

# Swale Borough Council Annual Financial Report for the Year Ended 31 March 2015

## Who We Are

Swale is located on Kent County's north coast between Medway, Maidstone and Canterbury, around 45 miles from London, but set in rolling Kentish countryside, and less than 30 miles from the Channel Tunnel. With an area of 140 square miles and a population of 139,200, Swale includes the towns of Sittingbourne and Faversham, the Isle of Sheppey, and an extensive rural hinterland.

We provide a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, recreation, housing benefit and environmental health.

## Our Purpose

Our overarching purpose is making Swale a better place.

## Our 2015/16 Corporate Priorities

### A Borough to be proud of

This priority theme focuses on the Council's aspirations for Swale as a physical place.

### A Community to be proud of

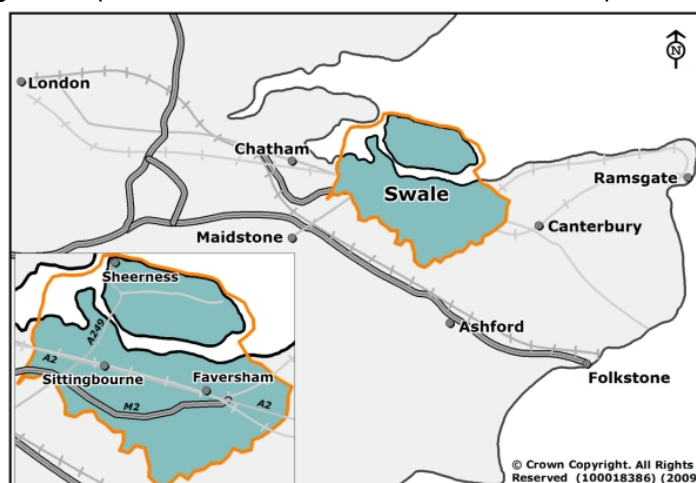
This priority theme focuses on the Council's aspirations for the people of Swale.

### A Council to be proud of

This priority theme focuses on the Council's need to develop its own organisational capacity and culture as it continually re-assesses how it can best achieve the objectives of the other two priority themes.

## Our Values – Swale FIRST

- **Fairness** - being objective to balance the needs of all those in our community
- **Integrity** - being open, honest and taking responsibility
- **Respect** - embracing and valuing the diversity of others
- **Service** - delivering high quality, cost effective public service
- **Trust** - delivering on our promises to each other, customers and our partners





## Contents

<b>Annual Financial Report - Explanatory Foreword</b> .....	<b>1</b>
<b>Annual Financial Report - Annual Governance Statement for the Year Ended 31 March 2015</b> .....	<b>11</b>
<b>Annual Financial Report - Auditor's Report</b> .....	<b>17</b>
<b>Statement of Responsibilities</b> .....	<b>18</b>
<b>Movement In Reserves Statement</b> .....	<b>19</b>
<b>Comprehensive Income &amp; Expenditure Statement</b> .....	<b>20</b>
<b>Balance Sheet</b> .....	<b>21</b>
<b>Cash Flow Statement</b> .....	<b>23</b>
<b>Accounting Policies</b> .....	<b>24</b>
1. Accounting Policies – General Principles.....	24
2. Accounting Policies.....	25
3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.....	32
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	32
5. Critical Judgements in Applying Accounting Policies.....	33
6. Events after the Reporting Period.....	33
7. Authorisation of Accounts for Issue.....	33
<b>Pay and Pensions</b> .....	<b>34</b>
8. Officers' Remuneration and Termination Benefits .....	34
9. Members' Allowances .....	35
10. Defined Benefit Pension Scheme .....	36
<b>Day to Day Spending – Revenue</b> .....	<b>41</b>
11. Segmental Reporting – Amounts Reported for Resource Allocation Decisions.....	41
12. Trading Operations .....	43
13. Shared Services.....	43
14. Grant Income .....	43
15. External Audit Costs.....	44
16. Private Finance Initiative.....	44
17. Gains and Losses on Disposal of Non-Current Assets.....	44
<b>Council Resources – Reserves</b> .....	<b>45</b>
18. Usable Reserves.....	45
19. Usable Capital Receipts Reserve .....	45
20. Capital Grants Unapplied Account.....	45
21. Revenue Earmarked Reserves.....	45
22. Revaluation Reserve.....	46
23. Capital Adjustment Account.....	47
24. Financial Instruments Adjustment Account.....	48
25. Collection Fund Adjustment Account .....	48
26. Deferred Capital Receipts Reserve.....	48
27. Available for Sale Reserve.....	48
28. Accumulated Absences Account.....	48
29. Pensions Reserve.....	48
<b>Long Term Spending – Capital</b> .....	<b>49</b>
30. Property, Plant and Equipment Assets .....	49
31. Non-Current Asset Valuation .....	50
32. Impairment Losses.....	50
33. Heritage Assets.....	51
34. Investment Properties .....	51
35. Revenue Expenditure Funded from Capital under Statute (REFCUS).....	52
36. Commitments under Capital Contracts .....	52
37. Capital Expenditure and Capital Financing.....	52
38. Assets Held for Sale.....	52
<b>The Council's Creditors and Debtors</b> .....	<b>53</b>
39. Short-Term Creditors and Receipts in Advance.....	53

## Contents

40.	S106 Revenue Receipts in Advance.....	53
41.	Deferred Liabilities .....	53
42.	Capital Grant Receipts in Advance .....	53
43.	Provisions.....	54
44.	Long-Term Debtors – Other .....	54
45.	Short-Term Debtors and Payments in Advance.....	55
46.	Cash and Cash Equivalents .....	55
<b>Leases</b> .....		<b>55</b>
47.	Leases.....	55
<b>Financial Instruments</b> .....		<b>56</b>
48.	Financial Instruments .....	56
<b>The Council’s Relationship With Other Organisations</b> .....		<b>59</b>
49.	Related Parties.....	59
50.	Group Accounts .....	59
<b>Contingent Liabilities</b> .....		<b>60</b>
51.	Contingent Liabilities .....	60
<b>Adjustments Between Accounting Basis and Funding Basis under Regulations</b> .....		<b>60</b>
52.	Adjustments Between Accounting Basis and Funding Basis Under Regulations .....	60
<b>Collection Fund</b> .....		<b>62</b>
53.	Collection Fund Surplus / Agency Arrangements .....	64
54.	The Calculation of the Council Tax Base .....	64
55.	Income Collectable from Business Ratepayers .....	65
56.	Debt Impairment.....	65
57.	Provision for Business Rate Valuation Appeals .....	66
<b>Annual Financial Report – Glossary</b> .....		<b>67</b>

### About This Report

Swale Borough Council's Annual Financial Report for 2014/15 provides a record of how we have used our financial resources during the year. Our accounts and all relevant documents are subject to review by Grant Thornton UK LLP – our external auditors.

### The Annual Financial Report

The Annual Financial Report has the following sections:

- this explanatory foreword, which gives a background to our financial performance;
- an Annual Governance Statement showing how we meet set standards when carrying out our responsibilities;
- a report from Grant Thornton after they have reviewed the Council's accounts;
- the Statement of Accounts – see below; and,
- a glossary to explain any technical terms used in the report.

### The Statement of Accounts

The Statement of Accounts provides a record of the Council's financial position and performance for the year ended 31 March 2015. It has been prepared in line with the Accounts and Audit Regulations (England) 2011. The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), and the Service Expenditure Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts appears on pages 19 to 66. Our 'core financial statements' are listed below along with a brief explanation of their purpose:

**Movement in Reserves Statement** (page 19) - shows the movement on all our reserves (funds set aside) due to the increase or decrease in our net worth as a result of our spending, the income we received, and changes in the value of our assets.

**Comprehensive Income & Expenditure Statement (CI&ES)** (page 20) - shows all of our spending, income and changes in value in providing our services during the year.

**Balance Sheet** (page 21) - summarises our financial position at 31 March each year. It shows the assets (what we own) we hold and our liabilities (what we owe) to other parties, and our reserves, separated into those we can use for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

**Cash Flow Statement** (page 23) - summarises the cash that moved into and out of our bank accounts over the financial year.

**Accounting Policies** (page 24) - sets out the policies we adopted for drawing up the various accounting statements.

### Swale Borough Council

The purpose of the next few pages of this foreword is to introduce the Council, explain the main issues affecting the Council and help the reader to understand its financial position.

### How We Performed

2014/15 was the final year of the Council's second Corporate Plan, with its priorities of 'Embracing Localism', being 'Open for Business' and creating a 'Healthy Environment'. The year saw good progress towards our objectives under these priorities, including: running a successful regeneration conference with guest speaker

## Annual Financial Report – Explanatory Foreword

Lord Digby Jones; raising the proportion of household waste which is recycled from less than a third to over 40%; and helping part of the Borough to gain European Union (EU) Assisted Area status.

Perhaps most significantly, years of hard work and detailed negotiations began to pay dividends when planning consent was granted for the first phase of the wholesale redevelopment of Sittingbourne Town Centre, including a new 'cultural quarter' with a seven-screen multiplex cinema, a new public square lined with restaurants and cafés, several new large-format retail units, and 215 new homes. The development is expected to benefit the Town's economy to the tune of some £250 million over the next ten years, and will create around 1,100 jobs.

The Council's new Corporate Plan for 2015/16 represents an evolution from the previous one, and maintains the focus on many of our longer-term objectives. The Council continues to monitor its performance against a range of key performance indicators and, where possible, to benchmark our performance with that of other local authorities. Comparator datasets are available for around half of the Council's corporate performance indicators. Of these, based on the comparator data, some two-fifths (41%) of our indicators performed among the best 25% of authorities nationally at the end of the third quarter of 2014/15, with a further one-third (29%) among the best 50%. Some 57% of residents said in 2014 that they were satisfied with the way the Council runs services locally, almost double the 30% who were satisfied in 2010.

The Council publishes a summary performance report each month on our website at <http://www.swale.gov.uk/Monthly-performance-monitoring/>. Our new Corporate Plan can also be found on our website: <http://www.swale.gov.uk/corporate-plan/>.

### **Sickness Performance**

During the period April 2014 to March 2015 a total of 2,174 full time employee days were lost to sickness absence, which equates to 3% of the total working days available. This is higher than the same period last year, in which 1,678 full time employee days were lost due to sickness, equating to 2.3% of the total working days available.

### **Personal Data Performance**

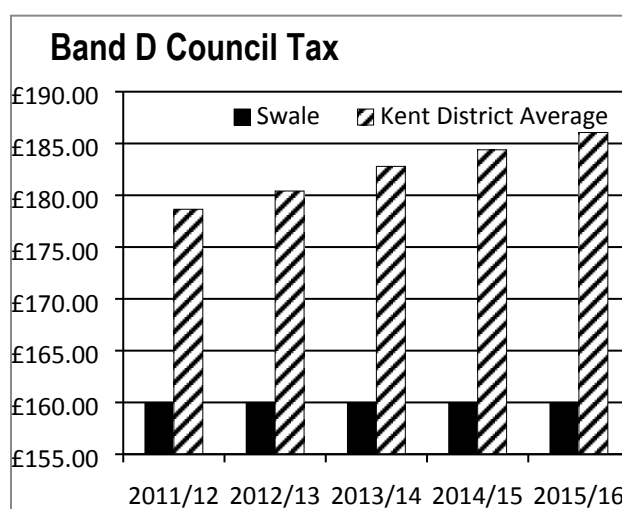
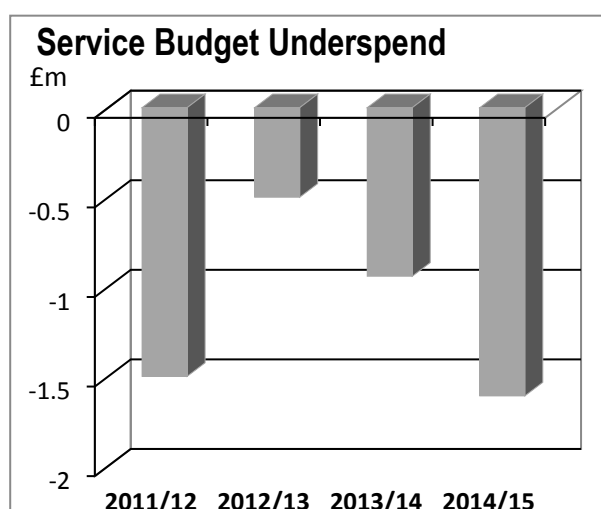
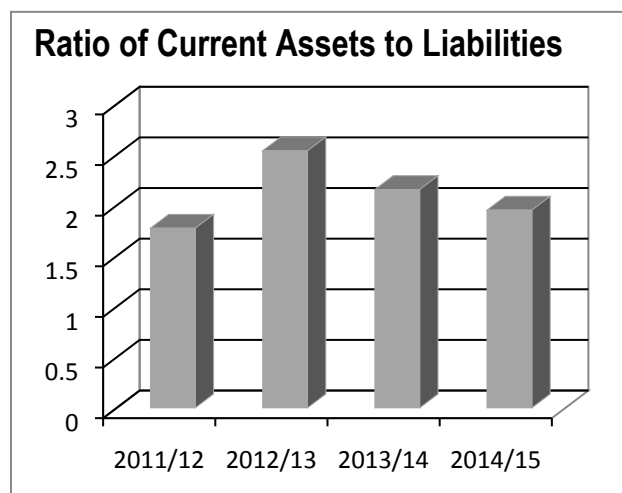
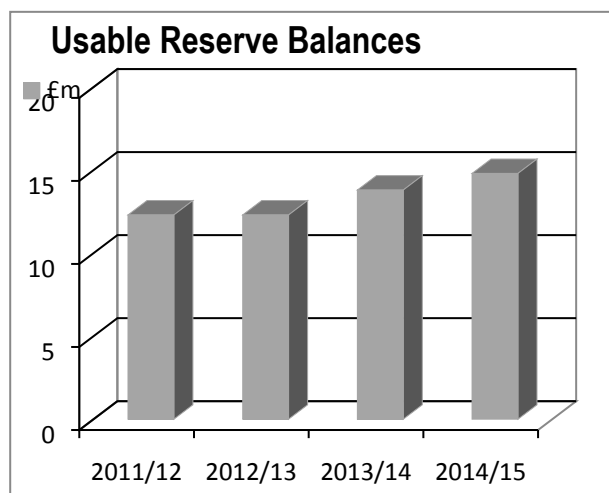
The Council has a responsibility to keep the personal data it holds securely. In 2014/15 there were five reported incidents which amounted to breaches of the Data Protection Act, two of which the Council's Senior Information Risk Owner considered necessary to report to the Information Commissioner. On both occasions the Information Commissioner did not impose any sanction as the Council had taken effective and efficient action in minimising the impact of the breaches.

### **Environmental Performance**

In January 2013 we signed up to Climate Local where we have set out our targets and commitments for tackling climate change, including a year-on-year reduction in CO<sub>2</sub> emissions of 2.6% across the Borough. Most of our targets are on track and some have been exceeded. We are currently involved in the refresh of the Kent Environment Strategy, and will be setting new Kent-wide priorities and targets. Each year we also file our Greenhouse Gas Report which shows our progress on cutting CO<sub>2</sub> emissions from our own estate. And our Procurement Strategy requires that sustainability be considered.

## Annual Financial Report – Explanatory Foreword

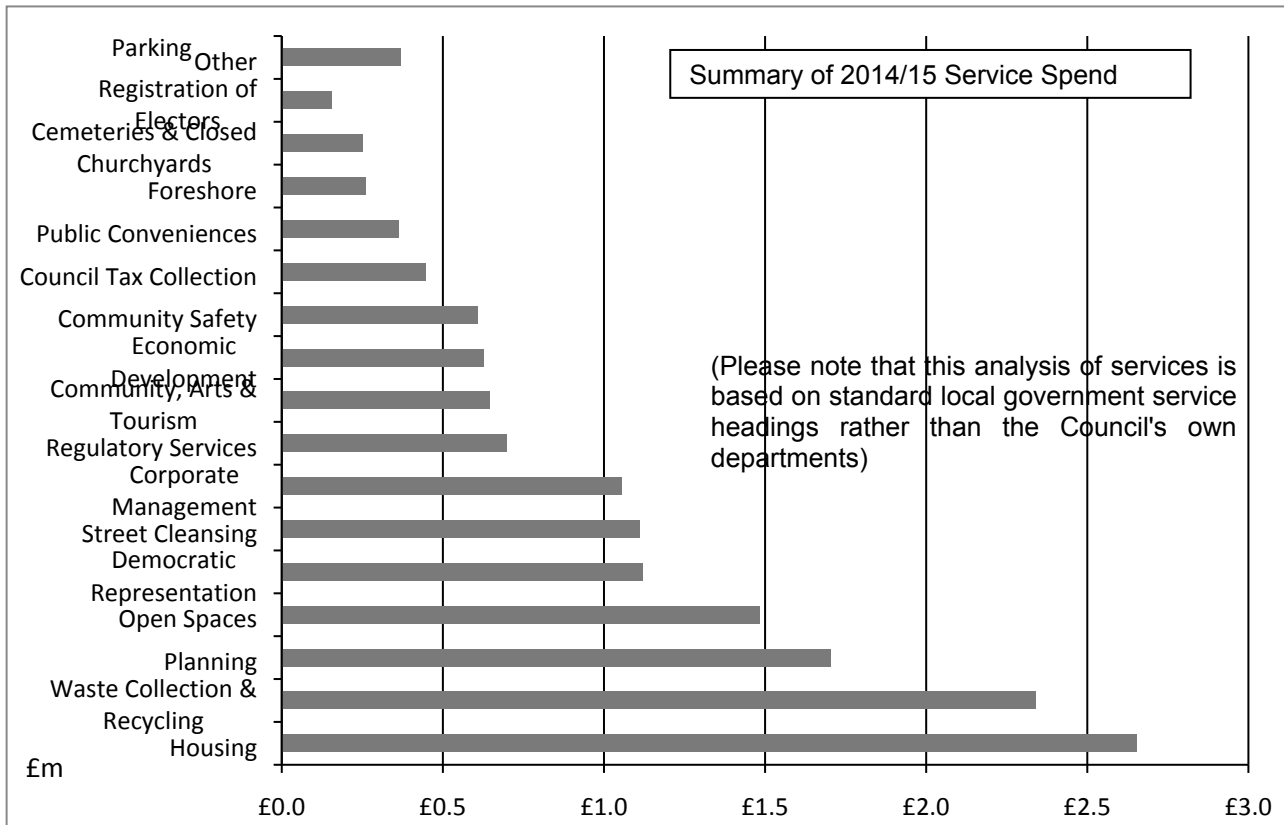
### Key Indicators of Financial Performance



### Other Financial Performance Indicators

	2014/15	2013/14
Budget savings targets	£0.7m	£0.6m
Council tax collection rate	97.3%	97.4%
Business rates collection rate	97.3%	97.3%
Council tax receivable	£63.2m	£60.2m
Business rates receivable	£46.4m	£41.7m
Total number of employees full time equivalents	275.98	281.68
Employee costs	£12.1m	£12.9m
Contract costs	£6.7m	£6.9m
Usable reserves	£15.0m	£13.8m
Short-term debtors	£3.8m	£3.6m
Return on investments	0.45%	0.55%
Parking income	£(2.3)m	£(2.2)m
Planning income	£(1.1)m	£(0.7)m
Housing benefits paid	£55.5m	£55.2m

## Annual Financial Report – Explanatory Foreword



### 2014/15 Financial Performance

There was a service revenue underspend of £1,609,000 (£941,100 underspend, 2013/14), including a rollover of grants.

