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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 142,400, 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, housing benefit and environmental health.

Our Purpose

Our overarching purpose is making Swale a better place.

Our 2016/17 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

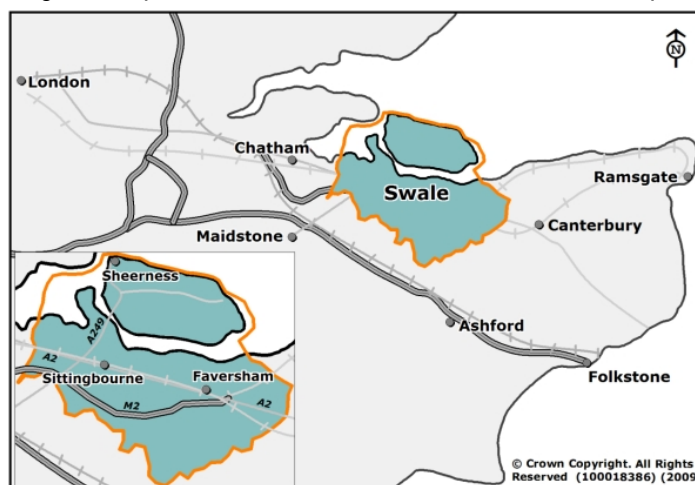
This priority theme focuses on the Council's aspirations for the people of Swale.

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



Financial Overview

Reserves

Down by £0.4m compared to 2015/16

£17.4m

Business rates collection rate

Down by 0.7% compared to 2015/16

98.1%

Council Tax

No change from 2010/11 to 2016/17

Band D £159.93

From 2017/18

Band D £164.88

Number of staff

Up by 6.7 compared to 2015/16

277.4 (full time equivalents)

Council tax collection rate

No change compared to 2015/16

97.5%

Ratio of current assets to liabilities

Down 0.3 compared to 2015/16

2.0

Foreword by Councillor Duncan Dewar-Whalley

The purpose of this Annual Report is to demonstrate our stewardship of the Council's finances for the financial year 2016/17. The Report provides a useful and important source of financial information for residents, council members and all other interested parties.

Every penny that is spent as a local authority is someone else's money, whether it came from Council tax, rent, business rates or fees and charges. I am pleased to say that Swale Borough Council is in a sound and secure financial position. The Council is efficient and has been for some time. Our Medium Term Financial Plan, which demonstrates sound financial management, enables the Council to plan for the future and to identify and to meet the challenges faced as a result of, for example, the reduction in the Revenue Support Grant.

However, there are challenges ahead. In recent years, the Council had benefited from increased income in its major income streams such as New Homes Bonus (NHB), National Non Domestic Rates (business rates), and local fees and charges. The reduction without consultation in the 2017/18 total funding for NHB was disadvantageous to the Council, and strong representations have been made back to Government on the change. The Government may also change the benefits that the Council should receive in making the Borough an attractive place for businesses. Furthermore, the amount of revenue support grant that the Council receives from central Government is being cut from £2.0m in 2016/17 to nothing by 2020/21.

One possible response for councils is to retrench and reduce services – this is not what I want to do. Alternatively, the Council could invest to have an income to provide services the public needs, and to become less dependent on Government funding. Whilst investing is not without risk, the Council has the skills and determination to succeed and to manage risk in the same way as it had done during the recession. The Council has a good track record of managing income and expenditure, but to protect both statutory and non-statutory services and become financially self-sufficient, the Council must enhance its income streams and explore new ways and new opportunities of generating income.

I would like to thank the Chief Financial Officer and his team whose hard work have helped to deliver this Annual Report.

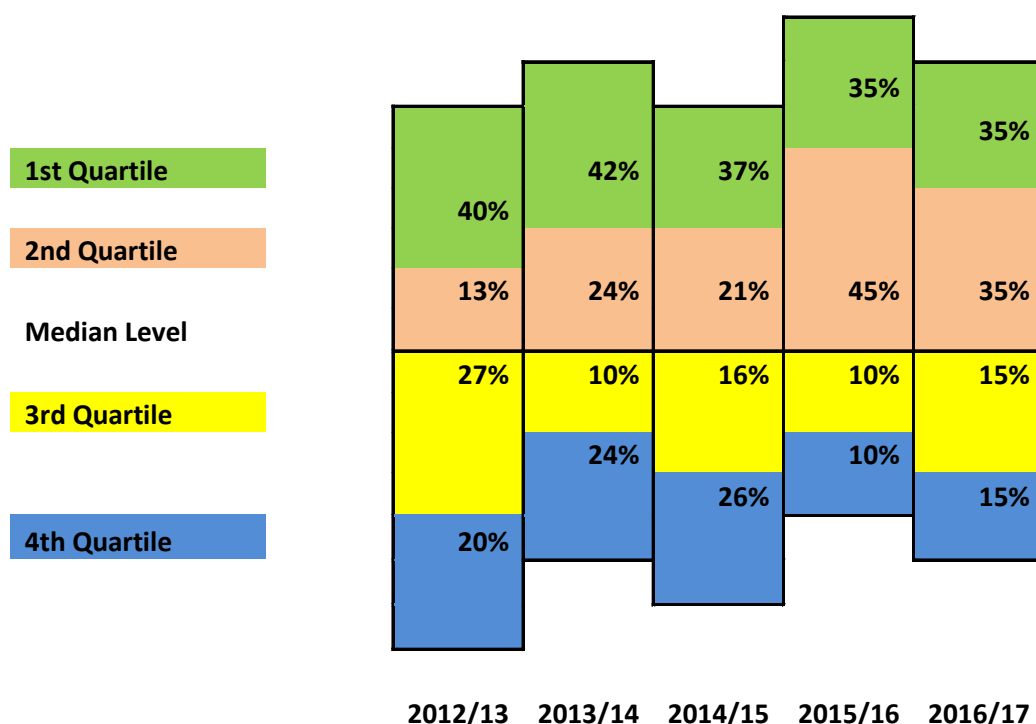


Councillor Duncan Dewar-Whalley
Cabinet Member for Finance and Performance
30 June 2017

Reviewing Our Performance

The Corporate Plan adopted by the Council in 2015 remained in operation for the whole of 2016/17 (see <http://www.swale.gov.uk/corporate-plan-2015-2018/>). The Plan represents an evolution from previous plans, containing 15 medium-term strategic objectives grouped under three headline ‘priority themes’ covering the Council’s aspirations for the borough as a physical place, for the local community, and for its own organisational culture and development. The Council’s Annual Report will set out in detail progress against the Corporate Plan.

