,427)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(415,504)</b>
		<b>(31,809)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(388,960)</b>

## 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.

2022/23	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
<b>Balance at 31 March 2022</b>	(26,551)	(44,374)	0	(70,926)	(5,283)	0	(5,283)	(8,114)	0	(21,091)	(105,413)	(61,127)	(166,540)	126	(166,414)
<b>Movement in reserves during 2022/23</b>															
Comprehensive Expenditure and Income	37,757		0	37,757	(2,414)	0	(2,414)	0	0		35,343	(415,504)	(380,161)	(579)	(380,740)
Adjustments between group account and authority accounts	(2,060)			(2,060)			0				0		0	2,060	0
<b>Net increase or decrease before transfers</b>	35,697	0	0	35,697	(2,414)	0	(2,414)	0	0	0	33,283	(415,504)	(382,221)	1,481	(380,740)
Adjustments between accounting basis and funding basis under regulations	(16,029)	0	0	(16,029)	1,324	0	1,324	2,265	0	(21,050)	(33,490)	33,490	0	0	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	19,668	0	0	19,668	(1,090)	0	(1,090)	2,265	0	(21,050)	(207)	(382,014)	(382,221)	1,481	(380,740)
Movements in Earmarked Reserves	(3,355)	1,791	0	(1,564)			0	1,564	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2022/23</b>	16,313	1,791	0	18,104	(1,090)	0	(1,090)	3,829	0	(21,050)	(207)	(382,014)	(382,221)	1,481	(380,740)
<b>Balance at 31 March 2023 carried forward</b>	(10,238)	(42,583)	0	(52,821)	(6,373)	0	(6,373)	(4,285)	0	(42,141)	(105,620)	(443,141)	(548,761)	1,607	(547,154)

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

2021/22	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
<b>Balance at 31 March 2021</b>	(22,689)	(57,398)	0	(80,088)	(5,395)	(306)	(5,701)	(6,674)	0	(25,916)	(118,379)	(17,657)	(136,035)	1,448	(134,588)
<b>Movement in reserves during 2021/22</b>															
Comprehensive Expenditure and Income	25,978	0	0	25,978	(17,281)	0	(17,281)	0	0	0	8,697	(52,427)	(43,730)	11,921	(31,810)
Adjustments between group account and authority accounts	13,226	0	0	13,226	0	0	0	0	0	0	13,226	0	13,226	(13,226)	0
<b>Net increase or decrease before transfers</b>	<b>39,204</b>	<b>0</b>	<b>0</b>	<b>39,204</b>	<b>(17,281)</b>	<b>0</b>	<b>(17,281)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,923</b>	<b>(52,427)</b>	<b>(30,505)</b>	<b>(1,305)</b>	<b>(31,810)</b>
Adjustments between accounting basis and funding basis under regulations	(28,192)	0	0	(28,192)	17,699	0	17,699	(3,289)	0	4,825	(8,957)	8,957	0	0	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>11,012</b>	<b>0</b>	<b>0</b>	<b>11,012</b>	<b>418</b>	<b>0</b>	<b>418</b>	<b>(3,289)</b>	<b>0</b>	<b>4,825</b>	<b>12,965</b>	<b>(43,470)</b>	<b>(30,505)</b>	<b>(1,305)</b>	<b>(31,810)</b>
Movements in Earmarked Reserves	(14,874)	13,024	0	(1,850)	(306)	306	0	1,850	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	<b>(3,862)</b>	<b>13,024</b>	<b>0</b>	<b>9,162</b>	<b>112</b>	<b>306</b>	<b>418</b>	<b>(1,440)</b>	<b>0</b>	<b>4,825</b>	<b>12,965</b>	<b>(43,470)</b>	<b>(30,505)</b>	<b>(1,305)</b>	<b>(31,810)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(26,551)</b>	<b>(44,374)</b>	<b>0</b>	<b>(70,926)</b>	<b>(5,283)</b>	<b>0</b>	<b>(5,283)</b>	<b>(8,114)</b>	<b>0</b>	<b>(21,091)</b>	<b>(105,413)</b>	<b>(61,127)</b>	<b>(166,540)</b>	<b>143</b>	<b>(166,398)</b>

## Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2023. The net assets of the Group are matched by Group reserves.