The capital underspend for the year was £249,000 (£397,500 underspend, 2013/14), and 90% of the planned capital expenditure was spent.

We agreed savings of £0.731 million on services for 2015/16, and we have a good track record of delivering agreed savings. Our Revenue and Capital Monitoring reports are reviewed by our Strategic Management Team every month, and by our Cabinet and Scrutiny Committee every three months. This should make sure we are in a strong position to be able to meet the expected funding gap in future years. Copies of our monitoring reports are available on our website, or by contacting Democratic Services.



## Annual Financial Report – Explanatory Foreword

### Actual Spending Compared to the Budget for 2014/15

The table below shows spend against budget for our service departments:

Service	Budget 2014/15 £'000	Actual Spending 2014/15 £'000	Over/ (Under) spend 2014/15 £'000
Commissioning & Customer Contact	6,010	5,130	(880)
Economy & Communities	2,105	1,930	(175)
Resident Services	1,451	1,406	(45)
Planning	927	704	(223)
Environmental Health	472	398	(74)
Support services	4,275	4,041	(234)
Strategic Management and Policy	743	669	(74)
Other services	2,070	1,802	(268)
Business rates underspend to reserve	0	364	364
Rollover specific grants to 2015/16	0	174	174
<b>Total Service Expenditure</b>	<b>18,053</b>	<b>16,618</b>	<b>(1,435)</b>
<b>Financed By:</b>			
Revenue support grant	(4,296)	(4,296)	0
Business rates	(4,685)	(5,049)	(364)
New homes bonus	(2,269)	(2,269)	0
Council tax freeze grant	(79)	(79)	0
Council tax	(6,787)	(6,787)	0
<b>(Increase)/ Decrease in General Fund</b>	<b>(63)</b>	<b>(1,862)</b>	<b>(1,799)</b>
<b>2013/14 Rollovers approved by Cabinet</b>	<b>1,356</b>	<b>1,356</b>	<b>0</b>
General Fund brought forward 1 April 2014	(4,618)	(4,618)	0
<b>General Fund carried forward 31 March 2015</b>	<b>(3,325)</b>	<b>(5,124)</b>	<b>(1,799)</b>

The above table shows how the increase in the General Fund of £506,000 shown in the Movement in Reserves (page 19) compared to the budget.

The table below explains the major differences between the budget forecasts and the actual money spent and income received:

Service	Over or (Under) spend £'000	Explanation
Planning	(223)	Additional planning fees offset by extra staffing costs due to higher workloads and shared service implementation
Recycling	(117)	Additional income from Garden Waste scheme and recycling credits savings
Contracts	(615)	Savings on waste collection, grounds maintenance, and public conveniences contracts
Commuted sums	(260)	Accounting movement from deferred credits to new reserve for commuted sums service
Parking	(136)	Additional parking income
Chief Executive/ Policy	(71)	Underspends on staffing, consultancy, and various projects
Economy & Communities	(175)	Unspent grants
Property	(120)	Additional property rental income and savings on utility costs
Smaller budget differences	(256)	Details are in the Cabinet report 15 July 2015
<b>Underspend in Cabinet Report</b>	<b>(1,973)</b>	

## Annual Financial Report – Explanatory Foreword

Service	Over or (Under) spend £'000	Explanation
Business rates to reserve	364	Business rates underspend to resilience reserve
Specific grants	174	Rollover specific grants to 2015/16
<b>Total Service Expenditure</b>	<b>(1,435)</b>	

However, for accounting reasons, there are differences between the total spend on services shown above and the cost of services in the CI&ES (page 20) and the reasons for this are detailed below:

Reconciliation to the accounts:		
Over or (Under) spend £'000		
<b>16,080</b>	<b>Total Service Expenditure in Cabinet Report</b>	<b>From report to Cabinet 15 July 2015.</b>
174	Specific grants	Rollover specific grants to 2015/16.
364	Business rates	Business rates underspend to resilience reserve.
<b>16,618</b>	<b>Total Service Expenditure</b>	
1,356	2013/14 rollovers	2013/14 rollovers agreed by Cabinet on 16 July 2014.
(3,066)	Other costs	Costs not included in CI&ES definition of Cost of Services.
(350)	Accounting entries	The cost of services on the CI&ES is on an accounting basis which is different from the costs that the Government says have to be met by the taxpayer, which is why the adjustments are made before they hit the General Fund.
<b>14,558</b>	<b>Cost of Services in CI&amp;ES</b>	

Cabinet reports can be found on the Council's website:

<http://services.swale.gov.uk/meetings/ieListMeetings.aspx?CId=130&Year=0>

### Balance of the General Fund

Our policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £5.1 million represents 32% of the net expenditure budget for 2014/15, and is therefore at an adequate level.

### Capital Spending

Where spending is on an asset which will benefit us over a number of years, it is called capital. It is funded mainly by government grants and capital receipts (money from selling land and other assets). The largest element of our capital spend was on our Disabled Facilities Grants (DFG), which attracted 80% funding from the Government.

The tables below show the main areas of capital spending and how they were funded. More details are shown under note 37.

## Annual Financial Report – Explanatory Foreword

Capital Spending	Budget 2014/15 £'000	Actual Spending 2014/15 £'000	Over or (Under) spend £'000	Level of Approved Rollover £'000
DFG – Partnership funding	927	927	0	0
DFG – Council funding	252	160	(92)	92
Emergency accommodation, house purchase	165	164	(1)	0
34 High Street Sittingbourne	118	118	0	0
Iwade play area	92	0	(92)	92
Ground floor reception area	45	89	44	0
Cash receipting system	57	34	(23)	23
Other services	812	727	(85)	113
<b>Total</b>	<b>2,468</b>	<b>2,219</b>	<b>(249)</b>	<b>320</b>

Capital Funding	2014/15 £'000
<b>Total Capital Spending</b>	2,219
<b>Source of Funding:</b>	
Capital receipts	360
Capital grants and other contributions	1,438
Earmarked reserves	398
Revenue	23
<b>Total Capital Funding</b>	<b>2,219</b>

We plan to spend £1.1 million in the future on capital of which £0.75 million will be funded from our own resources with the rest being paid for from external contributions.

A detailed report on the revenue and capital outturn for 2014/15 was presented to the Cabinet on 15 July 2015 and to the Scrutiny Committee on 21 July 2015. The Cabinet approved the rollover of capital budgets of £319,550 and of revenue budgets of £717,660.

We did not buy any material assets or run up significant liabilities in 2014/15.

### Future of the Council

#### Future Performance

There are a number of trends and factors which are likely to affect the future development and performance of the Council and these are:

- the regeneration of Sittingbourne Town Centre;
- the growing dependence on business rates income;
- the national target for eliminating the deficit, which will mean continuing financial pressure on local authorities; and,
- the sizeable workforce 'skills gap' in the Swale area.

#### Future Risks and Uncertainties

We prepare and maintain a Strategic Risk Register to identify and manage the most important risks to the delivery of our objectives and our reputation. Having identified the key strategic risks we monitor what actions we are taking to mitigate and minimise their impact on what we do. Progress on the risks will be reported regularly to meetings of the Cabinet to ensure that we continue to move forward to achieve our strategic objectives by addressing those risks that might otherwise move us off course. Managing the risks that we face well will help to ensure that we continue to provide good, resilient, services despite our reduced capacity.

## Annual Financial Report – Explanatory Foreword

The five main risks identified were:

- impact of welfare reform and wider economic pressures;
- regeneration and place shaping;
- achieving a balanced budget across the medium term financial plan period 2014/15 to 2016/17;
- transforming to meet the financial environment; and,
- safeguarding.

If you would like a copy of the latest Strategic Risk Register, please see the Cabinet Agenda for 29 May 2014 <http://services.swale.gov.uk/meetings/mgCommitteeDetails.aspx?ID=129>.

### Future Financial Strategy

For Swale, the Government's 2015/16 Local Government Finance Settlement reductions in funding were in line with our assumptions – our Settlement Funding Assessment was down 15.7% from 2014/15 to 2015/16, exactly in line with our forecasts. According to Government figures the spending power for Swale has decreased by £749,000 (4.1%) from 2014/15 to 2015/16, although this will include assumptions about business rate income that will vary from that predicted by the authority.

In-year monitoring does indicate significant growth in the business rates income. Council has previously agreed that any additional income over the level budgeted for will go into the business rates resilience reserve. The Department for Communities and Local Government (DCLG) has confirmed that the proposal for a business rate pooling arrangement between Kent County Council (KCC) and 10 of the 12 borough and district councils has been agreed. Maidstone Borough Council will be the coordinator of the scheme which will apply in 2015/16.

For the fifth year running the Council did not increase its council tax.

The Medium Term Financial Plan (MTFP) is a forecast of the financial position over the next three years to aid the Council in meeting its objectives as set out in the Corporate Plan. The MTFP is underpinned by the following principles:

- achieving a balanced budget position with the base budget requirement being met from core income;
- reserves being used to fund one-off cost pressures;
- accepting council tax freeze grant in 2015/16; and,
- a prudent forecast for business rates.

The principle of the management of reserves moving forward should be:

- maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events; and
- fund one-off items of expenditure against the Council's highest priorities, as determined by members.

The Council's priorities for the use of available capital funds will be:

- projects which support the Council's regeneration agenda;
- earmarked receipts related to specific projects e.g. Section 106 monies;
- minimum fulfilment of legal duties e.g. Disabled Facilities Grant (DFG);
- essential life and death maintenance work e.g. Health & Safety; and,
- essential remedial expenditure on the Council's IT systems.

The Council is currently debt free, but at its meeting on 18 February 2015 Council agreed that authority is delegated to the Head of Finance in consultation with the Leader and the Cabinet members for Finance and Regeneration to approve an in-year change to the Budget and Policy Framework to allow for funding to be provided for investment, up to a maximum borrowing of £6 million.

## Annual Financial Report – Explanatory Foreword

The 2015/16 Budget Book can be obtained from our website using the following link:

<http://www.swale.gov.uk/revenue-budget-and-capital-programme/>

### Potential Future Costs to the Council

There is one item, which is not in the accounts but which could possibly result in future costs to the Council. It is detailed in the 'Contingent Liability' note, and relates to legal proceedings concerning property searches.

### Other Information

#### New Accounting Policies in 2014/15

There have been no significant changes to our accounting policies for 2014/15.

#### Transparency of Our Spending

The Government has promoted how local authorities make information on senior staff salaries and payments to creditors available to the public. This information can be found on our website at:

<http://www.swale.gov.uk/transparency/>.

By law, all Councillors must fill in a Declaration of Members' Interest form to register their financial or other interests. The Monitoring Officer maintains the full Register. The public can make an appointment to inspect it during normal office hours, or can see it on our website: <http://www.swale.gov.uk/register-of-interests/>.

#### Material Events after the Reporting Date

There have not been any material events after the date the accounts were authorised for publication.

#### Paying for Pensions

We are a member of the Local Government Pension Scheme (LGPS), which KCC runs on our behalf. In the Statement of Accounts pension costs are based on a forecast by an actuary (a professionally qualified independent person appointed to value the pension fund and therefore set contribution rates) of the cost of providing retirement benefits rather than the payments made to the pension fund. The pension deficit has increased from £51.9 million at 31 March 2014 to £64.0 million at 31 March 2015, mainly because of a fall in the discount rate assumption, which is dependent on bond yields which have decreased significantly.

The level of our contributions to the pension fund is set by our actuary every three years and is based on the pension fund's investment strategy. See note 10 for more information. Reports on the Kent Pension Fund are available from: Kent County Council, Treasury and Investments, Room 2.53, Sessions House, County Hall, Maidstone, Kent ME14 1XQ or by using the following link: [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk)

#### Treasury Management

Treasury management is how we invest our surplus funds. We meet government and accounting requirements on treasury management which emphasise the security of funds. The policy is to avoid unnecessary risk, so we only put money with the safest and most secure financial institutions and a number of very large, wide-ranging money market funds (these are well rated, highly diversified pooled investment vehicles). Despite returns of less than 1%, our view is that we have no option but to be highly cautious in what are still unstable financial markets as protecting our financial reserves is the most important issue.

Our total investment averaged £28 million during 2014/15 (£21 million for 2013/14) and closed at £24 million at 31 March 2015. We achieved a return of 0.45% for 2014/15 (0.55% for 2013/14), amounting to £127,000 (£121,000 in 2013/14). The increase compared with the previous year is due mainly to an increase in cash flow. We did not borrow any money to pay for capital spend in 2014/15.

### Collection Fund

We collect council tax on behalf of KCC, Police, Fire and Rescue, and Parishes, and business rates for the Government, KCC, and Fire and Rescue, which is recorded in the Collection Fund. At the year-end, this account had a surplus balance of £1,476,700, compared with the estimate in January 2015 of £1,851,050, which we took into account when setting the council tax for 2015/16. The difference is attributable to an increase in the provision for business rates appeals.

### Further Information

You can get more information about the accounts from [finance@swale.gov.uk](mailto:finance@swale.gov.uk). You have the right in law to inspect the accounts for 20 working days before the audit is completed. The inspection dates are between 31 July and 27 August 2015 inclusive.

From 28 August 2015 until the conclusion of the audit process, if you live in the Borough of Swale, you (or a representative for you) may object to the Council's accounts asking that the auditor issue a report in the public interest and/or apply to the court for a declaration that an item in the accounts is contrary to law. Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at their address – Iain Murray, Engagement Lead (Director), Grant Thornton UK LLP, Grant Thornton House, Melton Street, London NW1 2EP - and copied to myself at the Council.

The availability of accounts for inspection has been advertised in the local press, the Council website and Council offices. More details are available from the Council website: <http://www.swale.gov.uk/statement-of-accounts/>.

Nick Vickers B.Sc (Econ), CPFA

Head of Finance

30 June 2015

## **Scope of Responsibility**

Swale Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for; and,
- public money is used economically, efficiently and effectively.

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

In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. A schematic summarising how the Council meets this obligation is set out in Appendix I.

The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'.

This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

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

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

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

The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

## **The Council's Governance Framework**

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

### **Communicating the Council's Vision**

The Council's Corporate Plan, Making Swale a Better Place, sets out an overarching statement of the Council's strategic objectives for the period April 2015 to March 2018. The plan is structured around three high level priorities, each containing a number of specific objectives. The three themes are:

- a Borough to be proud of
- a Community to be proud of
- a Council to be proud of

This is the Council's third Corporate Plan and the latest is very much an evolution based upon what has preceded it.

## **Annual Financial Report – Annual Governance Statement for the Year Ended 31 March 2015**

The Council has a range of performance indicators used to monitor the quality of its services and measure progress against its objectives and this is reflected in the performance reports considered by the Strategic Management Team on a monthly basis and by cabinet and Scrutiny Committee on a quarterly basis.

### **Management of Resources**

The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

- a medium term financial strategy and annual budget process that ensures that financial resources are directed to the Council's priorities;
- partnership working with a range of organisations where there are shared objectives and clear benefits from joint working. The most significant of the partnership arrangements is the Mid Kent Improvement Partnership (MKIP) with Maidstone Borough Council and Tunbridge Wells Borough Council; and
- a co-ordinated and structured approach to better procurement practices across the Council. Whilst significant improvements have taken place across the board in the Council's procurement of goods and services the joint waste and street cleansing contract with Kent County Council, Maidstone Borough Council and Ashford Borough Council stands out, both for the service improvement and very substantial cost savings achieved.

### **Members and Officers Working Arrangements**

Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Cabinet is the main decision-making body of the Council and is made up of nine members who have responsibility for particular portfolios.

The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.

The Constitution also includes an Officer Code of Conduct which describes and regulates the way in which members and officers should interact to work effectively together.

The Council's overview and scrutiny arrangements have continued to evolve. Since March 2014 there has been a Scrutiny Committee which scrutinises performance and holds cabinet to account for it, and a Policy Development and Review Committee which does not have formal scrutiny powers but which provides a mechanism for backbench members to consider and feed into policy proposals before formal decisions are taken.

The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.

A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer/Proper Officer and the Chief Financial Officer.

The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, its budget, the work of the Council's employees and the work done for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Sub Committee of General Purposes Committee.

Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Director of Corporate Services, who is responsible for:



## **Annual Financial Report – Annual Governance Statement for the Year Ended 31 March 2015**

- ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;
- maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
- supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
- establishing and maintaining a register of interests (including receipts of gifts and hospitality), and,
- receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

The Director of Corporate Services is a direct report to the Chief Executive.

The Head of Finance, as the Section 151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on The Role of the Chief Financial Officer in Local Government (2010).

The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership, an arrangement covering the three MKIP Councils and Ashford Borough Council. This role is responsible for the Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2011. The Head of Audit Partnership has no operational responsibilities inconsistent with the independence requirements set out in the Standards.

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

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

### **Promoting Values and Upholding High Standards of Conduct and Behaviour**

The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. In the last two years the Committee has met once a year to receive an annual report from the Director of Corporate Services in his role as Monitoring Officer.

Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.

The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:

- Anti-Fraud and Anti-Corruption Strategy;
- procurement policies;
- whistleblowing Policy;
- HR policies regarding discipline of staff involved in such incidents; and,
- a corporate complaints procedure exists to receive and respond to any complaints received.

Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

- registers of disclosable pecuniary interests and disclosable other interests;

## **Annual Financial Report – Annual Governance Statement for the Year Ended 31 March 2015**

- declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
- registers of gifts and hospitality for Officers;
- equal opportunities policy; and,
- member induction.

### **Taking Informed and Transparent Decisions and Managing Risk**

The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.