Our Performance Indicators Compared to Other Councils



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. In addition to numerous indicators in use within specialist teams, Cabinet, Scrutiny and the Management Team monitor a set of 40 ‘corporate’ indicators on a regular basis. This set is balanced across services to ensure that taken as a whole it is broadly representative of Council performance across the board. When minor changes are excluded, performance improved on 40% of these indicators in 2016/17 compared to 2015/16, while it deteriorated on 35% of indicators. However, this was the first year in which Swale met its “meta-target” of 85% of indicators achieving their targets. The Council publishes a summary performance report each month on our website at <http://www.swale.gov.uk/managing-performance/>

Our Sustainability and Environmental Impact

The Council is committed to tackling the causes and effects of climate change and in January 2013 became one of the first lower-tier authorities in the country to sign up to Climate Local, the revised version of the Nottingham Declaration. In this, we have set out our targets and commitments for tackling climate change, including a year-on-year reduction in carbon emissions of 2.6% across the borough and measures to monitor and improve water use, biodiversity, flood protection and the green economy. To date we remain on track to meet these targets. Each year the Council also produces a greenhouse gas report, which continues to show progress in reducing carbon emissions from our own estate. We work closely with Kent County Council (KCC)

Reviewing Our Performance

and other districts on climate-related issues, and will continue to do so to deliver the objectives of the Kent Environment Strategy.

Our People

The Council recognises that its success is built on the knowledge, expertise and commitment of its workforce and we therefore place great emphasis on the management and development of this valuable resource.

There are well-established performance and development processes for all staff, which ensures that all team members have a development plan. The Council has developed our values to clearly describe how we do things – FIRST (Fairness, Integrity, Respect, Service and Trust) and all employees should be aware how we expect them to work so that they behave in ways that are consistent with these values. The Council has an engagement plan to ensure that staff know where they fit in and the importance of their role in delivering the priorities of the Council. An important part of the engagement plan is the approach to communications which are multi-channel and regular, including a monthly Team Talk for manager led team briefs, three all staff briefings annually and weekly, monthly and quarterly management meetings. These processes are supplemented by a voluntary staff group with direct access to the Strategic Management Team (SMT).

The support to staff and the approach to employee engagement was recognised in February 2016 with the award of the Investors in People (IiP) Gold Standard, which has only been achieved by twenty-five organisations in Kent. The award recognises the investment in our staff in the approach to leadership, development opportunities, reward and recognition, wellbeing and engagement. This has been further developed through the updated Workforce Strategy, which reflects the revised Council priorities and the possible opportunities and challenges in the future; the strategy has three themes, Culture of the Organisation, Recruitment and Retention and Developing for the Future.

The Council has also been recognised in the Top 100 Not for Profit organisations to work for in the Best Companies Survey in February 2017. The Council was one of only three councils nationwide to make the list. The results of the survey showed that staff felt that there was a strong sense of family within the organisation and that they felt supported in their jobs as well as being a happy place to work.

SMT reviews the workforce information on a quarterly basis, which includes recruitment, retention, headcount, turnover, equalities profile, and sickness information. This attention to workforce data has prompted several strands of action, for example, the age profile of the Council meant that action was taken to broaden the number of apprenticeships and therefore open up access to jobs in an age group that was under-represented. The Council employed eight apprentices in 2016 and they are in a variety of departments across the Council.

The monitoring of workforce information by SMT also ensures a focus on sickness absence; in 2015 we were awarded an 'excellence' rating in the Kent Healthy Business Awards for our approach to managing sickness. During 2016/17, the amount of time lost to sickness was an average of 5.85 days per employee, which is significantly better than the average for the local government sector of 8.5 days. The Council takes a supportive approach to sickness management making use of an Occupational Health service and employee assistance programme with clear attendance expectations and monitoring. One other outcome of our strategy was demonstrated by the very positive results of the Health and Safety Executive's Stress at Work survey which showed that employee stress is well managed. The proactive approach to sickness management is enhanced by an active programme of well-being initiatives to encourage staff to take responsibility for their own health.

How We Manage Risk

Effective risk management is a vital part of our governance, and contributes greatly to the successful delivery of services and our objectives. We have always recognised and supported the need to have effective risk management processes in place. In 2016/17 we fully implemented a revised risk management framework, which was designed to integrate the management of operational risks and corporate level risks. We now maintain a comprehensive risk register, which is monitored and reported on a regular basis.

By definition, the corporate level risks are those that are inherently more strategic, and therefore tend to carry a higher impact level as they affect multiple services. They are the risks that could prevent us from achieving

Reviewing Our Performance

our ambitions and objectives set out in the Corporate Plan. These risks are kept under regular review and controls are put in place to manage the impact of the risks. Our corporate level risk themes are:

- regeneration projects (including Sittingbourne Town Centre);
- infrastructure and planning;
- safeguarding;
- resource constraints (financial and workforce);
- transformation; and,
- cyber security.

Risk owners take responsibility to co-ordinate our response to risks through the implementation of controls, and by keeping risks under regular review. Oversight is provided on a quarterly basis through the monitoring and reporting of risks to SMT, and then on to Cabinet and Audit Committee. This enables us to gain assurance that significant risks are being managed, and emerging risks, which could impede us from achieving our objectives, are being identified.