<b>Balance Sheet Summary</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Property Plant & Equipment	722,920	806,099
Heritage Assets	18,723	19,723
Investment Property	17,680	16,663
Intangible Assets	73	41
Long Term Investments	25,011	21,099
Long Term Debtors	599	893
<b>Long Term Assets</b>	<b>785,006</b>	<b>864,519</b>
Assets Held for Sale <1 Year	15,206	15,910
Inventories	36,908	72,629
Short Term Investments	19,206	14,633
Short Term Debtors	83,872	103,468
Cash and Cash Equivalents	10,288	5,497
<b>Current Assets</b>	<b>165,480</b>	<b>212,136</b>
Cash and Cash Equivalents	(3,096)	0
Grants Receipts in Advance - Revenue	(17,797)	(3,555)
Short Term Borrowing	(71,509)	(97,196)
Short Term Creditors	(89,627)	(79,395)
Finance Leases < 1 Year	(276)	(257)
Provisions (Short Term)	(1,391)	(2,849)
<b>Current Liabilities</b>	<b>(183,695)</b>	<b>(183,252)</b>
Long Term Creditors	(29,437)	(28,278)
Provisions (Long Term)	(7,428)	(3,080)
Long Term Borrowing	(237,260)	(308,754)
Other Long-Term Liabilities	(322,377)	(1,057)
Grants Receipts in Advance - Capital	(3,890)	(5,079)
<b>Long Term Liabilities</b>	<b>(600,393)</b>	<b>(346,249)</b>
<b>Net Assets</b>	<b>166,398</b>	<b>547,154</b>
Usable Reserves	(105,269)	(104,846)
Unusable Reserves	(61,128)	(442,308)
<b>Total Reserves</b>	<b>(166,398)</b>	<b>(547,154)</b>

## Group Cash Flow Statement

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

2021/22		Notes	2022/23
£'000			£'000
20,585	Net (Surplus) or deficit on the provision of services		31,363
(35,734)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements	G6	46,424
11,579	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	G6	15,750
<b>(3,570)</b>	<b>Net cash flows from Operating Activities</b>		<b>93,537</b>
41,030	<u>Investing Activities</u>	<u>G7</u>	4,026
(25,168)	<u>Financing Activities</u>	<u>G8</u>	(95,867)
<b>12,292</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>1,696</b>
<b>19,484</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>7,192</b>
<b>7,192</b>	<b><u>Cash and cash equivalents at the end of the reporting period</u></b>		<b>5,496</b>

## 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 2022				31 March 2023		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
95	53,275	53,370	Trade receivables	402	56,634	57,036
0	(8,741)	(8,741)	Less impairment allowance	0	(6,767)	(6,767)
<b>95</b>	<b>44,534</b>	<b>44,629</b>	<b>Net trade receivables</b>	<b>402</b>	<b>49,867</b>	<b>50,269</b>
0	3,605	3,605	<b>Prepayments</b>	0	17,909	17,909
			<b>Other receivables:</b>			
0	358	358	Client Financial Affairs Debtors	0	1,432	1,432
0	31	31	Education Related Debtors	0	31	31
503	0	503	Elections Debtors	491	0	491
0	10,162	10,162	Housing Benefit Debtors	0	9,142	9,142
0	(7,343)	(7,343)	Less impairment allowance	0	(6,223)	(6,223)
0	2,819	2,819	Net Housing Benefit Debtors	0	2,919	2,919
0	1,225	1,225	HRA Rent/Service Charge Debtors	0	1,805	1,805
0	(393)	(393)	Less impairment allowance	0	(376)	(386)
0	832	832	Net HRA Rent/Service Charge Debtors	0	1,429	1,429
0	33,129	33,129	Local Taxation Debtors	0	32,653	32,653
0	(9,144)	(9,144)	Less impairment allowance	0	(10,482)	(10,482)
0	23,985	23,985	Net Local Taxation Debtors	0	22,171	22,171
0	283	283	Rechargeable Works Debtors	0	311	311
0	1,047	1,047	Schools Debtors	0	1,042	1,042
0	5	5	SOCH Mortgage Debtors	0	5	5
1	47	48	Employee Related Debtors	0	33	33
0	6,327	6,327	VAT Debtors	0	6,316	6,316
<b>504</b>	<b>35,733</b>	<b>36,237</b>	<b>Other receivables</b>	<b>491</b>	<b>35,692</b>	<b>36,184</b>
<b>599</b>	<b>83,872</b>	<b>84,471</b>	<b>Total Debtors</b>	<b>893</b>	<b>103,468</b>	<b>104,361</b>

## 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 2022				31 March 2023		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
(514)	(59,922)	(60,436)	Trade payables	(528)	(60,210)	(60,738)
0	(1,056)	(1,056)	Receipts in Advance	0	(1,566)	(1,566)
			<u>Other payables</u>			
0	(2,050)	(2,050)	Other Payables	0	(6)	(6)
0	(20)	(20)	Education Related Creditors	0	0	0
0	(2,192)	(2,192)	Employee Related Creditors	(1)	(1,874)	(1,875)
0	(573)	(573)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(28,900)	(1,204)	(30,104)	Local Government Reorganisation Creditors	(27,745)	(1,156)	(28,901)
0	(22,609)	(22,609)	Local Taxation Creditors	0	(13,951)	(13,951)
0	(1)	(1)	Rechargeable Works Creditors	0	0	0
(23)	0	(23)	SOCH Mortgage Creditors	(4)	0	(4)
0	0	0	VAT Creditors	0	(58)	(58)
<b>(29,437)</b>	<b>(89,627)</b>	<b>(119,064)</b>	<b>Total Creditors</b>	<b>(28,278)</b>	<b>(79,395)</b>	<b>(107,673)</b>