The Council provides decision-makers with full and timely access to relevant information. The Cabinet report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

The Council has a Strategic Risk Register covering the Council's most significant over-arching risks. These are:

- impact of welfare reform and wider economic pressures;
- regeneration and place shaping;
- achieving a balanced budget across the medium term financial plan period;
- transforming to meet the financial environment; and,
- safeguarding.

Operational level risks are picked up through the service planning process. Internal Audit have examined the Council's approach to risk management and are now engaged with the Strategic Management Team in developing our current approach.

### **Developing the Capacity and Capability of Members and Officers**

The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.

The Council continues to put great emphasis on the management and development of its key resource the people who work for the Council. There are well established performance appraisal and development processes for all staff. The Council has developed our values to clearly describe how we do things Fairness, Integrity, Respect, Service and Trust (FIRST) and all employees should be aware of how we expect them to work so that they behave in ways which are consistent with these values. The Council also has a staff engagement strategy. Communications with staff are paramount with a monthly Team Talk document, three All Staff Briefings a year led by the Chief Executive, weekly Strategic Management Team meetings, monthly Corporate Leadership Team meetings, monthly team meetings and quarterly Third Tier Managers meetings. These processes are supplemented by a staff Group with direct access to SMT. The recent staff engagement survey showed significant improvements in the already good results achieved two years ago.

The member Development Working Group has an overview of the approach to member development. It continues to operate to the principles which underpin the member Development Charter.

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

The Council employs a range of mechanisms for ensuring that it takes decisions in accordance with local preferences and remains responsive to residents' concerns and priorities. These range from formal consultation on specific proposals to regular public engagement events attended by members and senior officers and with agendas determined by residents. These include three geographically based "Local Engagement Forums", as well as the more thematic Rural Forum and Youth Forum. In recent years the Council has also made progress in developing relationships with the Borough's 36 town and parish councils, regularly consulting with them on a range of issues. The Council has developed a Statement of Intent which Cabinet

**Annual Financial Report – Annual Governance Statement  
for the Year Ended 31 March 2015**

agreed in March 2015 which sets out clear guidance for the level of support town and parish councils can expect from this Council.

The Council also engages with stakeholders through various partnerships such as the Public Services Board, Community Safety Partnership, Health and Well Being Board and the Green Grid Partnership to ensure collaboration on strategic issues and delivery by working together for the benefit of Swale.

It also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through the Swale Community Empowerment Network. It also disseminates and adds information about the Council to various e-bulletins and newsletters to these groups e.g. the Business Bulletin and Active Swale Bulletin

## Review of Effectiveness

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of internal audit and by comments made by the external auditors and other inspection agencies.

The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

- the work of the Audit Committee;
- the work of the Standards Committee;
- the role of the Scrutiny Committee in holding the Cabinet to account;
- the operation of the Council's performance management frameworks with an Annual Report and risk management;
- the work of internal audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;
- the external auditor's opinion report on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);
- the roles of the Council's Statutory Officers;
- the corporate complaints procedure; and,
- the anti-fraud and corruption and whistleblowing framework.

In the 2013/14 Annual Governance Statement three main areas for attention moving forward were identified.

The latest position on these is:

<b>Issue</b>	<b>Updated position</b>
Sittingbourne Town Centre Regeneration	Good progress has been made and Planning Committee resolved to grant planning permission on 16 March. There now appears to be real momentum to the project.
Localisation of Business Rates	Substantial progress has been made in establishing more robust monitoring procedures. However, issues such as appeals do have the capacity to fundamentally change the underlying position.
Prioritisation of resources	The 2015/16 budget process started with a funding gap of around £1.5m. This was closed through budget savings, avoiding reductions in front line services, and increased business rates income. The process was well managed.

**Annual Financial Report – Annual Governance Statement  
for the Year Ended 31 March 2015**

**Significant Governance Issues**

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

- revising the Council’s approach to prioritisation of resources and meeting the financial challenge in the new political environment in the Council;
- updating the approach to strategic and operational risk management; and,
- updating the Fraud and Corruption policy and embedding it in the Council.

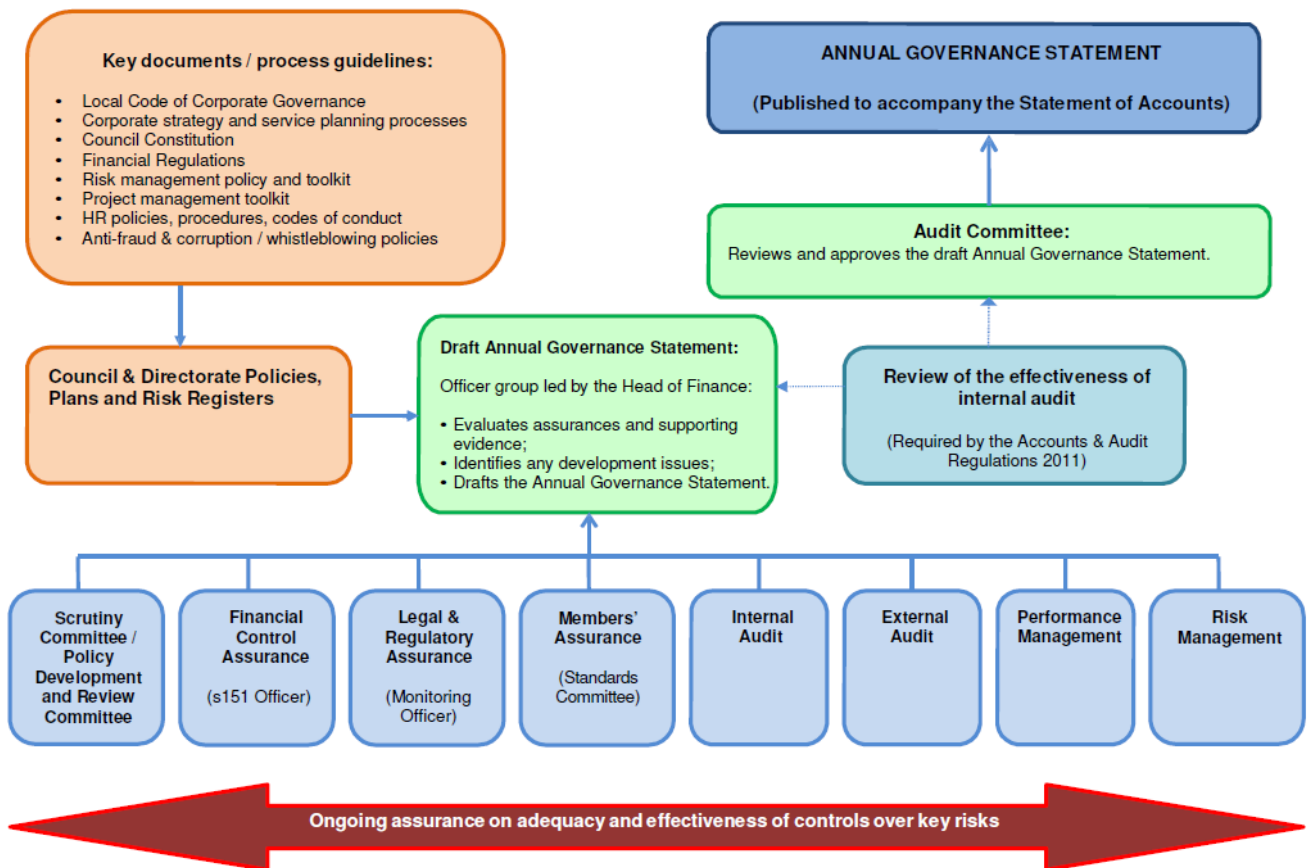
Signatures

Leader of the Council Andrew Bowles

Chief Executive Abdool Kara

Date

Date



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SWALE BOROUGH COUNCIL**

During August 2015, Grant Thornton UK LLP will be auditing the accounting statements of Swale Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. Grant Thornton will be presenting their opinion of the financial statements to the Council’s Audit Committee on 21 September 2015 and the final certification will be included here when it has been issued.

## 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- approve the Statement of Accounts.

### The Head of Finance's Responsibilities

As the Head of Finance, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date; and,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the accounts present a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2015.

**Nick Vickers B.Sc (Econ), CPFA**

**Head of Finance**

**21 September 2015**

### Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2014/15 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2015 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2011 at the meeting of the Audit Committee on 21 September 2015.

**Councillor Nicholas Hampshire**

**Chairman of the Audit Committee**

**21 September 2015**

**Movement In Reserves Statement – The Change In The Council’s Resources**

	General Fund Balance £'000	Revenue Ear-marked Reserves £'000 Note 21	Capital Receipts Reserve £'000 Note 19	Capital Grants Un-applied £'000 Note 20	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance as at 31 March 2013</b>	<b>(3,287)</b>	<b>(8,067)</b>	<b>(686)</b>	<b>(229)</b>	<b>(12,269)</b>	<b>(1,357)</b>	<b>(13,626)</b>
Deficit on provision of services 2013/14 (page 20)	1,637	0	0	0	1,637	0	1,637
Other comprehensive expenditure or income 2013/14 (page 20)	0	0	0	0	0	5,936	5,936
<b>Total Comprehensive Expenditure and Income 2013/14</b>	<b>1,637</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,637</b>	<b>5,936</b>	<b>7,573</b>
Adjustments between accounting basis and funding basis (note 52) 2013/14	(2,465)	0	(645)	(14)	(3,124)	3,124	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves 2013/14</b>	<b>(828)</b>	<b>0</b>	<b>(645)</b>	<b>(14)</b>	<b>(1,487)</b>	<b>9,060</b>	<b>7,573</b>
Transfers (to)/from earmarked reserves 2013/14 (note 21)	(503)	503	0	0	0	0	0
<b>(Increase)/Decrease in 2013/14</b>	<b>(1,331)</b>	<b>503</b>	<b>(645)</b>	<b>(14)</b>	<b>(1,487)</b>	<b>9,060</b>	<b>7,573</b>
<b>Balance as at 31 March 2014</b>	<b>(4,618)</b>	<b>(7,564)</b>	<b>(1,331)</b>	<b>(243)</b>	<b>(13,756)</b>	<b>7,703</b>	<b>(6,053)</b>
Surplus on provision of services 2014/15 (page 20)	(2,005)	0	0	0	(2,005)	0	(2,005)
Other comprehensive expenditure or income 2014/15 (page 20)	0	0	0	(15)	(15)	7,014	6,999
<b>Total Comprehensive Expenditure and Income 2014/15</b>	<b>(2,005)</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>(2,020)</b>	<b>7,014</b>	<b>4,994</b>
Adjustments between accounting basis and funding basis (note 52) 2014/15	350	0	420	(11)	759	(759)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves 2014/15</b>	<b>(1,655)</b>	<b>0</b>	<b>420</b>	<b>(26)</b>	<b>(1,261)</b>	<b>6,255</b>	<b>4,994</b>
Transfers (to)/from earmarked reserves 2014/15 (note 21)	1,149	(1,149)	0	0	0	0	0
<b>(Increase)/Decrease in 2014/15</b>	<b>(506)</b>	<b>(1,149)</b>	<b>420</b>	<b>(26)</b>	<b>(1,261)</b>	<b>6,255</b>	<b>4,994</b>
<b>Balance as at 31 March 2015</b>	<b>(5,124)</b>	<b>(8,713)</b>	<b>(911)</b>	<b>(269)</b>	<b>(15,017)</b>	<b>13,958</b>	<b>(1,059)</b>

This table shows that in 2014/15 the Council’s usable reserves which are available for future funding of services, increased by £1,261,000, due mainly to the increase on the General Fund as a result of the underspend on budget reported in the Explanatory Foreword and Cabinet outturn report. However this surplus is reduced by the £350,000 adjustments made to reflect how the Council is funded in law as opposed to on an accounting basis. Purely on an accounting basis the Council made a surplus of £2,005,000 and the details of why this is the case can be seen in the next statement the Comprehensive Income and Expenditure as the Surplus on the Provision of Services.

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

	2014/15 Gross Expenditure £'000	2014/15 Income £'000	2014/15 Net Expenditure £'000	2013/14 Net Expenditure £'000
Central Services (including Public Health)	2,347	(1,165)	1,182	973
Corporate & Democratic Core	3,288	(1,111)	2,177	2,321
Cultural & Related Services	4,882	(3,370)	1,512	3,776
Environmental & Regulatory Services	7,464	(1,949)	5,515	6,565
Highways & Transport Services	1,561	(2,353)	(792)	(727)
Housing Services	62,370	(59,811)	2,559	2,373
Planning Services	3,914	(1,527)	2,387	2,727
Non Distributed Costs	56	(38)	18	218
<b>Cost of Services</b>	<b>85,882</b>	<b>(71,324)</b>	<b>14,558</b>	<b>18,226</b>
<b>Other Operating Expenditure</b>				
Parish precepts	865	0	865	838
Drainage board levy	320	0	320	324
Housing capital receipts pool	1	0	1	1
Losses/(gains) on disposal of non-current assets (note 17)	538	(102)	436	(31)
<b>Financing and Investment Income and Expenditure</b>				
Interest payable & similar charges	68	0	68	82
Net interest on the net defined pension liability	4,754	(2,526)	2,228	1,768
Interest receivable & similar income	8	(126)	(118)	(117)
(Gains)/losses on Trading Undertakings (note 12)	247	(415)	(168)	374
Income & expenditure - investment properties (note 34)	72	(220)	(148)	(50)
Losses/(gains) in relation to investment properties and changes in their fair value (note 34)	168	(301)	(133)	(54)
<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
Council tax	0	(7,749)	(7,749)	(7,428)
Business rate income	0	(17,434)	(17,434)	(15,971)
Tariff & levy for business rates paid to Government	12,473	0	12,473	11,711
Recognised capital grants and contributions	0	(329)	(329)	(230)
Council Tax freeze grant	0	(79)	(79)	(270)
Revenue support grant	0	(4,297)	(4,297)	(5,495)
New homes bonus	0	(2,269)	(2,269)	(1,763)
Other non-ringfenced government grants	0	(105)	(105)	(153)
Preceptors council tax support grant	0	(125)	(125)	(125)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(2,005)</b>	<b>1,637</b>
Surplus on revaluation of non-current assets (note 22)	These will not be reclassified to Provision of Services		(3,670)	(1,275)
Re-measurement of net defined pension liability (note 10)			10,521	7,080
Receipts from long-term debtors			66	131
Deficit on revaluation of available for sale assets (may be reclassified to Provision of Services)			82	0
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>6,999</b>	<b>5,936</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>4,994</b>	<b>7,573</b>

The CI&ES shows how the Surplus on the Provision of Services of £2,005,000 was achieved. In addition, it also shows the total change in the value of the Council with an increase in the valuation of its assets being offset by an increase in the accounting value of its forecast future pension costs. The £4,994,000 total shows the gains or losses in the value of the assets and liabilities of the Council and is the total of the movement on the Balance Sheet below.



## Balance Sheet – The Council's Resources

	Note	31 March 2015		31 March 2014	
		£'000	£'000	£'000	£'000
<b>Total Property, Plant and Equipment</b>	30		49,300		43,532
Heritage Assets	33	579		576	
Investment Property	34	2,753		2,620	
Intangible Assets		132		141	
Assets Held for Sale	38	0		374	
Long-Term Investments	27	1,420		3	
Long-Term Debtors	44	2,511		2,568	
			7,395		6,282
<b>Total Long-Term Assets</b>			<b>56,695</b>		<b>49,814</b>
<b>Current Assets</b>					
Short-Term Investments	48 T5	13,000		0	
Inventories		4		2	
Cash and Cash Equivalents	46	10,851		19,801	
Short-Term Debtors	45	3,849		3,596	
<b>Total Current Assets</b>			<b>27,704</b>		<b>23,399</b>
<b>Total Assets</b>			<b>84,399</b>		<b>73,213</b>
<b>Current Liabilities</b>					
Short-Term Creditors	39	(12,045)		(8,788)	
S106 Deferred Revenue Receipts	40	(170)		(1,098)	
Revenue Grant Receipts in Advance	14	(175)		(316)	
Provisions	43	(1,623)		(651)	
<b>Total Current Liabilities</b>			<b>(14,013)</b>		<b>(10,853)</b>
<b>Total Assets less Current Liabilities</b>			<b>70,386</b>		<b>62,360</b>
<b>Long-Term Liabilities</b>					
Deferred Liabilities	41	(753)		(834)	
Liability Related to Defined Benefit Pension Scheme	10(f)	(64,037)		(51,927)	
Capital Grant Receipts in Advance	42	(3,129)		(3,151)	
S106 Deferred Revenue Receipts	40	(597)		0	
Provisions	43	(811)		(395)	
<b>Total Long-Term Liabilities</b>			<b>(69,327)</b>		<b>(56,307)</b>
<b>Net Assets</b>			<b>1,059</b>		<b>6,053</b>

## Balance Sheet – The Council’s Resources

	Note	31 March 2015		31 March 2014	
		£'000	£'000	£'000	£'000
<b>Financing:</b>					
<b>Unusable Reserves</b>					
Revaluation Reserve	22	(11,915)		(8,572)	
Deferred Capital Receipts Reserve	26	(6)		(14)	
Accumulated Absences Account	28	142		120	
Capital Adjustment Account	23	(38,292)		(35,690)	
Collection Fund Adjustment Account	25	(91)		(79)	
Pensions Reserve	29	64,037		51,927	
Financial Instruments Adjustment Account	24	1		11	
Available for Sale Reserve	27	82		0	
<b>Total Unusable Reserves</b>			<b>13,958</b>		<b>7,703</b>
<b>Total Usable Reserves</b>	<b>18</b>		<b>(15,017)</b>		<b>(13,756)</b>
<b>Total Reserves</b>			<b>(1,059)</b>		<b>(6,053)</b>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

The usable reserves are detailed on the Movement in Reserves Statement and can be used to fund expenditure or reduce local taxation. The movement in cash that resulted in the Cash and Cash Equivalents balances of £10,851,000 shown above is detailed in the Cash Flow Statement.

As the responsible financial officer for Swale Borough Council, I hereby certify that these unaudited accounts give a true and fair view of the Authority’s financial position and financial performance in advance of approval.