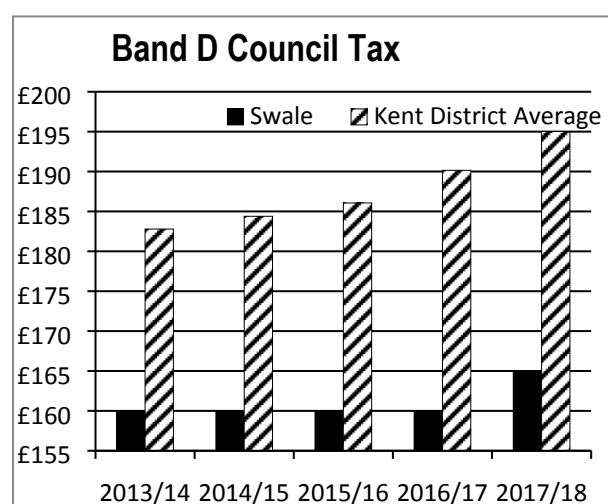
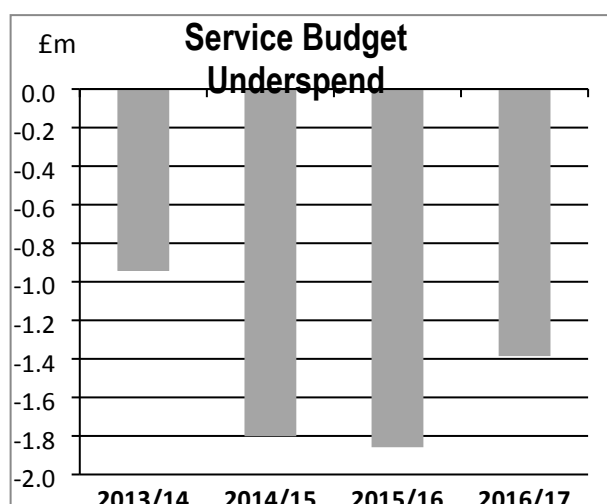
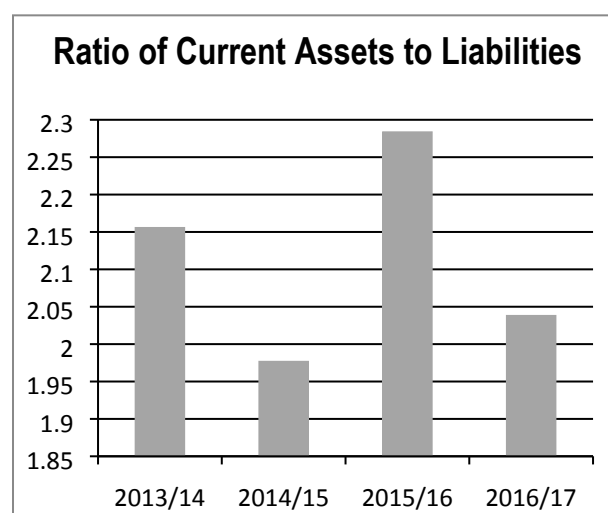
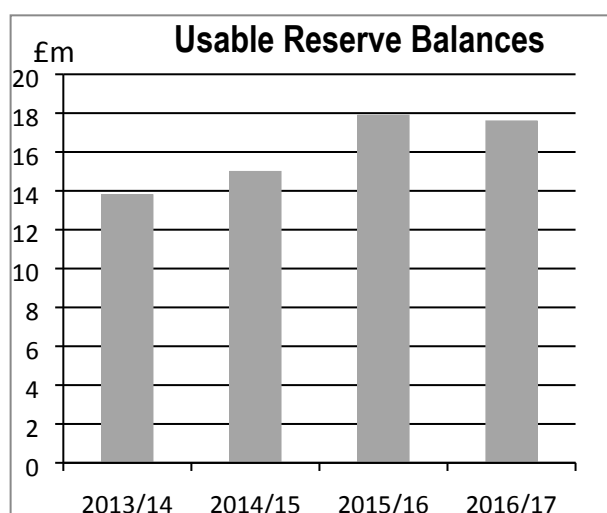
How We Manage Data

We have a responsibility to keep the personal data we hold securely. In 2016/17 there were eleven reported incidents which amounted to breaches of the Data Protection Act. Each case is investigated fully before the Council's Senior Information Risk Owner decides on the appropriate response. In 2016/17 it was not necessary to report to the Information Commissioner. The decision in all cases was based on conclusions reached by the Information Commissioner in previous years and also demonstrated that the Council had taken effective and efficient action in minimising the impact of the breaches reported.

Reviewing Our Financial Performance

Our Financial Performance by Chief Financial Officer Nick Vickers

Key Indicators of Financial Performance



Our Expenditure and Income for 2016/17

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

	Budget 2016/17 £'000	Actual Spending 2016/17 £'000	Over/ (Under) spend 2016/17 £'000
Chief Executive	266	251	(15)
Policy	223	198	(25)
Economy and Communities	2,232	2,013	(219)
Communications	274	265	(9)
Resident Services	1,043	1,268	225
Planning	1,134	1,019	(115)
Commissioning & Customer Contact	5,867	4,809	(1,058)
Directors	437	380	(57)
Information Technology	1,191	1,158	(33)
Audit	162	161	(1)
Environmental Health	516	500	(16)
Finance	784	777	(7)
Human Resources	371	337	(34)

Reviewing Our Financial Performance

	Budget 2016/17 £'000	Actual Spending 2016/17 £'000	Over/ (Under) spend 2016/17 £'000
Legal	396	427	31
Democratic Services	931	927	(4)
Property	801	567	(234)
Corporate Accounting	1,823	1,974	151
Cost of Services	18,451	17,031	(1,420)
Financed by	(18,451)	(18,450)	1
(Surplus) in Year	0	(1,419)	(1,419)
General Fund Balance as at 1 April 2016	(5,365)	(5,365)	0
(Surplus) in Year	0	(1,419)	(1,419)
2015/16 approved rollovers	1,910	1,910	0
General Fund Balance as at 31 March 2017	(3,455)	(4,874)	(1,419)

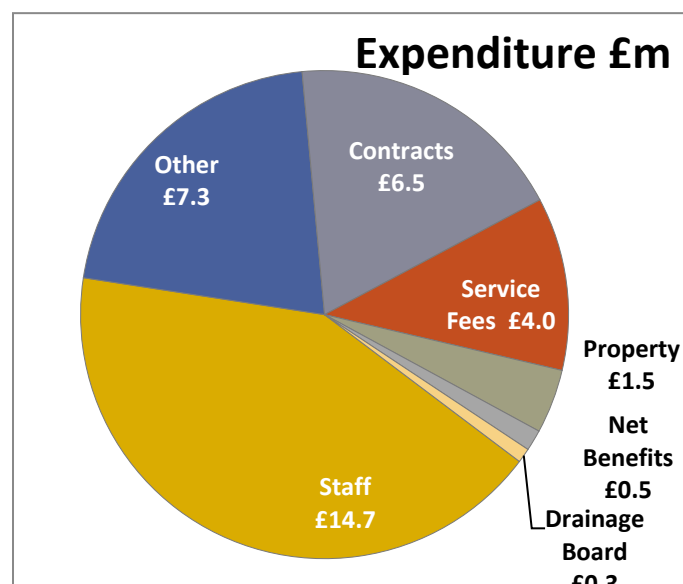
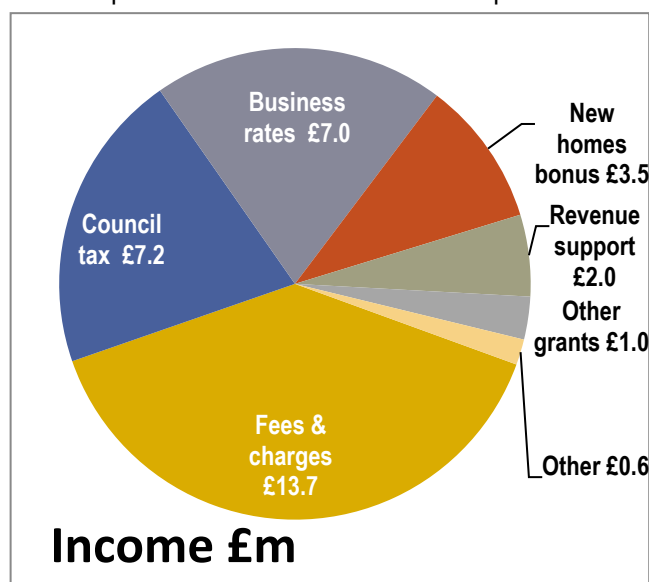
The above table shows how the decrease in the General Fund of £0.491 million shown in the Movement in Reserves page 25 compared to the budget. Our policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £4.9 million represents 26% of the cost of services for 2016/17, and is therefore at an adequate level.