## Group Accounts Note 4. Group Cash & Cash Equivalents

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

	31 March 2022	31 March 2023
	£'000	£'000
Single Entity Cash and Cash Equivalents	(3,049)	1,973
Subsidiary cash and bank balances	1,822	3,507
Short term deposits with the Money Market	8,418	17
<b>Total Group Cash and Cash Equivalents</b>	<b>7,192</b>	<b>5,496</b>

## 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
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	25,011	21,099	0	0	19,206	14,633	0	0	44,217	35,732
Amortised cost - other	0	0	594	71,401	0	0	49,104	61,174	49,698	132,575
Cash & cash equivalents at amortised cost	0	0	0	0	35,900	15,184	0	0	35,900	15,184
<b>Total financial assets</b>	<b>25,011</b>	<b>21,099</b>	<b>594</b>	<b>71,401</b>	<b>55,106</b>	<b>29,817</b>	<b>49,104</b>	<b>61,174</b>	<b>129,815</b>	<b>183,491</b>
Non-financial assets	0	0	4	4	0	0	34,767	34,767	34,771	34,771
<b>Total</b>	<b>25,011</b>	<b>21,099</b>	<b>598</b>	<b>71,405</b>	<b>55,106</b>	<b>29,817</b>	<b>83,871</b>	<b>95,941</b>	<b>164,586</b>	<b>218,262</b>
Financial Liabilities	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(237,260)	(309,899)	(29,411)	(28,242)	(71,509)	(97,196)	(62,678)	(114,996)	(400,858)	(550,333)
Cash & cash equivalents at amortised cost	0	0	0	0	(25,612)	(9,687)	0	0	(25,612)	(9,687)
<b>Total financial liabilities</b>	<b>(237,260)</b>	<b>(309,899)</b>	<b>(29,411)</b>	<b>(28,242)</b>	<b>(97,121)</b>	<b>(106,883)</b>	<b>(62,678)</b>	<b>(114,996)</b>	<b>(426,470)</b>	<b>(560,020)</b>
Non-financial liabilities	0	0	(26)	(26)	0	0	(27,231)	(27,231)	(27,257)	(27,257)
<b>Total</b>	<b>(237,260)</b>	<b>(309,899)</b>	<b>(29,437)</b>	<b>(28,268)</b>	<b>(97,121)</b>	<b>(106,883)</b>	<b>(89,909)</b>	<b>(142,227)</b>	<b>(453,727)</b>	<b>(587,277)</b>

## Group Accounts Note 6. Group Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2021/22		2022/23
£'000		£'000
(4)	Interest received	(5,393)
11,851	Interest paid	7,756
(1,871)	Dividends received	(1,434)

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

2021/22		2022/23
£'000		£'000
(23,960)	Depreciation	(24,370)
11,357	Impairment and downward revaluations	(24,704)
3,476	Increase in valuation of investments	(3,913)
(28,172)	(Increase) / decrease in creditors	24,483
12,467	Increase / (decrease) in debtors/impairment for Bad Debts	51,612
23,082	Increase / (decrease) in inventories	35,721
(31,903)	Movement in pension liability	(14,746)
(1,083)	Contributions (to)/from Provisions	4,870
(6,137)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,632)
5,138	Other non-cash items charged to the net surplus or deficit on the provision of services	(898)
<b>(35,734)</b>		<b>46,424</b>

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

2021/22		2022/23
£'000		£'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
7,346	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	992
4,232	Any other items for which the cash effects are investing or financing cash flows	14,759
11,579		<b>15,750</b>

## Group Accounts Note 7. Group Cash Flow – Investing Activities

2021/22		2022/23
£'000		£'000
53,819	Purchase of property, plant and equipment, investment property and intangible assets	56,091
57,815	Purchase of short-term and long-term investments	227,327
(7,396)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(992)
(39,100)	Proceeds from short-term and long-term investments	(231,900)
(24,108)	Other receipts from investing activities	(46,501)
<b>41,030</b>	<b>Net cash flows from investing activities</b>	<b>4,026</b>

## Group Accounts Note 8. Group Cash Flow – Financing Activities

2021/22		2022/23
£'000		£'000
(83,344)	Cash receipts of short- and long-term borrowing	(294,570)
58,190	Repayments of short- and long-term borrowing	0
(14)	Other payments for financing activities	198,703
<b>(25,168)</b>	<b>Net cash flows from financing activities</b>	<b>(95,867)</b>

## Group Accounts Note 9. Inventories

2021/22		2022/23
£'000		£'000
11,988	Opening Balance	36,908
24,920	Raw Materials or works in progress	35,721
<b>36,908</b>	<b>Closing Balance</b>	<b>72,629</b>



Upnor Castle,  
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.



## Glossary of Terms (continued)

### EARMARKED RESERVES

These are reserves held to meet specific, known or predicted future expenditure.

### 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.