Nick Vickers B.Sc (Econ), CPFA  
Head of Finance

Date: 21 September 2015

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

	2014/15		Restated 2013/14
	£'000	£'000	£'000
<b>Net (Deficit) or Surplus on the Provision of Services (see CI&amp;ES)</b>		<b>2,005</b>	<b>(1,637)</b>
Depreciation	1,536		1,628
Impairment & downward valuations	(2,874)		717
Amortisation	43		31
Movement in market value of investment property and upward revaluation	(133)		8
Increase in creditors	3,090		3,561
(Increase)/decrease in debtors	(723)		766
Increase/(decrease) in impairment for bad debts	415		(159)
(Increase)/decrease in inventories	(2)		4
Adjustments to fair value of soft loans	(10)		(24)
Movement in provisions	1,388		918
Movement in pension liability	1,590		1,474
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	538		689
<b>Adjustment to Net Surplus on the Provision of Services for Non-Cash Movements</b>		<b>4,858</b>	<b>9,613</b>
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities		(1,282)	(2,345)
<b>Net Cash Inflows from Operating Activities</b>		<b>5,581</b>	<b>5,631</b>
Purchase of property, plant and equipment, investment property and intangible assets	(863)		(491)
Purchase of short-term and long-term investments	(71,151)		(52,883)
Other payments for investing activities	(461)		0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	109		748
Proceeds from short-term and long-term investments	56,650		52,883
Other receipts from investing activities	1,609		2,380
<b>Net Cash (Outflows)/Inflows from Investing Activities</b>		<b>(14,107)</b>	<b>2,637</b>
Council Tax and business rates adjustments	(235)		1,687
Cash payments for the reduction of outstanding liabilities relating to finance leases	(189)		(494)
<b>Net Cash (Outflows)/Inflows from Financing Activities</b>		<b>(424)</b>	<b>1,193</b>
<b>Net (Decrease)/Increase in Cash or Cash Equivalents</b>		<b>(8,950)</b>	<b>9,461</b>
Cash and cash equivalents as at 1 April (note 46)		19,801	10,340
Cash and cash equivalents at 31 March (note 46)		10,851	19,801
<b>Net (Decrease)/Increase in Cash or Cash Equivalents During Year</b>		<b>(8,950)</b>	<b>9,461</b>

The figures for 2013/14 have been restated between debtors (operating activities) and Council Tax adjustments (financing activities). See note 45 for details. The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period and how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council’s future service delivery. Financing activities represent the cash effect of the collection of local taxes, i.e. council tax and business rates.

The cash flow for operating activities includes £118,000 for interest received (£117,000 2013/14) and £68,000 for interest paid (£82,000 2013/14).

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

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code and the Service Reporting Code of Practice 2014/15, supported by IFRS.

### **Accounting Convention**

The accounting convention adopted in the Statement of Accounts for the basis of measurement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future. The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts.

### **Accruals and Revenue Recognition**

Expenditure and Income is accounted for in the year that it takes place, not simply when cash payments are made or received and relates to activity on all of the Council's functions including non-exchange transactions e.g. council tax and business rates. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;
- revenue relating to such things as council tax, business rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and,
- 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 utility bills, insurance premiums and income from car parking, which are, in the main, charged to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year.

## **2. Accounting Policies**

### **Capital Receipts**

Income from the sale of capital assets is categorised as capital receipts and credited to the Usable Capital Receipts Reserve. After deductions the usable element can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

### **Cash and Cash Equivalents**

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

If interest is not redeemable on the Balance Sheet date, this would be classified as accrued interest, which would fall under 'short-term investments' on the Balance Sheet if material.

### **Contingent Liabilities**

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is 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, which may require a payment or a transfer of economic benefits. The disclosures indicate the nature of the contingency and provide a brief description, an estimate of its financial effect (where possible) and an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

### **Credit Sale Arrangement**

A credit sale arrangement is where the Council enters into an agreement that has the features of a finance lease, but where some of the assets may be received in the future. Assets are capitalised and depreciated over their useful economic life.

The sum shown in the Balance Sheet (under Deferred Liabilities) is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. Where capital expenditure is due to be provided in future years, payments in advance are recognised in the Balance Sheet as appropriate.

### **Employee Benefits – Costs**

The cost of employees is charged to the accounts of the period within which the employees worked.

The Code requires that the Council identifies the costs of any employee benefits accrued but untaken at the Balance Sheet date. These costs primarily consist of any untaken leave and time in lieu. The accrual is charged to Surplus or Deficit on the Provision of Services on the CI&ES, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the CI&ES at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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.

### **Employee Benefits – Retirement Benefits**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross

## Notes to the Core Financial Statements

redemption yields (interest plus capital gain) as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.3%. The discount rate is the annualised yield at the 18-year point on the Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

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

- quoted securities – current bid price;
- unquoted securities – professional estimate of fair value;
- unitised securities – current bid price; and,
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for whom 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 Net Cost of Services as part of Non-Distributed Costs;
- net interest on the net defined benefit liability (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability that arises from the passage of time, which is charged to the Financing and Investment Income and Expenditure line of the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments;
- return on plan assets – the funds that are built up to finance the pension payments are the plan assets and this shows the return on them excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- changes in financial/ democratic assumptions, loss of defined benefit obligation, other losses and return on assets less interest – 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. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions by scheme participants – cash paid as employee contributions to the KCC Pension Fund;
- employer contributions – cash paid as employer contributions to the KCC Pension Fund; and,
- benefits paid – payments made directly to pensioners from the KCC Pension Fund.

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

The Fund's Actuary determines employers' contributions to the pension scheme on a triennial basis. The last actuarial valuation took place on 31 March 2013 and the change in contribution rates as a result of that valuation took effect from 1 April 2014.

### Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts,

## Notes to the Core Financial Statements

corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

### Financial Instruments

Financial instruments are recognised on the Balance Sheet only when the Council becomes a party to the contractual provisions of the instrument. Trade receivables are an exception as they are not recognised when the Council becomes committed to supply the goods or service but when the ordered goods or services have been delivered or rendered. Similarly, trade payables are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- available-for-sale – this category includes;
  - Money Market Funds (MMFs) and are initially measured and carried at fair value;
  - British Government Stocks which are shown in the Balance Sheet at cost;
  - Investment in CCLA Property Fund (see below); and,
- loans and receivables – this category includes fixed term deposits, call accounts and trade receivables (debtors) and are initially measured at fair value and carried at their amortised cost.

Financial liabilities are classified as financial liabilities measured at amortised cost.

In March 2015 the Council made an investment in the CCLA Property Fund whereby it purchases, along with many other organisations, units in the fund at the relevant bid price at the time of the investment. At the end of the financial year the value of the investment is adjusted to the published bid price at the balance sheet date. This could be higher or lower than the purchase price. The investment is accounted for as an “available for sale financial asset” within long-term investments and the value of the investment at 31 March is shown on the Balance Sheet with the gain or loss on the investment taken to the Available for Sale Reserve.

The fair value of a financial instrument on initial recognition is generally the transaction price. The Council’s long-term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost.

Annual charges to the CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The reconciliation of amounts charged to the CI&ES 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.

The Council has made loans with nil interest charged (soft loans). The interest rate used to calculate the fair value of soft loans is arrived at by taking the Council’s effective loss on interest receivable over the life of the instrument. No allowance for the risk that the loan might not be repaid has been applied as a charge is placed on each property for Housing Interest Loans. The fair value of soft loans is only calculated where the value of the outstanding advance is over £100,000. For accounting purposes a charge based on an appropriate rate of interest is charged to the CI&ES, but this is then reversed out through a transfer to the Financial Instruments Adjustment Account, via the Movement in Reserves Statement so this is not borne by the local taxpayer.

### Government Grants and Other External Contributions

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, grants specific to a service will be shown against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council’s share of business rates from the Collection Fund are credited and disclosed separately in the CI&ES under Taxation and Non-Specific Grant Income.

Capital grants and contributions received will be credited in full to the CI&ES on receipt where there are no conditions attached to their use, and in the year that the capital expenditure is incurred where there are conditions attached to their use.

### Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available, the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts.

### Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation, which for computer software has been assessed, by default, as up to a maximum of seven years.

### Interests in Companies

The Authority has identified interests in a company (as an associate) and another entity (as a subsidiary) that would require it to prepare group accounts. The value of these two interests is not material and the Council has not prepared group accounts for this reason. The interests are recorded in the Authority's own single-entity accounts in accordance with proper accounting practices.

### Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between parties at arm's length (i.e. market value, the amount that would be paid for the asset in its highest and best use). Properties are not depreciated but are revalued annually according to market conditions at the year-end.

### Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other bodies that involve the use of the assets and resources of the bodies rather than the establishment of a separate entity.

The Council maintains 'shared service' operations in respect of its Human Resources, Parking, Internal Audit, Legal, Information Technology, Planning Support, Local Land Charges, Environmental Health and Building Control services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the MKIP Board is a non-decision making body (decisions to enter into a shared service and the level of involvement and consequent cost, lie with each authority via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. The arrangements do not allow a position where two authorities can compel a third to do something. Operational management is via the relevant Shared Service Board, which is comparable to a contract monitoring meeting. The Council's level of 'control' is therefore no more than in any other contractual arrangement and accordingly all expenditure and income of these services is accounted for within the CI&ES.

### Leases

Finance Leases – the Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council.

Operating Leases – leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease on an accruals basis, generally meaning that rentals are charged when they become payable.

The IFRS reporting arrangements require the Council to determine whether or not it benefits from the exclusive use of property, plant or equipment within any of its contract arrangements with third parties. If the Council decides that this is the case it has to decide whether the arrangement is to be considered a lease in accordance



## Notes to the Core Financial Statements

with International Financial Reporting Interpretations Committee (IFRIC) 12. The Council has determined that the contract for provision of service vehicles falls within these requirements and the costs associated with this are reported as part of the notes to the Core Financial Statements.

### Long-Term Liabilities

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

### Material Items of Income and Expense

Material items of income and expense are to be shown separately on the face of the CI&ES. For this purpose an item is judged to be material if in excess of £0.5 million.

### Non-Current Assets – 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.

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

The Council operates a de minimus level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Property, plant and equipment non-current assets can be analysed as:

#### Operational assets -

- land and buildings
- infrastructure assets
- vehicles, plant, furniture and equipment
- community assets
- leased assets

#### Non-operational assets -

- surplus land and buildings
- assets under construction

Each of these asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- infrastructure, assets under construction and community assets are valued at historic cost, net of depreciation;
- leased non-current assets are valued at fair value, determined as historic cost less depreciation; and,
- all other assets are valued at fair value, determined as either the amount that would be paid for the asset in its existing use or, if the existing use value cannot be determined, the replacement cost net of depreciation (known as DRC).

The Council's approach to revaluation is to have a rolling programme of revaluations over five years. A selection of categories of assets (e.g. car parks) is included in the annual revaluation. If there is judged to have been a material change in the valuation of a category of asset then all assets in that category will be revalued. Assets which have a significant value, have been revalued for 2014/15 even if they were not scheduled to be so according to the five year programme. This policy does not comply with the Code as amended for IAS 16 which requires local authorities to revalue all assets within a particular class in the same financial year. The Council's approach is to value all assets over a five-year period on a rolling basis as the anticipated cost of amending this approach would not provide sufficient value for money when balanced against the impact on the reader based on materiality.

As the Council's principal assets are revalued, any gains arising from revaluation are reflected in the Revaluation Reserve or, where previous losses have occurred, are credited to the CI&ES to the limit of the previous loss. A loss is charged to the Revaluation Reserve to the limit of that fund and thereafter is charged to the CI&ES. The

## Notes to the Core Financial Statements

programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim period, as they occur. Where assets are valued at Depreciated Replacement Cost, this has only been undertaken where there is no active market for that asset.

The Council applies the principles of component accounting where an asset has a gross book value in excess of £1 million and a residual life of over 25 years. In addition to this, any expenditure on the eligible asset must be in excess of £100,000.

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

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

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

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

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

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The useful lives of assets are estimated on a realistic basis. They are reviewed regularly and, where necessary, revised. Where the useful life of a non-current asset is revised, the carrying amount of the non-current asset is depreciated over the revised remaining useful life.

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

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

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

Proceeds from disposals and other receipts are categorised as capital receipts whenever possible. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve. Receipts from disposals are appropriated to the Usable Capital Receipts Reserve from the CI&ES.

## Notes to the Core Financial Statements

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 CI&ES. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds; if costs are incurred in years before the capital receipt then the costs are met from the Capital Receipts Reserve with unused capital receipts from other disposals.

### Non-Current Assets Held For Sale

These are assets that have been declared surplus to the Council's operational requirements and are being actively marketed, but are not anticipated to be sold within twelve months of the Balance Sheet date. They will be reported on the Balance Sheet at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets available-for-sale are not subject to depreciation.

### Non-Current Assets – Charges to Revenue

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the CI&ES by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Service Reporting Code of Practice 2014/15'. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core and Non Distributed costs. These two cost categories are accounted for as separate headings in the CI&ES as part of Cost of Services.

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected by restating the opening balances and comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

### Provisions

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

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments

## Notes to the Core Financial Statements

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 service.

### Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building maintenance reserve, are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the CI&ES, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

### Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset.

Any grants receivable by a Council in relation to REFCUS will be accounted for as revenue grants in the CI&ES, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to, in accordance with the general provisions for accounting for grants. However, in the Movement in Reserves Statement, the grant will be treated as being made towards capital expenditure and reversed out of the General Fund Balance to the Capital Adjustment Account (or the Capital Grant Unapplied Account if the grant has not yet been applied).

### Segmental Reporting

A segment is a component of the Council's service activity, which can be distinguished separately as providing services either by nature of the business or to particular areas of the community. The Council's primary reporting format during the year is by service but traditionally the Statement of Accounts has been prepared according to the Service Reporting Code of Practice. The Council is only required to report Segments that constitute a significant proportion of the Council's total business but information has been prepared for all activities as this provides more meaningful data.

### Value Added Tax (VAT)

VAT is accounted for separately and is included in income and expenditure accounts to the extent that it is not recoverable, whether of a capital or revenue nature. VAT paid which is not recoverable from HM Revenue & Customs will be charged to service revenue accounts. The Council's partial exemption status is reviewed on an annual basis.

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

For 2014/15 the Council needs to be aware of the following accounting policy changes. These come into effect from the 2015/16 Financial Statements:

- IFRS 13 Fair Value Measurement (May 2011);
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts; and,
- IFRIC 21 Levies.

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

## 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are below:

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The current value of Land & Building assets (operational and non-operational) as at 31 March 2015 is £41.6 million.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £36,600 should the useful life of each property be reduced by one year.
<b>Debtor Arrears (including Housing Benefit Overpayments)</b>	At 31 March 2015 the Council had a gross balance for sundry debtors of £3.8 million. A review of significant balances suggested that an impairment for doubtful debts of 50% (£1.9 million) was appropriate. However, in the current economic climate it is not certain that this would be sufficient.	If collection rates were to fall the cost of covering the impairment of doubtful debts would require an additional £38,000 to be set aside for every 1% reduction in collection rates.
<b>Business Rate Appeals</b>	As at 31 March 2015 a provision for business rates appeals relating to the Collection Fund has been set aside of £5.6 million (the Council's share is £2.2 million). Business rates appeals are particularly difficult to forecast and the outcome of appeals and their financial impact on the Council are monitored regularly.	If the number of properties under appeal changes, the provision for appeals would require an additional £56,000 for every 1% increase in total rateable value under appeal.

Pension Assumptions and Uncertainty – The table in note 10 details the effect if the actual result differs from the assumptions.

### 5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies (note 1), the Council has made the following critical judgements about complex transactions or those involving uncertainty about future events:

- there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends;
- business rates – valuation appeals. The changes from April 2013 regarding the retention of business rates give rise to the Council being liable for losses on business rates arising from valuation appeals in respect of 2014/15 and earlier years. The total estimated value for these appeals on 1 April 2015 is £5.6 million of which the Council's share is £2,246,000; and,
- group accounts have not been prepared for the Faversham Swimming Pool Committee or for Opportunities for Sittingbourne on the grounds of materiality. Details are provided in the note on Group Accounts.

### 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance on 21 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date have provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information. The financial statements and notes have not been adjusted for any events which took place after 31 March 2015.

### 7. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Head of Finance on 21 September 2015.

## Notes to the Core Financial Statements

### Pay and Pensions

#### 8. Officers' Remuneration and Termination Benefits

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was:

Remuneration Band	2014/15 Number of Employees	2013/14 Number of Employees
£50,000 - £54,999	13	13
£55,000 - £59,999	3	1
£60,000 - £64,999	1	1
£70,000 - £74,999	0	1
£75,000 - £79,999	5	6
£90,000 - £94,999	1	1
£140,000 - £144,999	0	0
£145,000 - £150,000	1	1
<b>Total</b>	<b>24</b>	<b>24</b>

These remuneration bands include senior employees – this has been applied consistently to both years. Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice. In 2014/15 one employee is included in the above table as a result of this;
- expense allowances chargeable to tax i.e. the profit element of car allowances; and,
- the monetary value of any other benefits.

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

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 £	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 – £20,000	5	5	0	0	5	5	52,000	32,900
£20,001– £40,000	0	1	0	0	0	1	0	24,800
£40,001- £60,001	1	0	0	0	1	0	47,100	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>99,100</b>	<b>57,700</b>
Total paid to employee							87,800	42,200
Total paid to KCC for contracted payments for pension scheme							11,300	15,500
<b>Total</b>							<b>99,100</b>	<b>57,700</b>

In 2013/14 an estimate of £15,500 was made for one employee's contracted payment with KCC. The actual cost in 2014/15 to the Council was £6,300 higher. This is not included in the above 2014/15 figures and the 2013/14 figures have not been restated. This cost is included in the CI&ES for 2014/15.

In 2014/15, £32,700 was paid by the Council for legal and planning Mid Kent shared service staff exit packages not employed by the Council as per the shared services contracts. There were nil payments in 2013/14. These costs are included in the CI&ES for 2014/15.

- a) Disclosure of remuneration for senior employees whose salary is £150,000, or more per year.  
Not applicable.
- b) Senior Officers whose emoluments/salary is between £50,000 and £150,000 per year.