There is a report detailing the 2016/17 differences between the budget forecasts and the actual money spent and income received to Cabinet on 12 July. A summary of the major reasons for variances is shown below:

Reason for Budget Variance	£'000
Net additional income	(1,272)
Procurement/ shared service savings	(412)
Additional costs	1,019
Net underspends	(754)
Total Budget Variance	(1,419)

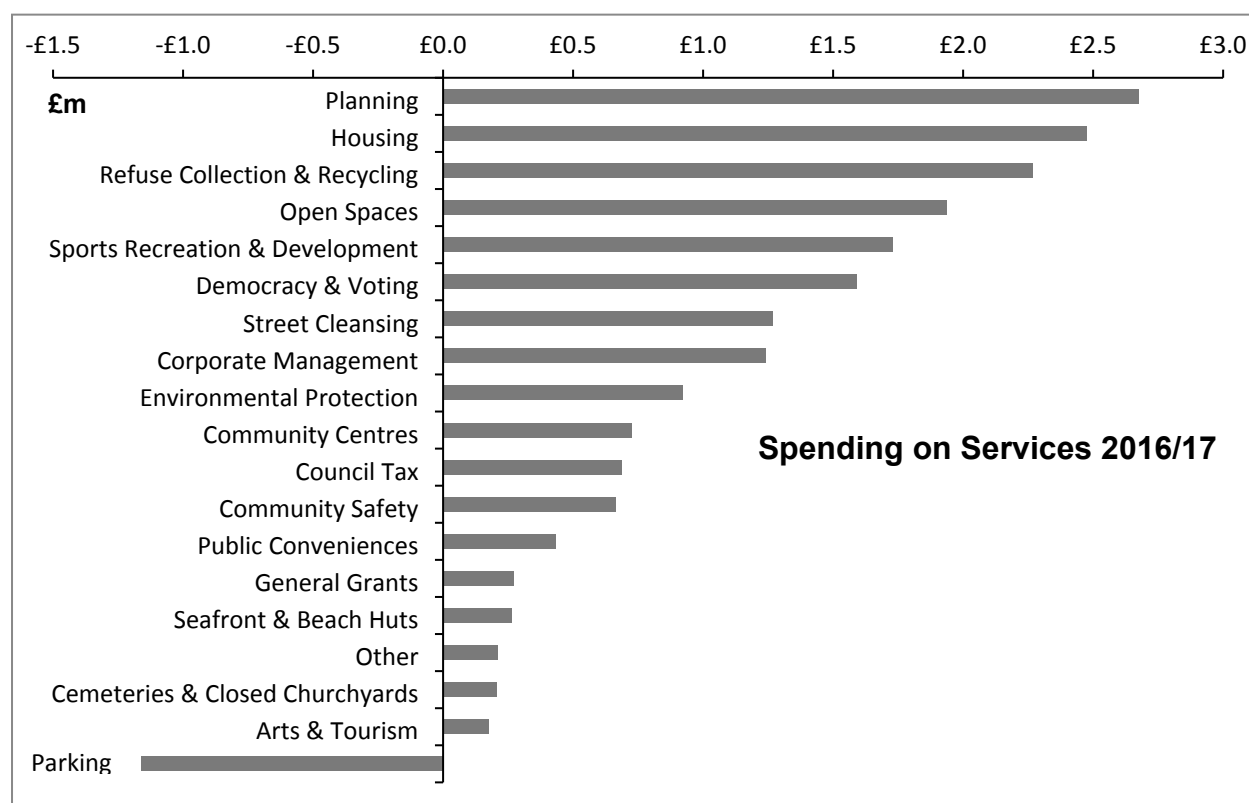
Where We Spent the Money and Our Income

The two pie charts below show what we spent the money on and how we raised our income.



We show the cost of running our services in our revenue account known as the Comprehensive Income and Expenditure Statement. This account shows you the costs in 2016/17 of the Council's priorities and the amount left to be financed from local and national tax income. Service costs are shown below:

Reviewing Our Financial Performance



In addition we:

collected **£69.5m** of council tax for Police, Fire, KCC, Parish Councils and ourselves (£65.8m in 2015/16)

collected **£47.9m** of business rates for Central Government, Fire, KCC, and ourselves (£45.8m in 2015/16)

paid out **£53.9m** on benefits and received **£53.4m** in grant (£54.9m paid, £54.5m received in 2015/16)

How We Pay 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) of the cost of providing retirement benefits rather than the payments made to the pension fund. In the accounts, the pension deficit has increased from £58.3 million at 31 March 2016 to £66.3 million at 31 March 2017, due to a substantial increase in the forecast cost of the scheme because this is valued using a discount rate based on corporate bond yields which fell very sharply during 2016/17; this increase in cost was partially offset by an increase in the value of the scheme's assets.

However, the actual cost of pensions to the Council is not based on the above accounting approach but reflects the contribution made by the Council to the Kent Pension Fund, which in 2016/17 was £2.8 million (£2.7 million in 2015/16). 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. The result of the latest triennial valuation was that the Council's share of the overall pension fund deficit fell from £24 million in 2013 to £20 million in 2016 and the level of funding of the scheme rose from 69% in 2013 to 76% in 2016. This resulted in the Council's contributions remaining at the same level as for the previous valuation. 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

How We Manage Our Surplus Funds and Our Cash Flows

The approach we take to invest our surplus funds and manage our day-to-day cash flow is called treasury management. Our total investment averaged £38 million during 2016/17 (£36 million for 2015/16) and closed at

Reviewing Our Financial Performance

£29 million at 31 March 2017 (see note 45, Table 5). We achieved a return of 0.68% for 2016/17 (0.65% for 2015/16), amounting to £258,000 (£232,000 in 2015/16). The increase compared with the previous year is due mainly to an increase in cash flow and an improved return on our investments which was almost entirely due to investing in the Church Charities and Local Authorities (CCLA) Mutual Investment Property Fund.

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).

The Council does not have any external borrowing as at 31 March 2017. However, at the Council meeting on 15 February 2017, members approved a change to the budget framework to allow for funding to be provided up to a maximum borrowing of £60 million (minute 1198/02/2017). The Council's cash flow movements for 2016/17 are detailed in the Cash Flow Statement on page 28.

How We Collect Tax

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 £3,721,927, compared with the surplus estimate made for preceptors in December 2016 of £3,625,600, which we took into account when setting the council tax for 2017/18.

Our Capital Spending for 2016/17

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).

The tables below show the main areas of capital spending and how they were funded. More details are shown in note 34.