## Notes to the Core Financial Statements

(b) 2014/15 Post holder Information (Post title)	Point	2014/15 Salary, Fees & Allowances £'000	2014/15 Pension Contributions £'000	2014/15 Total Remuneration £'000	2013/14 Total Remuneration £'000
Chief Executive		149	46	195	189
Director of Corporate Services		95	30	125	122
Head of Legal Services		78	24	102	110
Director of Regeneration		57	18	75	93
Head of Service Delivery	1	47	0	47	100
Head of Development Services		77	24	101	101
Head of Economic Development & Cultural Services		77	24	101	99
Head of Commissioning & Customer Contact		78	25	103	100
Head of Corporate Governance & Communications	2	0	0	0	58
Policy & Performance Manager		53	17	70	68
Head of Housing Services		77	24	101	98
Chief Executive Thames Gateway Kent Partnership		64	20	84	83
Head of Audit Partnership	3	0	0	0	0
Head of Human Resources (HR) Partnership	4	0	0	0	0
Head of Finance	5	0	0	0	0
<b>Total</b>		<b>852</b>	<b>252</b>	<b>1,104</b>	<b>1,221</b>

**Point 1:** Post holder worked part time in 2014/15.

**Point 2:** Post holder left July 2013.

**Point 3:** The Head of Audit Partnership – disclosure covering this post will be made by Maidstone Borough Council.

**Point 4:** The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

**Point 5:** The Head of Finance works across both Swale and Kent County Council – disclosure covering this post will be made by Kent County Council.

More details on the cost of shared services can be seen on note 13.

### 9. Members' Allowances

	2014/15 £'000	2013/14 £'000
Basic allowance	220	212
Special responsibility allowance	133	125
Members travel and IT allowance	27	28
<b>Total</b>	<b>380</b>	<b>365</b>

The Members' Allowances Scheme can be inspected on the Council website <http://www.swale.gov.uk/members-allowances/> or during normal office hours at the Council offices, Swale House, East Street, Sittingbourne ME10 3HT.

## 10. Defined Benefit Pension Scheme

a) Nature of Benefits of Defined Benefit Pension Schemes.

The Council is a member of the LGPS which is a national scheme that is administered locally on its behalf by KCC – all employees have the right to join the scheme. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' pay and length of service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. Employee contribution rates are set by Government and range from 5.5% to 12.5%. The fund actuary, Barnett Waddingham, sets the employer contribution rate.

b) Regulatory Framework of Defined Benefit Pension Schemes

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

c) Risks of Defined Benefit Pension Schemes

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

d) Other Factors Affecting Pension Payments

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

e) Revenue Transactions Relating to Retirement Benefits

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services:		
Service cost comprising:		
Current service cost	1,739	2,009
Past service cost	180	0
Administration expenses	43	48
Net interest on the net defined benefit liability	2,228	1,768
<b>Total Retirement Benefits Charged to the Surplus/ Deficit on the Provision of Services</b>	<b>4,190</b>	<b>3,825</b>



## Notes to the Core Financial Statements

	2014/15 £'000	2013/14 £'000
Other Retirement Benefits Charged to Other Comprehensive Income and Expenditure:		
Return on plan assets in excess of interest	(3,883)	(2,249)
Other (gains)/ losses on assets	0	3,285
Change in financial assumptions	14,528	305
Change in demographic assumptions	0	2,444
Experience (gain)/ loss on defined benefit obligation	(124)	3,295
<b>Total Re-measurements recognised in Other Comprehensive Income and Expenditure</b>	<b>10,521</b>	<b>7,080</b>
<b>Total Retirement Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,711</b>	<b>10,905</b>
<b>Movement in Reserves Statement</b>		
Reduction of charges made to the surplus/ deficit on the Provision of Services for retirement benefits to equal actual payments in accordance with the Code	(1,590)	(1,474)
<b>Employers' Contributions Payable to the Scheme</b>	<b>2,600</b>	<b>2,351</b>
<b>Actual Return on Scheme Assets less Interest</b>	<b>3,883</b>	<b>2,249</b>

f) Pension Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans is as follows:

	2014/15 £'000	2013/14 £'000
Present value of the defined benefit obligation	123,863	106,481
Fair value of plan assets	(63,177)	(57,789)
<b>Sub total</b>	<b>60,686</b>	<b>48,692</b>
Present value of unfunded obligation	3,351	3,235
<b>Net liability in Balance Sheet</b>	<b>64,037</b>	<b>51,927</b>

g) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets and Liabilities (Defined Benefit Obligation)

The Pensions Reserve figure in the Balance Sheet consists of the total assets plus liabilities detailed below.

Reconciliation of present value of the scheme liabilities	2014/15 £'000	2013/14 £'000
<b>Opening balance as at 1 April – defined benefit obligation</b>	<b>(109,715)</b>	<b>(100,828)</b>
Current service cost	(1,739)	(2,009)
Interest cost	(4,754)	(4,166)
Contributions by scheme participants	(501)	(474)
Changes in demographic assumptions	0	(2,444)
Changes in financial assumptions	(14,528)	(305)
Past service costs	(180)	0
Experience loss on defined benefit obligation	124	(3,295)
Benefits paid including unfunded pension payments	4,079	3,805
<b>Closing balance as at 31 March – defined benefit obligation</b>	<b>(127,214)</b>	<b>(109,716)</b>

## Notes to the Core Financial Statements

Reconciliation of fair value of the scheme assets	2014/15 £'000	2013/14 £'000
<b>Opening balance as at 1 April – fair value of scheme assets</b>	<b>57,789</b>	<b>57,455</b>
Interest on assets	2,526	2,398
Return on assets less interest	3,883	2,249
Other losses	0	(3,285)
Administration expenses	(43)	(48)
Employer contributions	2,600	2,351
Contributions by scheme participants	501	474
Benefits paid including unfunded pension payments	(4,079)	(3,805)
<b>Closing balance as at 31 March – fair value of scheme assets</b>	<b>63,177</b>	<b>57,789</b>

### h) Pension Scheme Assets

The Pension Scheme's 2014/15 assets consist of the following categories, by proportion of the total assets held:

	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Equity investments	43,247	69	41,114	71
Gilts	662	1	579	1
Bonds	7,039	11	6,370	11
Property	7,861	12	5,791	10
Cash	1,624	3	1,619	3
Target return portfolio	2,744	4	2,316	4
<b>Total</b>	<b>63,177</b>	<b>100</b>	<b>57,789</b>	<b>100</b>

Asset Category	31 March 2015				31 March 2014			
	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets
<b>Equity Securities (All UK unless stated)</b>								
Consumer	6,771	0	6,771	10.7%	4,223	0	4,223	7.3%
Manufacturing	3,607	0	3,607	5.7%	2,871	0	2,871	5.0%
Materials, energy and utilities	3,101	0	3,101	4.9%	3,934	0	3,934	6.8%
Financial services	6,835	0	6,835	10.8%	5,308	0	5,308	9.2%
Health and care	1,709	0	1,709	2.7%	2,200	0	2,200	3.8%
Information technology	2,278	0	2,278	3.6%	2,833	0	2,833	4.9%
Other	17,655	0	17,655	27.9%	18,721	0	18,721	32.3%
Private equity/ infrastructure (overseas)	0	1,266	1,266	2.0%	0	1,024	1,024	1.8%
<b>Corporate Bonds</b>								
UK	3,734	0	3,734	5.9%	382	0	382	0.7%
Overseas	3,354	0	3,354	5.3%	3,527	0	3,527	6.1%
Overseas fixed interest government securities	633	0	633	1.0%	3,040	0	3,040	5.3%
<b>Property</b>								
Retail	0	3,038	3,038	4.8%	0	2,339	2,339	4.0%
Offices	0	1,518	1,518	2.4%	0	840	840	1.5%

## Notes to the Core Financial Statements

Asset Category	31 March 2015				31 March 2014			
	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	Total £'000	% of Total Assets
Industrial	0	1,076	1,076	1.7%	0	935	935	1.6%
Other	0	2,278	2,278	3.6%	0	1,677	1,677	2.9%
<b>Others</b>								
Absolute return portfolio	0	2,718	2,718	4.3%	0	2,316	2,316	4.0%
Cash/ temporary investments	0	1,226	1,226	1.9%	0	1,619	1,619	2.8%
Net debtors/ creditors	0	380	380	0.6%	0			
<b>TOTALS</b>	<b>49,677</b>	<b>13,500</b>	<b>63,177</b>	<b>100%</b>	<b>47,039</b>	<b>10,750</b>	<b>57,789</b>	<b>100%</b>

i) Basis for Estimating Assets and Liabilities

Estimates of the liability are based on the rolled forward value of the employer's liabilities calculated for the triennial valuation of the scheme as at 31 March 2013, allowing for the different assumptions required under IAS 19.

	31 March 2015	31 March 2014
Mortality assumptions:	Years	Years
Longevity at 65 if retiring today :		
Men	22.8	22.7
Women	25.2	25.1
Longevity at 65 for if retiring in 20 years:		
Men	25.1	24.9
Women	27.6	27.4
Rate of inflation (RPI increases)	3.2%	3.6%
Rate of inflation (CPI Increases)	2.4%	2.8%
Rate of increase in salaries	4.2%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate of discounting scheme liabilities	3.3%	4.4%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## Notes to the Core Financial Statements

Uncertainty	Sensitivity Analysis		
	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	124,994	127,214	129,475
Projected service cost	2,098	2,151	2,205
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	127,513	127,214	126,917
Projected service cost	2,152	2,151	2,150
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	129,194	127,214	125,269
Projected service cost	2,204	2,151	2,099
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	122,759	127,214	131,709
Projected service cost	2,078	2,151	2,225

### j) Funding and Investment Strategy

KCC as administering authority for the Kent Pension Fund maintains a Funding and Investment Strategy as required by the pensions and (where relevant) investment regulations. The funding objectives are to ensure the long-term solvency of the Fund, ensure that sufficient funds are available to meet all benefits as they fall due for payment and enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers. The aim of its investment strategy is to maximise the risk of an overall reduction in the Fund's value and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Funding and Investment Strategy is reviewed annually or more frequently if necessary.

### k) Impact of Pension Scheme on Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The Fund is valued once every three years and the latest valuation was at 31 March 2013. The valuation disclosed a net deficit of £24.2 million i.e. projected liabilities exceed assets and the change in contribution rates as a result of that valuation took effect from 1 April 2014. All local authority funds are in deficit and all local authority employers in the Kent Fund are in deficit. The employer's contribution has been agreed with the Actuary and is based on the aim of eliminating the deficit over 18 years.

The LGPS is a defined benefit statutory scheme administered in accordance with the LGPS Regulations 2013 and LGPS Transitional Regulations 2014, is contracted out of the State Second Pension and benefits accrued up to 31 March 2013 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 under the Public Pensions Services Act 2013 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The total contributions expected to be made to the LGPS by the Council in 2015/16 is £2.383 million.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2014/15 (18 years 2013/14).

## Notes to the Core Financial Statements

### Day to Day Spending - Revenue

#### 11. Segmental Reporting – Amounts Reported for Resource Allocation Decisions

The income and expenditure of the Council's departments recorded in the monitoring reports for the year is below.

	2014/15					2013/14
	Staff Costs £'000	Other Service Expenses £'000	Government Grants £'000	Fees, Charges & Service Income £'000	Total £'000	Net Expenditure £'000
Commissioning & Customer Contact	1,491	7,143	(439)	(3,064)	5,131	7,191
Economy & Communities	1,117	1,202	(281)	(108)	1,930	1,515
Resident Services	2,768	56,722	(57,211)	(874)	1,405	1,167
Planning	1,405	721	0	(1,422)	704	926
Chief Executive	213	17	0	(1)	229	341
Support services	3,475	3,508	(244)	(1,861)	4,878	4,686
Other	1,677	1,228	(73)	(1,029)	1,803	440
<b>Total Service Expenditure</b>	<b>12,146</b>	<b>70,541</b>	<b>(58,248)</b>	<b>(8,359)</b>	<b>16,080</b>	<b>16,266</b>
Revenue rollover specific grants	0	0	174	0	174	316
Net revenue rollover non-specific grants and transfer to resilience reserve	0	0	553	0	553	700
<b>Net Expenditure</b>	<b>12,146</b>	<b>70,541</b>	<b>(57,521)</b>	<b>(8,359)</b>	<b>16,807</b>	<b>17,282</b>
Financed by:						
Government grants	0	0	(10,557)	0	(10,557)	(11,886)
Council tax	0	0	0	(7,749)	(7,749)	(6,593)
<b>Net Service Expenditure Reported to Management</b>	<b>12,146</b>	<b>70,541</b>	<b>(68,078)</b>	<b>(16,108)</b>	<b>(1,499)</b>	<b>(1,197)</b>

This reconciliation shows how the figures in the analysis of departments' income and expenditure relate to the amounts included in the CI&ES.

NB - Due to a restructure of the Council's management responsibilities during 2014/15 several individual services within the table above have changed classification and so are not directly comparable with the 2013/14 analysis.

	2014/15 £'000	2013/14 £'000
Net service expenditure reported to management	(1,499)	(1,197)
Net revenue rollover - non specific grants	(362)	(700)
<b>Net Service Expenditure</b>	<b>(1,861)</b>	<b>(1,897)</b>
Amounts in the CI&ES not reported in the departmental monitoring reports	1,356	566
Amounts in the departmental monitoring reports not in the CI&ES	15,063	19,557
<b>Cost of Services in CI&amp;ES</b>	<b>14,558</b>	<b>18,226</b>

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CI&ES.

## Notes to the Core Financial Statements

	2014/15						2013/14
	Total Service Expenditure Reported To Management £'000	Amounts in the CI&ES not reported in the Departmental monitoring reports £'000	Amounts in the Departmental monitoring reports not in the CI&ES £'000	Cost of Services in CI&ES £'000	Corporate Amounts £'000	(Surplus) / Deficit on Provision of Services in CI&ES £'000	(Surplus) / Deficit on Provision of Services in CI&ES £'000
Fees, charges & other service income	(15,146)	0	0	(15,146)	0	(15,146)	(14,793)
Interest & investment income	0	0	118	118	(118)	0	0
Income from Council Tax	0	0	7,749	7,749	(7,749)	0	0
Government grants & contributions	(69,040)	0	12,165	(56,875)	(12,165)	(69,040)	(68,273)
Trading undertakings	0	0	415	415	(415)	0	0
Gain on disposal on non-current assets	0	0	102	102	(102)	0	0
Gain on investment changes in fair value	0	0	301	301	(301)	0	0
Investment properties	0	0	220	220	(220)	0	0
<b>Total Income</b>	<b>(84,186)</b>	<b>0</b>	<b>21,070</b>	<b>(63,116)</b>	<b>(21,070)</b>	<b>(84,186)</b>	<b>(83,066)</b>
Employee expenses	12,146	0	0	12,146	0	12,146	11,777
Other service expenses	70,541	1,356	0	71,897	0	71,897	70,658
Depreciation, impairment & amortisation	0	0	(3,728)	(3,728)	2,228	(1,500)	2,968
Interest payments	0	0	(68)	(68)	68	0	0
Precepts & levies	0	0	(1,185)	(1,185)	1,185	0	0
Payments to housing capital receipts pool	0	0	(1)	(1)	1	0	0
Loss on disposal of non-current assets	0	0	(538)	(538)	538	0	0
Investment properties	0	0	(72)	(72)	72	0	0
Loss on investment changes in fair value	0	0	(168)	(168)	168	0	0
Trading undertakings	0	0	(247)	(247)	247	0	0
<b>Total Expenditure</b>	<b>82,687</b>	<b>1,356</b>	<b>(6,007)</b>	<b>78,036</b>	<b>4,507</b>	<b>82,543</b>	<b>85,403</b>
<b>Net Expenditure</b>	<b>(1,499)</b>	<b>1,356</b>	<b>15,063</b>	<b>14,920</b>	<b>(16,563)</b>	<b>(1,643)</b>	<b>2,337</b>
Net revenue rollover, non-specific grants and transfer to Resilience Reserve	(362)	0	0	(362)	0	(362)	(700)
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(1,861)</b>	<b>1,356</b>	<b>15,063</b>	<b>14,558</b>	<b>(16,563)</b>	<b>(2,005)</b>	<b>1,637</b>

## Notes to the Core Financial Statements

### 12. Trading Operations

Trading operations relate to those activities that operate in a commercial environment.

	2014/15 Expenditure £'000	2014/15 Income £'000	2014/15 Net Expenditure £'000	2013/14 Net Expenditure £'000
Property Portfolio	210	(376)	(166)	328
Markets	37	(39)	(2)	46
<b>Total</b>	<b>247</b>	<b>(415)</b>	<b>(168)</b>	<b>374</b>

The net expenditure above for the Property Portfolio relates to those properties not classified on the Council's Balance Sheet as Investment property, but as Property Plant & Equipment and Held for Sale.

The three markets in Swale produce an annual income for the Council excluding impairment. They are currently based in Sittingbourne, Sheerness and Faversham.

### 13. Shared Services

The Council participates in a number of shared service arrangements which are included in the CI&ES but which are detailed below:

	2014/15 Expenditure Other £'000	2014/15 Expenditure on Partners £'000	2014/15 Income Other £'000	2014/15 Income from Partners £'000	2014/15 Net Expenditure £'000	2013/14 Net Expenditure £'000
Planning Support	49	312	(9)	0	352	0
Local Land Charges	149	64	(243)	0	(30)	0
Environmental Health	581	178	(75)	(206)	478	0
Information Technology	630	445	(21)	0	1,054	1,088
Human Resources	137	246	(1)	0	382	333
Internal Audit	13	142	0	0	155	166
Legal	944	0	(32)	(462)	450	374
Parking	1,103	39	(2,295)	(20)	(1,173)	(1,082)
Building Control	0	82	0	0	82	88
<b>Total</b>	<b>3,606</b>	<b>1,508</b>	<b>(2,676)</b>	<b>(688)</b>	<b>1,750</b>	<b>967</b>

From June 2014 the Council's Planning Support and Local Land Charges services were provided via a partnership shared service arrangement with Tunbridge Wells (TWBC) and Maidstone Borough Councils (MBC) with all staff employed by MBC with the services being recharged to the other partners. From June 2014 the Environmental Health Service was also provided via a partnership shared service arrangement with TWBC and MBC and staff have remained with their respective councils. From November 2014 the Legal Partnership changed with all staff being employed by Swale Borough Council and then recharged to the other partners.

In 2014/15 Swale contributed £12,473 towards shared IT capital expenditure. Swale Borough Council has accrued its funding share to MBC as revenue expenditure funded from capital under statute.

### 14. Grant Income

Grants Credited to Taxation and Non Specific Grant Income

These are detailed in the CI&ES.