Capital Spending	Revised Budget 2016/17 £'000	Actual Spending 2016/17 £'000	Over/ (Under) spend £'000	Level of Approved Rollover £'000
Disabled Facilities Grants	1,943	1,541	(402)	402
Easthall Farm Community Centre	964	598	(366)	366
Minster Leas Promenade Resurfacing	306	150	(156)	156
Faversham Pools Refurbishment	150	150	0	0
Newington Car Park Wall	125	114	(11)	11
Thistle Hill New Play Area	181	1	(180)	180
Sittingbourne Skate Park	240	0	(240)	240
Faversham Creek Regeneration Project	200	0	(200)	200
Other services	599	400	(199)	372
Total	4,708	2,954	(1,754)	1,927

Capital Funding	2016/17 £'000
Total Capital Spending	2,954
Source of Funding:	
Capital receipts	243
Capital grants and other contributions	2,447
Earmarked reserves	264
Total Capital Funding	2,954

We plan to spend £5.074 million in the future on capital of which £80,000 will be funded from our own resources with the rest being paid for from external contributions.

Transparency of Our Spending

Our 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;
- ongoing national austerity, which will mean continuing financial pressure on local authorities; and
- the sizeable workforce 'skills gap' in the Swale area.

Our Future Financial Strategy

The Medium Term Financial Plan (MTFP) is the core forecast of our financial position over the next three years. The financial context for the MTFP has completely changed in recent years, with the reduced reliance upon Revenue Support Grant (RSG) from the Government and a much greater reliance on locally based revenue streams. This makes forecasting much more difficult, particularly in relation to highly volatile business rates income.

The Government has published the overall impact on local authorities of changes in funding and locally raised council tax. At a national level it shows that overall spending power of local authorities is expected to reduce by only 1% in 2017/18. This is driven by a reduction primarily in RSG direct to authorities which is partially offset by an expected increase in Council Tax (5.6%). In their funding assumptions the Government assumes maximum increases in Council Tax, and they also take into account some growth in the Council Tax base, thus continuing the change introduced in 2016/17 when the previous policy of encouraging Council Tax to be held was abandoned.

A significant issue for us was the long awaited changes to the New Homes Bonus (NHB) grant whereby councils were paid for growth in housing. The Government announced that the basis of the award would be reduced from six years to four years in the future and introduced the concept of baseline growth in the housing stock. The financial impact on us was to reduce the £3.5m of NHB received in 2016/17 to £2.7m in 2017/18, £2.1m in 2018/19 and £2m in 2019/20.

The reduction for 2017/18 in the total funding for NHB is clearly very disadvantageous to us. This is compounded by the longer-term changes to NHB which significantly reduces the incentive effect of NHB on housing delivery.

Our future financing projections will be dominated by considerations related to Council Tax, business rates growth, NHB and fees and charges income. We have to identify and realise new funding streams if services are to not just be retained at existing levels, but also to be improved to reflect residents' aspirations for the services that we provide.

This was the background for the proposals which have been agreed, subject to full due diligence, for the Council to become the funder and owner of sections of the Sittingbourne Town Centre redevelopment. At the heart of this proposal is the creation of new income streams which will replace the lost central Government funding.

The three year forward plan is also now supplemented with an indicative ten-year financial plan and having such a plan reflects the need for the Council to look further ahead than three years in its quest to become self-financing, and this will be an evolving initiative which we will develop further over coming years.

Over a long period we have had a very limited capital programme focussed upon specific grant-funded items, primarily Disabled Facilities Grant, and use of some reserve funds to support identified priority projects such as the Sittingbourne Skatepark or building improvements at Faversham Swimming Pool. We have also been debt free.

In March 2016 Council agreed that a borrowing facility of up to £30m could be put in place to fund capital projects. This reflected a fundamental change in the Council's stance, recognising that some capital investment

Reviewing Our Financial Performance

could be undertaken to create some of the income generation opportunities. We are not alone in taking this approach - nationally, in the third quarter of 2016 councils invested £800m in Commercial Property, representing 10% of the total investment in commercial property, which was more than in the previous ten years combined.

In considering investing in assets there are two overriding principles to be applied:

- minimising the cost to the revenue budget - given the continued reductions in local government financing there is no scope within the revenue budget to meet debt charge costs; and
- strategic impact - if we are going to invest in property it needs to support our wider objectives around regeneration of the Borough, including creating new employment. This means there needs to be additionality in terms of the wider economic benefits e.g. higher business rates.

The timing of new investment opportunities cannot be predicted in advance, and so it has been agreed that a facility is created which enables the Council to borrow up to an additional £30m on top of the £30m previously agreed. This borrowing will need to satisfy the principles set out above and any project would be subject to a business case report to Cabinet.

We have not increased Council Tax since 2010/11. However, the 133% increase in the Lower Medway Internal Drainage Board (LMIDB) precept, costing the Council an additional £442,000 per annum, was a new financial pressure which just could not be absorbed within the funding envelope available for 2017/18. Under the regulations all borough or district councils have the option of increasing Council tax by a maximum of £5 per annum rather than just 2%. Therefore the Council approved a £4.95 increase in the band D Council Tax, to £164.88 per annum which is the second lowest in the County.

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

- maintain a prudent level of reserves to deal with unexpected one-off events;
- funding of strategic priorities; and
- fund one-off items of expenditure to support service delivery.

We currently seek to maintain a minimum of £1.5m as our General Fund balance, and there is no reason to change this. We also hold earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Chief Financial Officer's view is that the level of reserves and balances held by the Council are at a reasonable level.

Our Annual Financial Report

Swale Borough Council's Annual Financial Report for 2016/17 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 has the following sections:

- this review of our performance, 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 2017. It has been prepared in line with the Accounts and Audit Regulations 2015. The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), and the Service Reporting Code of Practice 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

Reviewing Our Financial Performance

The Statement of Accounts appears on pages 23 to 69 and includes changes where appropriate as required by “the Code”. One of the major changes is the inclusion of the Expenditure and Funding Analysis, as described below; this statement is not a core financial statement but has been included at this stage of the Statement of Accounts to assist readers with a logical path through the detailed financial reporting.

There has been one major change to the 2016/17 accounts compared to previous years. There are two different bases of showing the Council’s spend on services: 1) the “funding” approach which is regularly reported to Cabinet, based on legislation and shows the cost to be met by the taxpayer, which is different from 2) the “accounting” approach which shows the costs of the Council based on generally accepted accounting practice. For example, the “accounting” approach includes the cost of the reduction in value of assets (called depreciation), but these costs are not charged to the taxpayer and so are not included in the “funding” approach which is reported to Cabinet. Therefore this year there is a new note called “Expenditure and Funding Analysis” which begins with the cost of services based on the funding approach as reported to Cabinet and ends with the cost of services based on an “accounting” basis whilst demonstrating the reasons for the change.

Expenditure and Funding Analysis page 23 - this shows the final net spend for each service for the year and their impact on the Council’s resources and then converts these figures in accordance with accounting regulations so that they match those in the Comprehensive Income & Expenditure Account.

Our ‘core financial statements’ are listed below along with a brief explanation of their purpose.