## Notes to the Core Financial Statements

### Grants Credited to Services

Grant Area	Provider	2014/15 £'000	2013/14 £'000
Housing benefit grant	Department for Work & Pensions	(55,155)	(55,021)
Revenue expenditure funded by capital under statute	Various Contributions	(952)	(1,336)
Housing benefit admin subsidy	Department for Work & Pensions	(727)	(996)
Open spaces and play areas – commuted sums	Various Contributions	(384)	(125)
Discretionary housing payment	Department for Work & Pensions	(346)	(303)
Communities living sustainability	Big Lottery Fund	(202)	(358)
Localising council tax support administration subsidy grant	Department for Communities and Local Government	(194)	0
Troubled families grant	Kent County Council	(119)	(16)
Localising council tax – new burdens funding	Department for Communities and Local Government	(100)	(93)
Other grants	Various Contributions	(657)	(685)
<b>Total Grant Income Credited to Cost of Services</b>		<b>(58,836)</b>	<b>(58,933)</b>

A change in the accounting treatment for commuted sums to reflect the original agreements has resulted in an in-year increased contribution.

### Revenue Grants – Receipts in Advance

The revenue grants receipts in advance for 2014/15 were £174,840 (£316,000, 2013/14).

### Capital Grants - Receipts in Advance

Please see note 42 for a breakdown of Capital Grants Receipts in Advance.

## 15. External Audit Costs

The Council's auditors are Grant Thornton UK LLP who are one of the world's leading organisations of independent assurance. Included in 2014/15 is £27,620 for the cost of the certification of grant claims for 2013/14.

	2014/15 £'000	2013/14 £'000
Fees payable for external audit service	80	80
Fees payable for the certification of grant claims and returns	38	13
Audit Commission refund for prior years	(7)	(9)
<b>Total</b>	<b>111</b>	<b>84</b>

## 16. Private Finance Initiative

The Council belongs to a partnership with KCC and other Kent District Councils, to deliver new homes for vulnerable people in Kent using £72 million approved Private Finance Initiative credits. KCC is procuring and managing the project on behalf of the partners, so there are no further accounting implications for the Council.

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

Net losses of £436,200 were incurred for 2014/15 (net gain of £30,800 2013/14). Gains and losses on investment properties are under Financing and Investment Income and Expenditure in the CI&ES.



## Notes to the Core Financial Statements

### Council Resources - Reserves

#### 18. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 52 and 19-21 below.

#### 19. Usable Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and 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 year-end.

	2014/15 £'000	2013/14 £'000
<b>Balance as at 1 April</b>	<b>(1,331)</b>	<b>(686)</b>
Capital receipts in year from sale of assets	0	(742)
Capital receipts in year from repayment of grant	(102)	(56)
Capital receipts applied during the year – financing fixed assets	268	145
Capital receipts applied during the year – financing REFCUS	92	0
Capital receipts applied during the year – financing loans	168	0
Other movements	(6)	8
<b>Balance as at 31 March</b>	<b>(911)</b>	<b>(1,331)</b>

#### 20. Capital Grants Unapplied Account

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance 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.

#### 21. Revenue Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance 31 March 2013 £'000	Transfers out 2013/14 £'000	Transfers in 2013/14 £'000	Balance 31 March 2014 £'000	Transfers out 2014/15 £'000	Transfers in 2014/15 £'000	Balance 31 March 2015 £'000
General Reserve	(3,117)	109	(283)	(3,291)	204	0	(3,087)
Business Rates Resilience	0	0	0	0	49	(1,282)	(1,233)
Performance	(1,129)	224	0	(905)	158	0	(747)
Building Maintenance	(615)	96	0	(519)	4	(112)	(627)
Regeneration	(449)	194	(100)	(355)	299	(254)	(310)
Housing Benefits	(324)	79	(183)	(428)	93	(53)	(388)
Housing	(307)	69	0	(238)	57	0	(181)
Transformation	(279)	27	0	(252)	111	(52)	(193)
Local Loan Fund	(250)	0	0	(250)	0	0	(250)
Repairs & Renewals	(238)	75	(62)	(225)	46	(98)	(277)
Local Development Framework	(176)	5	0	(171)	0	(62)	(233)
Stay Put Grants	(147)	24	(23)	(146)	0	(12)	(158)

## Notes to the Core Financial Statements

	Balance 31 March 2013 £'000	Transfers out 2013/14 £'000	Transfers in 2013/14 £'000	Balance 31 March 2014 £'000	Transfers out 2014/15 £'000	Transfers in 2014/15 £'000	Balance 31 March 2015 £'000
Preceptors Council Tax Support	0	0	0	0	0	(125)	(125)
Development Control	(72)	0	0	(72)	39	(89)	(122)
Miscellaneous	(964)	630	(378)	(712)	509	(579)	(782)
<b>Total</b>	<b>(8,067)</b>	<b>1,532</b>	<b>(1,029)</b>	<b>(7,564)</b>	<b>1,569</b>	<b>(2,718)</b>	<b>(8,713)</b>

General Reserve	Its use is subject to the approval of members. The Council received £250,000 for the Queenborough Sea Wall Lease Premium in 2013/14; this was moved into the general reserve as agreed at Cabinet on 6 February 2013.
Business Rates Resilience	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
Performance	To improve overall performance. Officers are invited to submit a bidding list of proposals.
Building Maintenance	To meet items of backlog building maintenance as identified in the Council's medium term maintenance plan as well as urgent or unexpected items.
Regeneration	To fund regeneration projects in the Borough.
Housing Benefits	Savings made in staffing costs in Benefits achieved in 2013/14 were transferred to this reserve as agreed by Cabinet on 10 July 2013. This also includes unspent grants in 2014/15. This was used to cover the shortfall in grant in 2014/15.
Housing	This is made up of a number of housing reserves, including Rent Deposit Scheme Bond Reserve, Recession Funding Reserve and the Supporting People Reserve. All these reserves will help to fund the homelessness service in future years.
Transformation	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement and to fund all other redundancy costs.
Local Loan Fund	To support voluntary, community or not-for-profit organisations and town and parish councils in Swale to enable management and delivery of local services and facilities.
Repairs & Renewals	Regular contributions are made to this fund from the General Fund. Large items of expenditure are then charged to the service and funded from this reserve.
Local Development Framework	Under the Planning and Compulsory Purchase Act 2004, district Local Plans were replaced with Local Development Documents (LDDs). Together, the LDDs will comprise a Local Development Framework (LDF) for the district authority area. Any underspend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund LDF associated work.
Stay Put Grants	For ring fenced external funding for health grants and supporting people grants.
Preceptors Council Tax Support	Paid by KCC, Police and Fire to reflect the costs of council tax support localisation.
Development Control	To cover any potential fluctuations in planning fees and other related income.
Miscellaneous	This is made up of the earmarked reserves that are less than £100,000. A full list of these reserves is available upon request.

## 22. Revaluation Reserve

This contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage and Intangible assets.

The balance is reduced when assets with accumulated gains are:

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

## Notes to the Core Financial Statements

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

	2014/15 £'000	2013/14 £'000
<b>Balance as at 1 April</b>	<b>(8,572)</b>	<b>(7,485)</b>
Upward revaluation of assets	(3,938)	(1,945)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	268	690
Write down re gains derived from depreciation differences, between historic costs and current value.	327	108
Write down of accumulated gains on disposed assets	0	80
Other movements	0	(20)
<b>Balance as at 31 March</b>	<b>(11,915)</b>	<b>(8,572)</b>

### 23. Capital Adjustment Account

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

	2014/15 £'000	2013/14 £'000
<b>Balance as at 1 April</b>	<b>(35,690)</b>	<b>(37,357)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b>		
Depreciation of tangible non-current assets	1,536	1,628
Amortisation of intangible assets	43	31
Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	1,133	1,435
Revaluation Losses – impairment to CI&ES	197	911
Revaluation – reversal of prior impairments – other assets	(2,903)	(185)
Revaluation gain to CI&ES - investment assets	(301)	(1)
Disposal of assets – write out of notional gross book value	0	681
Disposal of assets – write out of accumulated depreciation	0	(10)
Derecognition of assets – write out of notional gross book value	632	2,767
Derecognition of assets - write out of accumulated depreciation	(94)	(2,749)
<b>Write down of Revaluation Reserve depreciation gains</b>	<b>(327)</b>	<b>(108)</b>
<b>Write down of Revaluation Reserve accumulated gains on disposed assets</b>	<b>0</b>	<b>(80)</b>
<b>Capital financing applied in the year:</b>		
Capital financing – capital receipts	(528)	(145)
Capital financing – capital reserves	(421)	(265)
Capital financing – Government grants and external contributions	(1,270)	(1,535)
Minimum revenue provision	(369)	(823)
Write down of financing long-term debtors	81	130
Adjustment to prior year	(11)	(15)
<b>Balance as at 31 March</b>	<b>(38,292)</b>	<b>(35,690)</b>

### 24. Financial Instruments Adjustment Account

This 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 movement in 2014/15 due to soft loans was £10,000 (£24,000, 2013/14).

## **25. Collection Fund Adjustment Account**

This manages the differences arising from the recognition of council tax and business rates income in the CI&ES as it falls due from council tax payers and business rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the Council's share of the overall Collection Fund surplus and the surplus for renewable energy income retained by the Council. The total movement in 2014/15 was an increase in surplus of £12,000 (£45,000 increase in surplus 2013/14).

## **26. Deferred Capital Receipts Reserve**

This holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. They arise principally from mortgages on sales of council houses. The movement on this reserve in 2014/15 was £8,000 (£9,000 movement 2013/14).

## **27. Available for Sale Reserve**

The Council invested £1.5m in the Church Charities and Local Authorities (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund which is carried in the Balance Sheet at its fair value of £1.4m, the difference being posted to the available for sale reserve. It is anticipated that this long-term investment will recover its value and will provide a return equal to or higher than those achieved by the Council's other current investments. The fair value is based on public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## **28. Accumulated Absences Account**

This absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave due carried forward at 31 March 2015. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account. The movement on this reserve in 2014/15 was an increase of £22,000 (£14,000 reduction 2013/14).

## **29. Pensions Reserve**

This absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees. 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 Council 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. Details on the movement in 2014/15 is shown on note 10 under Pension Assets and Liabilities Recognised in the Balance Sheet.

## **Long Term Spending - Capital**

### **30. Property, Plant and Equipment Assets**

Classification	Operational Assets	Non-Operational Assets	Total Property,
----------------	--------------------	------------------------	-----------------

## Notes to the Core Financial Statements

	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Plant & Equipment Assets £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2013</b>	<b>32,207</b>	<b>6,340</b>	<b>4,203</b>	<b>3,505</b>	<b>3,511</b>	<b>0</b>	<b>4,846</b>	<b>54,612</b>
Additions – capital spend	164	176	0	0	0	0	0	340
Revaluations	16	0	0	0	0	0	(176)	(160)
Derecognition	(2)	(439)	0	0	(2,341)	0	(18)	(2,800)
Reclassifications	13	24	(98)	(79)	(24)	0	164	0
<b>At 31 March 2014</b>	<b>32,398</b>	<b>6,101</b>	<b>4,105</b>	<b>3,426</b>	<b>1,146</b>	<b>0</b>	<b>4,816</b>	<b>51,992</b>
<b>Accumulated Depreciation and Impairments</b>								
<b>At 1 April 2013</b>	<b>(1,573)</b>	<b>(4,810)</b>	<b>(627)</b>	<b>(183)</b>	<b>(2,882)</b>	<b>0</b>	<b>(209)</b>	<b>(10,284)</b>
Depreciation	(649)	(350)	(88)	(25)	(457)	0	(59)	(1,628)
Impairment losses/(reversals)	668		0	0	0	0	25	693
Derecognition	0	433	0	0	2,324	0	2	2,759
Reclassifications	(1)	(13)	0	0	13	0	1	0
<b>At 31 March 2014</b>	<b>(1,555)</b>	<b>(4,740)</b>	<b>(715)</b>	<b>(208)</b>	<b>(1,002)</b>	<b>0</b>	<b>(240)</b>	<b>(8,460)</b>
<b>Net Book Value at 31 March 2014</b>	<b>30,843</b>	<b>1,361</b>	<b>3,390</b>	<b>3,218</b>	<b>144</b>	<b>0</b>	<b>4,576</b>	<b>43,532</b>
<b>Net Book Value at 31 March 2013</b>	<b>30,634</b>	<b>1,530</b>	<b>3,576</b>	<b>3,322</b>	<b>629</b>	<b>0</b>	<b>4,637</b>	<b>44,328</b>

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	
<b>Cost or Valuation</b>								
<b>At 1 April 2014</b>	<b>32,398</b>	<b>6,101</b>	<b>4,105</b>	<b>3,426</b>	<b>1,146</b>	<b>0</b>	<b>4,816</b>	<b>51,992</b>
Additions – capital spend	404	298	0	81	107	38	0	928
Revaluations	4,289	0	0	0	0	0	298	4,587
Derecognition	(125)	(62)	(128)	(246)	(8)	(63)	0	(632)
Reclassifications	(105)	0	(1,903)	1,919	0	63	400	374
<b>At 31 March 2015</b>	<b>36,861</b>	<b>6,337</b>	<b>2,074</b>	<b>5,180</b>	<b>1,245</b>	<b>38</b>	<b>5,514</b>	<b>57,249</b>
<b>Accumulated Depreciation and Impairments</b>								
<b>At 1 April 2014</b>	<b>(1,555)</b>	<b>(4,740)</b>	<b>(715)</b>	<b>(208)</b>	<b>(1,002)</b>	<b>0</b>	<b>(240)</b>	<b>(8,460)</b>
Depreciation	(872)	(333)	(56)	(53)	(146)	0	(76)	(1,536)
Impairment losses/(reversals)	1,796	0	0	0	0	0	157	1,953
Derecognition	19	19	2	42	8	4	0	94
Reclassifications	6	0	130	(132)	0	(4)	0	0
<b>At 31 March 2015</b>	<b>(606)</b>	<b>(5,054)</b>	<b>(639)</b>	<b>(351)</b>	<b>(1,140)</b>	<b>0</b>	<b>(159)</b>	<b>(7,949)</b>
<b>Net Book Value at 31 March 2015</b>	<b>36,255</b>	<b>1,283</b>	<b>1,435</b>	<b>4,829</b>	<b>105</b>	<b>38</b>	<b>5,355</b>	<b>49,300</b>
<b>Net Book Value at 31 March 2014</b>	<b>30,843</b>	<b>1,361</b>	<b>3,390</b>	<b>3,218</b>	<b>144</b>	<b>0</b>	<b>4,576</b>	<b>43,532</b>

### 31. Non-Current Asset Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment which is required to be measured at fair value is revalued at least every five years. The freehold and leasehold properties which

## Notes to the Core Financial Statements

comprise the Council's property portfolio have, for this and past years, been valued by Wilks, Head and Eve Chartered Surveyors and by the Valuation Office Agency.

In 2014/15 Wilks, Head and Eve valued assets, including Investment properties, at a gross value of £6,681,550 as at 1 April 2014 and £28,048,050 as at 31 March 2015.

An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. The result of the impairment review was that, excluding properties using the Depreciated Replacement Cost (DRC) basis (see below), there were no changes to the valuations advised. Mr K Parker, a member of the Royal Institution of Chartered Surveyors (MRICS) and an employee of the Council, reviewed both tasks.

Wilks, Head & Eve is a long established independent partnership of Chartered Surveyors and Town Planners providing a full range of property services to clients in both the public and private sectors. The Valuation Office Agency is an executive agency which provides statutory and non-statutory property valuation services.

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

Date Valued or Acquired	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Community £'000	Leased £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment Assets £'000
Historic cost	0	0	1,435	4,829	0	0	0	6,264
Previous years	1,707	786	0	0	25	0	353	2,871
01/04/2011	1,517	32	0	0	0	0	592	2,141
01/04/2012	1,594	24	0	0	80	0	508	2,206
01/04/2013	2,328	160	0	0	0	0	738	3,226
31/03/2014	25	0	0	0	0	0	0	25
01/04/2014	3,790	281	0	0	0	38	3,164	7,273
31/03/2015	25,294	0	0	0	0	0	0	25,294
<b>Total Cost or Valuation</b>	<b>36,255</b>	<b>1,283</b>	<b>1,435</b>	<b>4,829</b>	<b>105</b>	<b>38</b>	<b>5,355</b>	<b>49,300</b>

In addition, the Council has undertaken a review of all assets that were valued before 2014/15 to ensure that their carrying value does not differ materially from fair value. The review concluded that there had been a significant change in values due to increases in building costs for assets valued on the DRC basis. As a result of this review, new valuations as at 31 March 2015 were conducted for all assets with a material valuation using the DRC basis. The valuation changes as a result of this review are included within the net book values in the table above.

### 32. Impairment Losses

The Code requires disclosure by class of assets of the amounts for losses and impairments, and subsequent reversals, charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income & Expenditure (net total reversals being credited to the Surplus or Deficit). These disclosures are consolidated in notes 30 and 34, reconciling the movement over the year in the asset balances for Property, Plant and Equipment and Investment Properties.

During 2014/15 the Council has recognised a net total reversal of £3,006,900 in respect of its non-current assets. The comparative figure for 2013/14 was a net total loss/impairment of £724,700.

	Property, Plant and Equipment Assets £'000	Investment Assets £'000	2014/15 Total £'000	2013/14 Total £'000

## Notes to the Core Financial Statements

	Property, Plant and Equipment Assets £'000	Investment Assets £'000	2014/15 Total £'000	2013/14 Total £'000
Revaluation – increase recognised in (surplus)/deficit on Provision of Services (reversal prior loss/impairment)	1,723	0	1,723	(126)
Depreciation written out to the (surplus)/deficit on Provision of Services (reversal prior loss/impairment)	1,180	0	1,180	312
<b>Total Reversal Prior Loss/Impairment</b>	<b>2,903</b>	<b>0</b>	<b>2,903</b>	<b>186</b>
Revaluation – decrease recognised in the (surplus)/deficit on Provision of Services	(29)	(168)	(197)	(911)
<b>Total Losses and Impairments</b>	<b>(29)</b>	<b>(168)</b>	<b>(197)</b>	<b>(911)</b>
Revaluation – increase recognised in (surplus)/deficit on Provision of Services (gain)	0	301	301	1
<b>Net Total Reversal/(Loss) Credited/(Debited) to (Surplus)/Deficit on Provision of Services</b>	<b>2,874</b>	<b>133</b>	<b>3,007</b>	<b>(724)</b>

The two greatest revaluation reversals were against the Swallows Leisure Centre and the Sheerness Swimming Pool, incurring a net reversal increase of £1,552,280 and £804,990 respectively. Nine other assets incurred an average reversal increase of £60,660.

Seven other assets incurred a net total gain of £103,680, the greatest gain being £94,350 to the Gas Road, Milton, open storage site.

### 33. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Total £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2013</b>	112	179	107	398
Revaluations	0	177	1	178
<b>Balance at 31 March 2014</b>	<b>112</b>	<b>356</b>	<b>108</b>	<b>576</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2014</b>	112	356	108	576
Revaluations	0	0	3	3
<b>Balance at 31 March 2015</b>	<b>112</b>	<b>356</b>	<b>111</b>	<b>579</b>

### 34. Investment Properties

The following items of income and expense have been accounted for as Financing and Investment Income and Expenditure in the CI&ES.

	2014/15 £'000	2013/14 £'000
Rental income from investment properties	(220)	(114)
Direct operating expenses arising from investment properties	72	64
<b>Net (Gain)</b>	<b>(148)</b>	<b>(50)</b>

The net gain on revaluation to fair value for investment properties in the year was £133,000 (£8,000 loss in 2013/14). No investment properties were sold in 2014/15.

## Notes to the Core Financial Statements

### 35. Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS relates to capital expenditure for which there will be no non-current assets held by the Council (for example, grants paid to external organisations). As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the CI&ES in the same year that it was incurred.

Grant Area	Provider	Expenditure 2014/15 £'000	Expenditure 2013/14 £'000
Home Renovation Grants	Department for Communities & Local Government	927	948
Home Renovation Grants	Swale Borough Council	183	0
Affordable housing & housing development	Section 106 developer contributions	2	349
Other		21	138
<b>Total</b>		<b>1,133</b>	<b>1,435</b>

### 36. Commitments under Capital Contracts

The contractual commitments at 31 March 2015 totalled £nil.

### 37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>5,475</b>	<b>6,298</b>
<b>Total Capital Investment</b>	<b>1,988</b>	<b>1,854</b>
<b>Add Long-Term Debtors – Loans</b>	<b>231</b>	<b>91</b>
<b>Sources of Finance:</b>		
Capital receipts (see note 19)	(528)	(145)
Government grants & external contributions	(1,270)	(1,535)
Sums set aside from revenue:		
Direct revenue funding	(421)	(265)
Minimum revenue provision	(369)	(823)
<b>Total Sources of Finance</b>	<b>(2,588)</b>	<b>(2,768)</b>
<b>Closing Capital Financing Requirement</b>	<b>5,106</b>	<b>5,475</b>
<b>Explanation of Movements in Capital Financing Requirement in Year:</b>		
(Reduction) in underlying need to borrow (unsupported by governmental financial assistance)	(332)	(374)
(Reduction) relating to assets acquired under finance leases	0	(119)
(Reduction) relating to assets acquired under embedded leases	(37)	(330)
<b>Total (Decrease) in Capital Financing Requirement</b>	<b>(369)</b>	<b>(823)</b>

### 38. Assets Held for Sale

This asset was reclassified as a surplus land & buildings asset (non-operational) in 2014/15. This was further to the addition of a clause in 2014/15 to the sale contract making the sale conditional upon confirmation of a Stopping Up Order.



## Notes to the Core Financial Statements

### The Council's Creditors and Debtors

#### 39. Short-Term Creditors and Receipts in Advance

	31 March 2015 £'000	31 March 2014 £'000
Central government bodies	(5,450)	(3,479)
Other local authorities	(2,566)	(2,428)
Public corporations and trading funds	0	(3)
Bodies external to central Government	(3,851)	(2,759)
Other receipts in advance	(178)	(119)
<b>Total</b>	<b>(12,045)</b>	<b>(8,788)</b>

#### 40. S106 Revenue Receipts in Advance

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

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

#### 41. Deferred Liabilities

Deferred liabilities relate to three items:

- a) an arrangement with the Council's contractor for leisure management who has agreed to provide phased capital expenditure of £1.826 million at the leisure centres over the 15-year life of the contract. The Council is committed to make regular monthly payments for 15 years to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet includes the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. The contract is due to end in 2019/20;
- b) a credit sale agreement was taken out for £250,000 in 2009/10 to purchase various equipment for the Swallows Leisure Centre. Under the terms of the agreement, the Council is committed to make regular monthly payments for ten years to cover this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure; and,
- c) the deferred liabilities for embedded leases i.e. finance leases representing the value of Vehicles, Plant, and Equipment that are deemed to be for the exclusive use for the Council by its grounds maintenance contractors.

	31 March 2015 £'000	31 March 2014 £'000
Due within one year (Short-Term Creditors - bodies external to central Government)	(151)	(164)
Due after more than one year (Long-Term Liabilities)	(753)	(834)
<b>Total</b>	<b>(904)</b>	<b>(998)</b>

#### 42. Capital Grant Receipts in Advance

The Capital Grants Receipts in Advance account is a creditor account used for grants and contributions where conditions are outstanding. This account is used for the funding of future capital expenditure. This includes monies received for S106 purposes (see note 40) but to fund new facilities provided as part of an agreement with developers.

## Notes to the Core Financial Statements

	Restated 1 April 2014 £'000	Expenditure £'000	Income £'000	Transfer to Short Term £'000	31 March 2015 £'000
Disabled facilities grants	0	927	(927)	0	0
Other	(195)	22	(47)	0	(220)
S106 held for third parties	0	460	(1,409)	173	(776)
<b>S106 Capital Funding:</b>					
Housing	(217)	17	0	118	(82)
Play areas	(345)	106	(38)	0	(277)
The Meads Community Centre	(348)	31	0	200	(117)
Open spaces	(651)	47	0	146	(458)
Town centre improvements	(202)	18	0	0	(184)
Easthall Farm Community Hall	(1,021)	7	0	50	(964)
Other	(172)	118	(11)	14	(51)
<b>Total</b>	<b>(3,151)</b>	<b>1,753</b>	<b>(2,432)</b>	<b>701</b>	<b>(3,129)</b>

In 2014/15, S106 grants of £92,300 (nil in 2013/14) were repaid to developers, as the grant conditions were not met. The total balances as at 1 April 2014 are the same as reported in the 2013/14 accounts but they have been restated across categories. The S106 monies held for third parties are all included in current liabilities for 2013/14.

### 43. Provisions

In 1992 the Council's insurer, Municipal Mutual Insurance (MMI) declared that it would be going into "run off" which is similar to a company going into administration. Control of MMI has now passed to a Scheme Administrator who has implemented a "Scheme of Arrangement". The provision for future claims has been calculated as £83,000 as at 31 March 2015. This sum can be revised in future years as further information becomes available.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £60,000 plus interest and costs.

The Council has made a provision of £2,246,100 for business rate appeals based on its best estimates of the actual liability as at 31 March 2015 in known appeals. £728,700 has been identified as a long-term provision. See Note 57 for further details.

### 44. Long-Term Debtors – Other

Long-term debtors are those that fall due after a period of at least one year. They include advances to private individuals for refurbishment of their homes including disabled adaptations, car loans to employees, advances to private sector tenants to assist with their housing needs, a payment in respect of future acquisition of equipment at the Leisure Centres and interest free loans, (classed as 'soft loans'). The Code sets out specific accounting requirements for soft loans and these are shown at their impaired value. More detail on soft loans, are contained in Financial Instruments note 48 table 2.

	31 March 2015 £'000	31 March 2014 £'000
Housing repair loans	2,103	1,979
Payments in advance under leisure contract	0	356
Rent deposit scheme – gross debt	232	288
Rent deposit scheme – allowance for bad debts	(228)	(257)
Assisted car purchase loans	200	165
Queenborough Harbour Trust	47	0
Opportunities For Sittingbourne	118	0
Other long term loans	39	37
<b>Total</b>	<b>2,511</b>	<b>2,568</b>

## Notes to the Core Financial Statements

### 45. Short-Term Debtors and Payments in Advance

	31 March 2015 £'000	Restated 31 March 2014 £'000
Central government bodies	218	395
Other local authorities	919	710
NHS bodies	2	1
Public corporations and trading funds	0	9
Bodies external to general government	2,455	2,220
Payments in advance	255	261
<b>Total</b>	<b>3,849</b>	<b>3,596</b>

Short-term debtors have been restated at 31 March 2014 between two categories to record council tax costs arrears of £419,000 within bodies external to general government rather than within other local authorities.

### 46. Cash and Cash Equivalents

	31 March 2015 £'000	31 March 2014 £'000
Cash held by the Authority	1,551	1,311
Same day (instant) access accounts	6,000	9,000
Money Market Funds	3,300	9,490
<b>Total Cash and Cash Equivalents</b>	<b>10,851</b>	<b>19,801</b>

## Leases

### 47. Leases

#### Disclosures in Relation to Operating Leases – Council as Lessee

Plant and equipment – as at 31 March 2015 the Council had eight vehicles on a contract hire-operating lease basis. During 2014/15 the Council replaced one vehicle as part of its management of its vehicle portfolio. The Council is committed to making payments of £26,500 in 2015/16 and £6,600 in future years. The commitments are expected to fully expire in 2017/18.

The expenditure charged to the Net Cost of Services in the CI&ES during the year in relation to these leases was £29,500 (£30,800 in 2013/14).

#### Disclosures in Relation to Operating Leases – Council as Lessor

The Council holds a number of operating leases with third parties. The following table details the main classifications of usage within the portfolio:

Asset	Rentals Payable 2014/15 £'000	Rentals Payable 2013/14 £'000
Business premises	383	447
Industrial units	133	176
Other	73	75
<b>Total</b>	<b>589</b>	<b>698</b>

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15 £'000	2013/14 £'000
Not later than 1 year	201	163
Later than 1 year and not later than 5 years	56	155
Later than 5 years	332	380
<b>Total</b>	<b>589</b>	<b>698</b>

## Notes to the Core Financial Statements

### Disclosures in Relation to Embedded Leases – Council as Lessee

Vehicles used within the grounds maintenance contract are accounted for as 'embedded leases'.

The assets, net of depreciation, are therefore shown within non-current assets and the notional liability within long-term liabilities. The asset value is depreciated over the life of the vehicles equivalent to the calculated notional lease repayment.

The value of the embedded lease assets net of depreciation in 2014/15 was £105,000 (£128,000 in 2013/14. This figure has been restated from that previously published).

## Financial Instruments

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

### 48. Financial Instruments

a) Financial Instruments – Classifications

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

b) Financial Instruments – Balances

Financial instruments have a specific definition and exclude some items which are included on the Balance Sheet and therefore the figures below differ from those shown on the Balance Sheet. A reconciliation is available on request to the Finance Department on [finance@swale.gov.uk](mailto:finance@swale.gov.uk).

**Table 1**

Financial Liabilities	Long-Term		Current	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Trade creditors	0	0	(2,086)	(1,354)
Lease liabilities	(648)	(799)	(151)	(164)
<b>Total Financial Liabilities</b>	<b>(648)</b>	<b>(799)</b>	<b>(2,237)</b>	<b>(1,518)</b>

**Table 2**

Financial Assets	Long-Term		Current	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
<b>Loans and Receivables</b>				
Trade debtors	246	304	827	749
Soft loans	2,102	1,981	83	188
Car loans	200	165	0	0
Mortgages	5	13	0	0
Cash and cash equivalents	0	0	7,551	10,311
Long-term loans	166	0	2	0
Short-term Investments	0	0	13,000	0
<b>Available-for-Sale</b>				
Cash and cash equivalents	0	0	3,300	9,490
Bond investment at cost – British Government Stocks	2	3	0	0
CCLA property fund*	1,500	0	0	0
<b>Total Financial Assets</b>	<b>4,221</b>	<b>2,466</b>	<b>24,763</b>	<b>20,738</b>

\*The Council invested £1.5m in the CCLA LAMIT Property Fund which is carried in the Balance Sheet at its fair value of £1.418m, the difference being posted to the available for sale reserve.

## Notes to the Core Financial Statements

c) Material Soft Loans Made by the Council

Housing Interest Free Loans

Loans for private sector housing home adaptations – landlords and owner occupiers can apply for a loan for adaptations that will enable them to stay in their own homes. Loans to landlords are repayable after five years whilst owner occupier loans are repayable when a property is sold.

**Table 3**

	2014/15 £'000	2013/14 £'000
<b>Opening Carrying Amount of Soft Loans on 1 April</b>	2,166	2,182
Loans repaid during the period	(65)	(131)
Other movements	84	115
<b>Closing Carrying Amount of Soft Loans at 31 March</b>	2,185	2,166
<b>Nominal Value at 31 March</b>	2,187	2,209

d) Gains and Losses on Financial Instruments

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

**Table 4**

	2014/15 £'000	2013/14 £'000
<b>Financial Liabilities</b>		
Interest costs	68	82
<b>Total Interest Payable</b>	68	82
<b>Financial Assets</b>		
<b>Interest Income:</b>		
Loans and receivables: fixed term deposits and call accounts	(80)	(105)
Available-for-sale: money market funds	(38)	(12)
<b>Total Interest</b>	(118)	(117)
<b>Net (Profit)/Loss for the Year</b>	(50)	(35)

e) Fair Value of Assets and Liabilities

Fair Value is defined in IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

In the case of the Council's investments for 2014/15, these consisted of call accounts, short-term investments, money market funds and the CCLA Property Fund. None of the investments have been impaired (i.e. at risk of default). Fair values in respect of impairment, have therefore been assessed as being the same as the carrying amount on the Balance Sheet:

- the Council currently has no long-term borrowings by way of loans;
- where an instrument matures within 12 months, the carrying value is assumed to be an approximation of fair value; and,
- the fair value of trade creditors/debtors is taken to be the invoiced or billed amount.

f) Nature and Extent of Risks Rising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's overall risk management programme takes account of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out under policies approved by the Council in the annual Treasury Management Strategy.

The Treasury Management Strategy requires frequent review of interest rate exposure that feeds into the setting and monitoring of the annual budget. This allows any adverse changes to be accommodated. The

## Notes to the Core Financial Statements

analysis will also advise as to whether new borrowing taken out should be at fixed or variable rates. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments but, in the case of investments, protection of the capital sum must take precedence over the rate of return.

The Treasury Management Strategy can be obtained from the Council's website using the following link: <http://www.swale.gov.uk/financial-strategies-documents/>.

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have the funds available to meet its payment commitments; and,
- Market Risk – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc.

### Credit Risk

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

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

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

The table below summarises the Council's investment portfolio at 31 March 2015. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria at 31 March 2015.

**Table 5**

Counterparty (MMF = Money Market Funds)	Long-Term Rating	Balance Invested at 31 March 2015 £'000				Balance Invested at 31 March 2014 £'000
		Up to 1 month	Greater than 1 month and less than 3 months	Greater than 3 months	Total	
Svenska Handelsbanken*	Aa3	3,000	0	0	3,000	3,000
Santander Bank*	A2	3,000	0	0	3,000	3,000
Barclays Bank	A2	0	3,000	0	3,000	0
Lloyds Bank	A1	3,000	0	0	3,000	3,000
Standard Chartered Bank	A1	0	3,000	0	3,000	0
Nationwide Building Society	A2	3,000	0	0	3,000	0
Leeds Building Society	A3	1,000	0	0	1,000	0
BNP Paribas MMF*	Aaa-mf	1,500	0	0	1,500	1,500
Goldman Sachs MMF*	Aaa-mf	1,500	0	0	1,500	1,500
Morgan Stanley MMF*	Aaa-mf	300	0	0	300	1,500
Black Rock MMF*	Aaa-mf	0	0	0	0	1,500
Deutsche MMF*	Aaa-mf	0	0	0	0	490
State Street Global Advisors*	Aaa-mf	0	0	0	0	1,500
Aberdeen MMF*	Aaa-mf	0	0	0	0	1,500
CCLA Property Fund		0	0	1,418	1,418	0
<b>Total</b>		<b>16,300</b>	<b>6,000</b>	<b>1,418</b>	<b>23,718</b>	<b>18,490</b>

\*These investments are cash and cash equivalents in the Balance Sheet. The rest are short-term investments, except for the CCLA Property Fund investment.

## Notes to the Core Financial Statements

The ratings above are from Moody's credit rating agency. The long-term rating is the benchmark measure of probability of default. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2015 (nil as at 31 March 2014).

A description of the grading is provided below:

- Aaa-mf – Money market funds rated Aaa-mf have very strong ability to meet the dual objectives of providing liquidity and preserving capital.
- Aa3 – Investments rated Aa3 are judged to be of a high quality and are subject to very low credit risk.
- A1, A2, A3 – Investments rated A1, A2, A3 are considered upper-medium grade and are subject to low credit risk.

## The Council's Relationship With Other Organisations

### 49. Related Parties

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

#### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, providing funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits). Unringfenced grants received from government departments are set out in the CI&ES and the total grants received from government are shown in note 11.

#### Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2014/15 is shown on note 9. During 2014/15, no works or services were commissioned from companies in which members had an interest. No grants were made to organisations whose senior management included close members of the families of members. The Council maintains a "Register of Members' Interests", which is open to public inspection at the Council offices during office hours.

There has been an approach to elected members and senior management seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council. Returns were received in respect of the 2014/15 financial year from all Members and senior officers and there were no transactions considered of material significance to warrant separate disclosure in the Annual Accounts.

During 2014/15, no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

#### Entities Controlled or Significantly Influenced by the Council

Payment of a subsidy of £80,000 was made to Faversham Pool in 2014/15 (revenue grant of £80,000). The Trust is deemed to be influenced significantly by the Council through its representation on the Trust board.

It is our opinion that none of the above transactions have the ability to influence the Council's decisions or priorities. We have therefore considered these not to be material.

### 50. Group Accounts

The Code contains detailed requirements for the production of group accounts and a review was undertaken to identify any subsidiaries, associates, or joint ventures, which would establish whether a group relationship exists

## Notes to the Core Financial Statements

for the purposes of the Council's Statement of Accounts. Two interests were identified and details of these are set out below;

- Faversham Swimming Pool Management Committee (FSPMC) - the Council appoints the majority of the governing body to this entity and under the revised arrangements this then falls within the definition of a subsidiary. The FSPMC is a charitable trust, which operates a swimming pool complex for the benefit of local residents, with a financial turnover of approximately £700,000 per annum. Included within this figure for 2014/15 is a grant of £80,000 from the Council to FSPMC. It is considered that both the value of the FSPMC turnover and the Council's grant is not material in comparison to the Council's net cost of services of £14.6 million. The FSPMC accounts for 2014/15 are due to be approved in August 2015. The latest accounts of the Committee can be obtained from the Charity Commission as follows: by post - the Charity Commission, P.O. Box 1227, Liverpool L69 3UG (telephone 0845 3000 218) online - website [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk).
- Opportunities for Sittingbourne Ltd - is a company set up between the Council and Spirit of Sittingbourne LLP (Spirit of Sittingbourne being a venture between the Council and a number of local developers), with an overall aim of regenerating Sittingbourne Town Centre. The Council's interest in the entity has been assessed to be non-controlling but having a significant influence and so needs to be accounted for as an Associate. During the 2014/15 financial year the Council made a loan advance to Opportunities for Sittingbourne Ltd of £118,000 being half the purchase price of a property in the town centre. This payment has been accounted for as capital expenditure within 2014/15 and will appear on the balance sheet within Long-Term Debtors and the corresponding entry in Deferred Capital Receipts. Opportunities for Sittingbourne Ltd was incorporated in January 2015 (No. 09400214). It is not required to submit accounts to Companies House until October 2016. Further information on the Company can be found on the Companies House website <https://www.gov.uk/government/organisations/companies-house>

As at the end of 2014/15 the total investment in these two entities has been assessed as immaterial and the Council has decided that group accounts are not required.