Comprehensive Income & Expenditure Statement (CI&ES) page 24 - shows all of our spending, income and changes in value in providing our services during the year in accordance with generally accepted accounting practice. This is now analysed by the Council’s departments whereas in previous years it was based on a national standard analysis called SeRCOP.

Movement in Reserves Statement page 25 - 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.

Balance Sheet page 26 - 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 28 - summarises the cash that moved into and out of our bank accounts over the financial year.

Accounting Policies page 29 - sets out the policies we adopted for drawing up the various accounting statements.

Further Information

You can get more information about the accounts by emailing the Swale Finance Department at finance@swale.gov.uk.

Nick Vickers B.Sc (Econ), CPFA
Chief Financial Officer
30 June 2017



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 below.

In June 2017 the Cabinet agreed an updated Local Code of Corporate Governance based upon the late 2016 Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'. The local code was updated to reflect this document with its greater emphasis on outcomes rather than process.

This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015.

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;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2017, 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

Annual Governance Statement

This is the Council's third corporate plan, and the latest is very much an evolution based upon what has preceded it. In governance terms it is the document that sets out the Council's priority outcomes in terms of sustainable economic, social, and environmental outcomes. The Annual Report reviews headline performance and does focus on outcomes.

The Council has a range of performance indicators it uses to monitor the quality of its services and measure progress against its objectives. These are set out in the performance reports considered by the Strategic Management Team on a monthly basis, and by 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;
- a financial monitoring process which closely monitors expenditure and income with detailed monthly reporting to SMT and quarterly reporting to cabinet and Scrutiny Committee;
- an income generation project which looks in the medium term at new income generation initiatives to replace the loss of Government funding;
- an investment strategy using borrowing to generate new income streams to cover the costs of borrowing on projects which support the Council's strategic priorities;
- an annual review of fees and charges;

Member and Officer 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 for 2016/17 it was made up of eight members who have responsibility for particular portfolios. In this year Deputy roles were introduced to support cabinet members and promote succession planning.

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

The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together.

The Council's overview and scrutiny arrangements have continued to evolve. Since March 2014 there has been a Scrutiny Committee which scrutinises decision-making and performance, and holds Cabinet to account for these; and a Policy Development and Review Committee, which does not have formal scrutiny powers but which provides a mechanism for 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 undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Sub Committee of General Purposes Committee. In February 2017 with the departure of the previous post holder an internal appointment was made of an Acting Chief Executive

Annual Governance Statement

until September 2018.

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. As a result of the appointment of the Acting Chief Executive this role is now undertaken by the Interim Deputy Head of the Legal Partnership who is responsible for:

- 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 to 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 Chief Financial Officer, as the Section 151 Officer appointed under the 1972 Local Government Act, who carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) 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 related annual plan, and giving the annual Audit Opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2011. The Head of Audit Partnership's operational responsibilities are set out in the Internal Audit Charter, and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA statement on the role of the Head of Internal Audit in Public Service Organisations (2010). Swale BC is in the position of being the only Council covered by the partnership with no weak/poor reports in 2015/16.

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

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

Promoting Values and Upholding High Standards of Conduct and Behaviour

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 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 as such has established policies and processes which aim to prevent or deal with such occurrences. These include:

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- an Anti-Fraud and Anti-Corruption Strategy;
- a Whistleblowing Policy;
- various HR policies regarding discipline of staff involved in such incidents;
- various procurement policies; 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 in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

- registers of disclosable pecuniary interests and disclosable other interests;
- 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;
- an Equalities Scheme and Equal Opportunities Policies; and
- comprehensive 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 inter alia implications for each of the corporate priorities, and any equality and diversity implications.

Internal Audit have led a complete review of the approach to risk management. The previous approach focussed upon a small number of strategic risks and then operational risks were picked up at service unit level. This gave very broad strategic risks and mixed what could be referred to as corporate risks that were not large enough to be strategic but were wider than very service specific risks. The identification of risks was undertaken through a senior officer workshop, risks were assessed for impact and likelihood and Internal Audit then discussed the framing of the risks with senior officers. This has led to a prioritised set of corporate risks which have been reported to Audit Committee. A refresh will take place in the first half of 2017/18.

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 its values - Fairness, Integrity, Respect, Service and Trust (FIRST) - to clearly describe how we do things, and all employees have been engaged in activities to help them 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 of third tier managers. These processes are supplemented by a staff group with direct access to SMT. In February the Council was evaluated as being one of the best 100 public sector employers as assessed in the annual Sunday Times survey.

The cross-party Member Development Working Group takes an overview of the approach to member development. It continues to operate to the principles which underpin the Member Development Charter.

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

The Council engages with partners and stakeholders through various partnerships such as the Public Services

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Board, the Community Safety Partnership, the Swale Economy and Regeneration Partnership, the local Health and Wellbeing Boards, and the Green Grid Partnership, to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.

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

In addition, the Council uses a variety of corporate communications channels to engage with and inform local people about the work of the Council and its decisions including:

- Ensuring the Council provides an accessible website for delivering online services, providing a comprehensive information source and easy access to transparency data.
- Transparent processes for undertaking consultations, public meetings, Council and Committee meetings with free public access to consultation documents and responses, meeting agendas, reports and minutes via the Council website.
- Publishing and distributing Inside Swale magazine to 60,000 households every quarter to provide a trusted source of Council news and information.
- Comprehensive use of official social media and email bulletins to promote the Council services and engage with stakeholders, responding to local peoples' comments, questions and concerns online.
- Providing an 'Ask the leader' channel to enable any stakeholder the opportunity to engage directly with the leadership, with all questions and responses openly published on the Council website

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, through 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, including the an Annual Report and the wider approach to 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 his 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 201/16 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated Position
Managing the implications of becoming financially self-sustaining, and ensuring proper governance of new income generation opportunities	Income generation has been set up as a project. A number of initiatives have progressed (beach huts, roundabout advertising and Lumina energy sales). The most substantial project is the funding and ownership of the retail and leisure

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	elements of the Sittingbourne Town Centre redevelopment which on completion will deliver additional income of £1.7m per annum.
Fully embedding the revised approach to risk management	As set out above a completely refreshed approach to risk management has been implemented led by Internal Audit. There is a more comprehensive approach to identifying a broader range of prioritised corporate risks and this has been reported to Audit Committee.

Significant Governance Issues

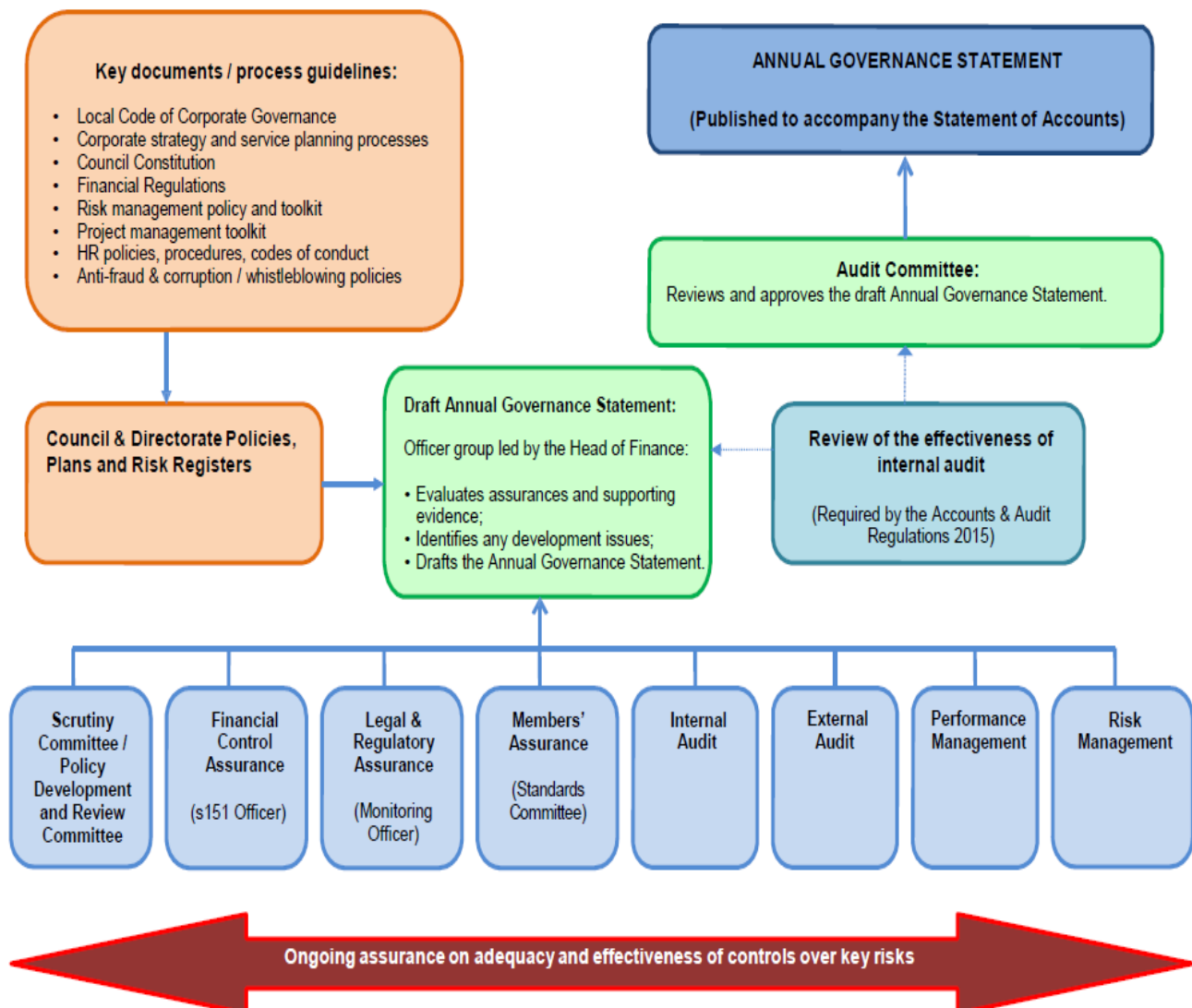
The main areas for member and senior management attention in the coming year are:

- Addressing the very significant reduction in funding for 2018/19 (£1.3m) whilst delivering Council services to agreed levels. Development of the transformation programme and further income generation initiatives will be fundamental to this;
- Moving in to significant delivery of a quality and appropriately financed Sittingbourne Town Centre regeneration project; and
- Delivering service improvement and good governance from the interim management structure.

Agreed by:

Leader of the Council Andrew Bowles

Chief Executive Mark Radford



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

During July 2017, Grant Thornton UK LLP audited the accounting statements of Swale Borough Council for the year ended 31 March 2017 under the Audit Commission Act 1998. Grant Thornton will be presenting their opinion of the financial statements to the Council's Audit Committee on 13 September 2017 and the final certification will be included here when it has been issued.

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer's Responsibilities

As the Chief Financial Officer, 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 2017.

Nick Vickers B.Sc (Econ), CPFA
Chief Financial Officer

Date: 30 June 2017

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2016/17 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2017 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee on 13 September 2017.

Councillor Nicholas Hampshire ACA, BA (Hons)
Chairman of the Audit Committee
13 September 2017

Expenditure and Funding Analysis – Change in Spend Per Department from Reported Basis to Accounting Basis

Service Departments	2016/17					
	Net Expenditure Reported to Cabinet	Capital	Pension	Budget Responsibility	Other	Net Expenditure Accounting Basis
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	251	0	24	2	0	277
Policy	198	0	29	10	(1)	236
Economy and Communities	2,013	743	125	65	(20)	2,926
Communications	265	0	18	(22)	0	261
Resident Services	1,268	30	277	288	0	1,863
Planning	1,019	0	165	115	0	1,299
Commissioning & Customer Contact	4,809	1,103	160	(50)	(28)	5,994
Directors	380	27	35	8	(1)	449
Information Technology	1,158	30	0	(369)	0	819
Audit	161	0	0	0	1	162
Environmental Health	500	1	50	7	0	558
Finance	777	3	67	51	342	1,240
Human Resources	337	0	0	10	0	347
Legal	427	0	122	(87)	(1)	461
Democratic Services	927	14	37	54	(2)	1,030
Property	567	162	50	(178)	22	623
Corporate Items	1,974	0	0	(127)	(1,817)	30
Cost of Services	17,031	2,113	1,159	(223)	(1,505)	18,575
Financed by	(18,450)					
(Surplus) in Year	(1,419)					
General Fund Balance at 1 April 2016	(5,365)					
(Surplus) in Year	(1,419)					
2015/16 approved rollovers	1,910					
General Fund Balance at 31 March 2017	(4,874)					

The left hand column shows the final spend for the year as reported to Cabinet. The middle columns show changes that have to be made in order to report the Council's expenditure on an accounting basis which is shown on the column on the right which then appears in the next statement - the CI&ES as the Cost of Services. The figures for 2015/16 can be seen in note 49.

Column Explanation: Capital – includes the cost of depreciation of assets or the change in valuation of assets as these are not charged to the taxpayer; **Pension** – shows the forecast cost of providing retirement benefits rather than the payments made to the pension fund; **Budget Responsibility** – we report spend that services are directly responsible for, but this allocates them out to the services they were spent against; **Other** – taking out Corporate Items which are not in CI&ES Cost of Services, e.g. movement to/ from reserves, adds the increase in the value of staff annual leave carried forward at 31 March 2017.