## Contingent Liabilities

### 51. Contingent Liabilities

In addition to the claim referred to in the Provision note, the Council has been notified that four other property search companies (PSC's) have come forward with claims against 345 local authorities, including Swale Borough Council. They have not yet issued their claim but a standstill agreement has been entered into to allow for settlement negotiations to be undertaken without the need for court proceedings. As yet, it is not known how many of these PSC's are making a claim against the Council or what the value of those claims might be.

## Adjustments Between Accounting Basis and Funding Basis Under Regulations

These financial statements are based on accounting regulations, but there are changes required by law that affect what is eventually charged to the council tax payer. These are complex and are detailed below.

### 52. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total CI&ES recognised by the Council in the year in accordance with proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council 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, 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.



## Notes to the Core Financial Statements

	2014/15 Usable Reserves			2014/15 Unusable Reserves £'000	2013/14 Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>					
Charges for depreciation and impairment of non-current assets	(1,536)	0	0	1,536	1,627
Revaluation of non-current assets	2,873	0	0	(2,873)	566
Movements in the fair value of investment and held for sale properties	133	0	0	(133)	159
Amortisation of intangible assets	(43)	0	0	43	31
Capital grants unapplied received not used	38	0	(38)	0	0
Capital grants unapplied reclassified					(15)
Capital grants and contributions applied – other	63	0	6	(69)	(199)
Capital grants and contributions applied - REFCUS	1,180	0	21	(1,201)	(1,336)
REFCUS	(1,121)	0	0	1,121	1,434
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(538)	0	0	538	689
Statutory provision for the financing of capital investment	369	0	0	(369)	(823)
Capital expenditure charged to the General Fund	421	0	0	(421)	(265)
<b>Adjustments Primarily Involving the Capital Receipts Reserve (CRR)</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	102	(102)	0	0	0
Use of the CRR to finance new capital expenditure	0	528	0	(528)	(144)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	(7)	0	7	9
Use of CRR to finance the payments to the Government's capital receipts pool.	(1)	1	0	0	0
<b>Adjustments Primarily Involving the Financial Instruments Adjustment Account</b>					
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	10	0	0	(10)	(24)
<b>Adjustments Primarily Involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&ES in accordance with the Code	(4,190)	0	0	4,190	3,825

## Notes to the Core Financial Statements

	2014/15 Usable Reserves			2014/15 Unusable Reserves £'000	2013/14 Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Employer's pensions contributions and direct payments to pensioners payable in the year under pension scheme regulations	2,600	0	0	(2,600)	(2,351)
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account</b>					
Amount by which council tax and business rate income credited to the CI&ES is different from council tax and business rate income calculated for the year in accordance with statutory requirements	12	0	0	(12)	(45)
<b>Adjustment Primarily Involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(22)	0	0	22	(14)
<b>Total Adjustments</b>	<b>350</b>	<b>420</b>	<b>(11)</b>	<b>(759)</b>	<b>3,124</b>

### 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 Swale Borough Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

The amount credited to the General Fund under statute is an Authority's precept or demand for the year, plus or minus the Authority's share of the (surplus)/deficit on the Collection Fund for the previous year.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to council tax and business rates.

Surpluses 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. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The council tax and business rate income included in the CI&ES is the Authority's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. The Council collects council tax on behalf of the major precepting authorities – KCC, Kent Police and Crime Commissioner, Kent Fire and Rescue Service - and collects business rates, on behalf of the Government, KCC and Kent Fire and Rescue Service. Parish precepts are paid from the Council's General Fund and are disclosed on the face of the CI&ES.

## Notes to the Core Financial Statements

Collection Fund 2014/15	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>				
Council tax receivable	54	0	(63,200)	(63,200)
Business rates receivable	55	(46,356)	0	(46,356)
Transitional protection payments		(6)	0	(6)
<b>Total Income</b>		<b>(46,362)</b>	<b>(63,200)</b>	<b>(109,562)</b>
<b>Expenditure</b>				
Precepts and demands -				
Central Government		20,539	0	20,539
Swale Borough Council		16,432	7,554	23,986
Kent County Council		3,697	44,700	48,397
Kent Fire and Rescue Service		411	2,899	3,310
Kent Police and Crime Commissioner		0	6,035	6,035
<b>Sub total</b>		<b>41,079</b>	<b>61,188</b>	<b>102,267</b>
Cost of collection		181	0	181
Other transfers to General Fund		70	0	70
Debt write offs	56	192	223	415
Allowance for debt impairment	56	478	202	680
Charge to appeals provision	57	1,287	0	1,287
Allowance for appeals impairment	57	3,201	0	3,201
<b>Sub total</b>		<b>5,409</b>	<b>425</b>	<b>5,834</b>
<b>Contribution towards previous year's Collection Fund surplus -</b>				
Central Government		101	0	101
Swale Borough Council		81	97	178
Kent County Council		18	576	594
Kent Fire and Rescue Service		2	37	39
Kent Police and Crime Commissioner		0	78	78
<b>Sub total</b>		<b>202</b>	<b>788</b>	<b>990</b>
<b>Total Expenditure</b>		<b>46,690</b>	<b>62,401</b>	<b>109,091</b>
<b>Deficit/(Surplus) Movement for the Year</b>	<b>53</b>	<b>328</b>	<b>(799)</b>	<b>(471)</b>
<b>Deficit/(Surplus) at 1 April 2014</b>	<b>53</b>	<b>164</b>	<b>(1,170)</b>	<b>(1,006)</b>
<b>Deficit/(Surplus) at 31 March 2015</b>	<b>53</b>	<b>492</b>	<b>(1,969)</b>	<b>(1,477)</b>

Collection Fund 2013/14	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Income</b>				
Council tax receivable	54	0	(60,197)	(60,197)
Previous year's business rates relief fund		0	(227)	(227)
Business rates receivable	55	(41,739)	0	(41,739)
Transitional protection payments		(145)	0	(145)
<b>Total Income</b>		<b>(41,884)</b>	<b>(60,424)</b>	<b>(102,308)</b>
<b>Expenditure</b>				
Precepts and demands -				
Central Government		19,450	0	19,450
Swale Borough Council		15,560	7,317	22,877
Kent County Council		3,501	43,195	46,696
Kent Fire and Rescue Service		389	2,801	3,190
Kent Police and Crime Commissioner		0	5,832	5,832
<b>Sub total</b>		<b>38,900</b>	<b>59,145</b>	<b>98,045</b>

## Notes to the Core Financial Statements

Collection Fund 2013/14	Note	Business Rates £'000	Council Tax £'000	Total £'000
Cost of collection		177	0	177
Transitional protection payments		145	0	145
Debt write offs	56	89	263	352
Allowance for debt impairment	56	323	119	442
Allowance for appeals impairment	57	2,414	0	2,414
<b>Sub total</b>		<b>3,148</b>	<b>382</b>	<b>3,530</b>
<b>Total Expenditure</b>		<b>42,048</b>	<b>59,527</b>	<b>101,575</b>
<b>Deficit/(Surplus) Movement for the Year</b>	<b>53</b>	<b>164</b>	<b>(897)</b>	<b>(733)</b>
<b>Deficit/(Surplus) at 1 April 2013</b>	53	0	(273)	(273)
<b>Deficit/(Surplus) at 31 March 2014</b>	53	164	(1,170)	(1,006)

### 53. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £46,000 as at 31 March 2015 and is shown in the Balance Sheet within the Collection Fund Adjustment Account (note 25). The Movement in Reserves Statement shows the total movement in the Collection Fund Adjustment Account in the year 2014/15 (note 52). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

The following table shows the fund balance at 31 March 2015 split into its attributable parts:

	2014/15 Business Rates £'000	2014/15 Council Tax £'000	2014/15 Total £'000	2013/14 Total £'000
Central Government	246	0	246	82
Swale Borough Council	197	(243)	(46)	(79)
Kent County Council	44	(1,439)	(1,395)	(840)
Kent Fire and Rescue Service	5	(93)	(88)	(54)
Kent Police and Crime Commissioner	0	(194)	(194)	(115)
<b>Balance at 31 March 2015</b>	<b>492</b>	<b>(1,969)</b>	<b>(1,477)</b>	<b>(1,006)</b>

### 54. The Calculation of the Council Tax Base

The council tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of KCC, Kent Police and Crime Commissioner, Kent Fire and Rescue Service and Swale Borough Council by the tax base for Swale which is 41,828.25 (41,225.21 in 2013/14). This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The basic council tax payable for each band in 2014/15 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	961.45	6/9	3,342.41
B	1,121.69	7/9	8,075.44
C	1,281.93	8/9	10,977.50
D	1,442.17	9/9	8,671.69
E	1,762.65	11/9	5,652.82
F	2,083.13	13/9	3,105.56
G	2,403.62	15/9	1,821.65
H	2,884.34	18/9	181.18
<b>Total</b>			<b>41,828.25</b>

## Notes to the Core Financial Statements

The detail to the calculation of the council tax base can be found in the 'Resolutions for Calculating Council Tax Base' report to Council on 22 January 2014 by using the following link:

<http://services.swale.gov.uk/meetings/CeListDocuments.aspx?MID=472&RD=Notice%20of%20Meeting&DF=22%2f01%2f2014&A=1&R=0>

Additional amounts are payable for precepts levied by the Parish and Town Councils within the Borough.

The level of non-payment provided for in 2014/15 was 1.05%. The original anticipated income = 41,828.25 x £1,462.84 (Band D plus average parish precept) = £61,188,037. The actual income was £63,199,978. The difference is attributable to an increase in the number of properties in the Borough.

### 55. Income Collectable from Business Ratepayers

Following the introduction of the localisation of business rates in 2013/14, local authorities are incentivised to promote economic growth in their areas by retaining a share of the net income that they receive in business rates. In total, the Council retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses and for the cost of changes to rateable values resulting from appeals. The remaining amount is paid to the Government (50%), KCC (9%) and Kent Fire and Rescue Service (1%). The remaining retained business rates income is then subject to a tariff (annually increased by the retail price index), and a levy on business rate growth, which are paid to the Government. The tariff payment funds other local authorities where their business rates are disproportionately low, while the levy payment funds a national safety net, which provides local authorities with funding protection against business rate reductions in excess of 7.5% each year. The level of tariffs and levies is unique to each local authority.

The business rate income, after reliefs was £46,361,680 for 2014/15 (£41,884,070 for 2013/14). The rateable value for the Council's area at the end of the financial year 2014/15 was £112,445,482 (£110,299,683 for 2013/14).

The rate poundage set for 2014/15 was 48.2p (2013/14 was 47.1p). Small businesses have a lower rate poundage of 47.1p (2013/14 was 46.2p).

### 56. Debt Impairment

The following provisions have been made against the possible non-collection of debt relating to the Collection Fund:

	<b>2014/15 Business Rates £'000</b>	<b>2013/14 Business Rates £'000</b>	<b>2014/15 Council Tax £'000</b>	<b>2013/14 Council Tax £'000</b>
Balance brought forward 1 April	(1,920)	(1,597)	(1,212)	(1,093)
Less amounts written off	192	89	223	263
(Increase) in provision	(670)	(412)	(425)	(382)
<b>Balance at 31 March</b>	<b>(2,398)</b>	<b>(1,920)</b>	<b>(1,414)</b>	<b>(1,212)</b>
Swale Borough Council's proportion	(959)	(768)	(172)	(150)

Council tax bad debt provision is based on an analysis of the age of the debt and their recovery stage plus applying an additional percentage for non-payment to the total tax due less the write-offs in year. At 31 March 2015, the total council tax outstanding debt was £4.5 million of which debt one year old was £1.9 million, debt between two to five years old was £2 million and debt over five years old was £0.6 million.

The provision for business rate debt is based on an assessment of each debt in respect of each financial year since 1995/96. The bad debt provision takes into account the recovery action, receivership/administration arrangements and potential absconders. At 31 March 2015, the total business rates outstanding debt was £2.7 million of which debt one year old was £1.14 million, debt between two to five years old was £1.5 million and debt over five years old was £0.06 million.

## Notes to the Core Financial Statements

### 57. Provision for Business Rate Valuation Appeals

As a result of the changes from 1 April 2013 to the retention of business rates, a provision has been made against the potential effect of outstanding appeals in respect of rating list entries relating to the Collection Fund:

	<b>2014/15 Business Rates £'000</b>	<b>2013/14 Business Rates £'000</b>
Balance brought forward 1 April	(2,414)	0
Less amounts charged to appeals	1,287	0
(Increase) in provision	(4,488)	(2,414)
<b>Balance at 31 March</b>	<b>(5,615)</b>	<b>(2,414)</b>
Swale Borough Council's proportion	(2,246)	(966)

The provision for business rate valuation appeals, is based on the latest ratings list of outstanding appeals provided by the Valuation Office and is an estimate based on changes in comparable hereditaments, market trends and other valuation issues including the potential for some proposals to be withdrawn, or to be speculative in nature due to the Government's decision to allow backdated appeals only to be lodged before 1 April 2015.

## Annual Financial Report - Glossary

Accounting Policies	Accounting policies define the process whereby transactions and other events are reflected in financial statements.
Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Appropriation	An appropriation is a transfer of resources between reserves.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year where a current asset can readily be converted into cash.
Balance Sheet	A summary of all the assets, liabilities, funds, reserves, etc. of the Council.
Service Expenditure Reporting Code Of Practice (SeRCOP)	This provides guidance on the content and presentation of the costs of service activities.
Billing Council	A local council charged by statute with the responsibility for the collection of and accounting for council tax, business rates and residual community charge. Swale Borough Council is a billing council.
Budget	The Council's aims and policies set out in financial terms against which performance is measured. Both capital and revenue budgets are prepared.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Programme	The capital schemes the Council intends to carry out over a specified time period.
Capital Receipts	The proceeds of the sale of capital assets.
Cash and Cash Equivalents	The most liquid assets found within the asset portion of the Balance Sheet.
Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (The Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Contingent Assets	A possible asset arising from past events which will only be confirmed by the occurrence of uncertain future events not wholly within the Council's control.
Contingent Liability	A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.
Council Tax	A local tax set by local authorities in order to finance their budget requirement.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Defined Benefit Scheme	The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

## Annual Financial Report - Glossary

Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Discretionary Benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award.
Estimation Techniques	The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.
Fair Value	The fair value of a non-current asset is the price at which an asset could be exchanged in an arm's length transaction, less, where applicable, any grants received towards the purchase or use of the asset.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.
General Fund	This is the main reserve account for the Council and is a statutory account for council tax setting purposes.
Government Grants	Assistance by government and inter-government agencies and similar bodies, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.
Heritage Assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Income	Monies received or due from rents, fees and charges for services, specific grants and investment interest.
Infrastructure Assets	Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created.
Intangible Assets	These are non-financial fixed assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. computer software).
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.
Investment Properties	Interest in land and/or buildings in respect of which construction work and development have been completed; and, which is held for its investment potential, with any rental income being negotiated at arm's length.
Liabilities	Amounts which will become payable by the Council in the short or long-term.
Materiality	A threshold quality ensuring that information is of such significance as to justify its inclusion in the Statement.
National Non-Domestic Rate Poundage	A standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.
Net Expenditure	Gross expenditure for a service less directly related income.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Operational Assets	Non-current assets held by a local council but not used or consumed in the delivery of services or for the service or strategic objective of the Council.
Operating Lease	A lease where the ownership of the non-current asset remains with the lessor.
Operational Assets	Non-current assets held and occupied, used or consumed by the local council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the Council.
Outturn	The actual results for the financial year in question.



## Annual Financial Report - Glossary

Precept	The levy made by those authorities which do not run the local taxation system, e.g. county councils, on those authorities which do so, e.g. districts, requiring them to collect the required income from local taxpayers on their behalf.
Projected Unit Method	An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings.
Property, Plant, Furniture and Equipment	An asset that is vital to business operations but cannot be easily liquidated. The value of property, plant, furniture and equipment is depreciated over the estimated life of the asset as even the longest-term assets become obsolete or useless after a period of time.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
Recharge	An internal charge made by one service in respect of services provided for another.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Soft Loans	Loans made below prevailing interest rates and include loans made to organisations that undertake activities that the Council considers benefits the local population.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

### Acronyms Used:

CI&ES	Comprehensive Income & Expenditure Statement	LDD	Local Development Documents
CIPFA	Chartered Institute of Public Finance and Accountancy	LDF	Local Development Framework
CFO	Chief Financial Officer	LGPS	Local Government Pension Scheme
CJEU	Court of Justice of the European Union	MKIP	Mid Kent Improvement Partnership
CPI	Consumer Price Index	MMF	Money Market Funds
CRR	Capital Receipts Reserve	MMI	Municipal Mutual Insurance
DCLG	Department for Communities and Local Government	MTFP	Medium Term Financial Plan
DFG	Disabled Facilities Grant	NNDR	National Non Domestic Rates
DRC	Depreciated Replacement Cost	PSC	Property Search Companies
EU	European Union	PPE	Property Plant and Equipment
FIRST	Fairness, Integrity, Respect, Service & Trust	PWLB	Public Works Loans Board
FSPMC	Faversham Swimming Pool Management Committee	REFCUS	Revenue Expenditure Funded from Capital Under Statute
IAS	International Accounting Standard	RICS	Royal Institution of Chartered Surveyors
IFRIC	International Financial Reporting Interpretations Committee	RPI	Retail Price Index
IFRS	International Financial Reporting Standards	RR	Revaluation Reserve
KCC	Kent County Council	SeRCOP	Service Expenditure Reporting Code of Practice
LASAAC	Local Authority Scotland Accounting Advisory Committee	SMT	Strategic Management Team
		SOLACE	Society for Local Authority Chief Executives
		SORP	Statement of Recommended Practice
		VAT	Value Added Tax