The table below reconciles the Cost of Services to the Surplus on the Provision of Services on the 2016/17 CI&ES:

2016/17	Net Expenditure Reported to Cabinet	Capital	Pension	Budget Responsibility	Other	Net Expenditure Accounting Basis
	£'000	£'000	£'000	£'000	£'000	£'000
	Cost of Services	17,031	2,113	1,159	(223)	(1,505)
Other Income and Expenditure	(19,311)	(1,056)	2,046	0	(354)	(18,675)
(Surplus) on Provision of Services	(2,280)	1,057	3,205	(223)	(1,859)	(100)
Adjustments from Accounting Basis	861	(1,057)	(3,205)	223	1,859	(1,319)
(Surplus) in Year	(1,419)	0	0	0	0	(1,419)

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

	2016/17 Gross Expenditure £'000	2016/17 Gross Income £'000	2016/17 Net Expenditure £'000	2015/16 Net Expenditure (Restated) £'000
Chief Executive	278	(1)	277	267
Policy	288	(52)	236	227
Economy and Communities	3,387	(461)	2,926	2,536
Communications	269	(8)	261	229
Resident Services	60,104	(58,241)	1,863	1,558
Planning	2,595	(1,296)	1,299	1,409
Commissioning & Customer Contact	11,064	(5,070)	5,994	6,178
Directors	887	(438)	449	357
Information Technology	820	(1)	819	752
Audit	162	0	162	140
Environmental Health	602	(44)	558	526
Finance	1,241	(1)	1,240	1,378
Human Resources	351	(4)	347	368
Legal	1,590	(1,129)	461	451
Democratic Services	1,059	(29)	1,030	1,028
Property	801	(178)	623	906
Corporate Items	30	0	30	0
Cost of Services	85,528	(66,953)	18,575	18,310
Other Operating Expenditure				
Drainage board levy	334	0	334	326
Parish precepts	1,039	0	1,039	929
Housing capital receipts pool	0	0	0	1
Disposal (gains)/ losses of assets (note 17)	0	(58)	(58)	2,623
Financing & Investment (note 12)	2,241	(555)	1,686	1,374
Taxation and Non-Specific Grant Income and Expenditure				
Council tax	0	(8,236)	(8,236)	(7,966)
Business rate income	0	(19,670)	(19,670)	(17,956)
Tariff & levy for business rates to Government	12,106	0	12,106	11,711
Contribution paid to business rates pool	1,448	0	1,448	1,092
Income received from business rates pool	0	(855)	(855)	(658)
Revenue support grant	0	(1,955)	(1,955)	(2,929)
New homes bonus	0	(3,481)	(3,481)	(2,823)
Other grants and contributions	0	(1,033)	(1,033)	(972)
Sub Total Movement from Cost of Services			(18,675)	(15,248)
(Surplus)/Deficit on Provision of Services			(100)	3,062
Net surplus on revaluation of non-current assets (note 21)			(3,938)	(6,548)
Re-measurement of net defined pension liability (note 10)			6,565	(7,501)
Receipts from long-term debtors			64	66
(Surplus)/Deficit on revaluation of available for sale assets			95	(85)
Sub Total Other Comprehensive Income & Expenditure			2,786	(14,068)
Total Comprehensive Income and Expenditure			2,686	(11,006)

This statement shows the cost of providing services on an accounting basis. The £2.7 million total shows the losses in the value of the assets and liabilities of the Council and is the total of the movement on the Balance Sheet below. The figures for 2015/16 have been restated to reflect the analysis shown based on the Council's services instead of according to a standard national basis as previously.

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

	General Fund Balance £'000	Revenue Earmarked Reserves £'000 (Note 20)	Total General Fund £'000	Capital Receipts Reserve £'000 (Note 18)	Capital Grants Un-applied £'000 (Note 19)	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2015	(5,124)	(8,713)	(13,837)	(911)	(269)	(15,017)	13,958	(1,059)
Total Comprehensive Expenditure and Income 2015/16	3,062	0	3,062	0	0	3,062	(14,068)	(11,006)
Adjustments between accounting basis and funding basis (note 48) 2015/16	(5,644)	0	(5,644)	(216)	(43)	(5,903)	5,903	0
Transfers (to)/from earmarked reserves 2015/16 (note 20)	2,341	(2,341)	0	0	0	0	0	0
(Increase)/Decrease in 2015/16	(241)	(2,341)	(2,582)	(216)	(43)	(2,841)	(8,165)	(11,006)
2016/17								
Balance as at 31 March 2016	(5,365)	(11,054)	(16,419)	(1,127)	(312)	(17,858)	5,793	(12,065)
Total Comprehensive Expenditure and Income 2016/17	(100)	0	(100)	0	0	(100)	2,786	2,686
Adjustments between accounting basis and funding basis (note 48) 2016/17	384	0	384	141	6	531	(531)	0
Transfers (to)/from earmarked reserves 2016/17 (note 20)	207	(207)	0	0	0	0	0	0
(Increase)/Decrease in 2016/17	491	(207)	284	141	6	431	2,255	2,686
Balance as at 31 March 2017	(4,874)	(11,261)	(16,135)	(986)	(306)	(17,427)	8,048	(9,379)

This statement shows the movements in the year for the Council’s usable reserves, i.e. those that can be used for future funding of services and unusable reserves which are there to deal with accounting entries only. It begins by showing the effect of the previous statement – the CI&ES, and then reverses out accounting entries to show the balance on each of the reserves at the end of the financial year. In summary, there was a minor reduction in the Council’s reserves of £0.431 million resulting in a balance of £17.427 million.

Balance Sheet – The Council's Resources

	Note	31 March 2017		31 March 2016	
		£'000	£'000	£'000	£'000
Total Property, Plant and Equipment	27		55,239		52,198
Heritage Assets	30	579		579	
Investment Property	31	3,252		3,075	
Intangible Assets		117		128	
Long-Term Investments	24	2,909		1,504	
Long-Term Debtors	41	2,639		2,669	
			9,496		7,955
Total Long-Term Assets			64,735		60,153
Current Assets					
Short-Term Investments	45 T5	17,992		12,989	
Inventories		3		10	
Cash and Cash Equivalents	43	8,050		11,891	
Short-Term Debtors	42	4,329		3,814	
Total Current Assets			30,374		28,704
Total Assets			95,109		88,857
Current Liabilities					
Short-Term Creditors	36	(12,302)		(11,465)	
S106 Deferred Revenue Receipts	37	(139)		(200)	
Revenue Grant Receipts in Advance	14	(262)		(99)	
Provisions	40	(2,198)		(804)	
Total Current Liabilities			(14,901)		(12,568)
Total Assets less Current Liabilities			80,208		76,289
Long-Term Liabilities					
Long-Term Creditors	35	(60)		(60)	
Deferred Liabilities	38	(384)		(550)	
Liability Related to Defined Benefit Pension Scheme	10(f)	(66,266)		(58,297)	
Capital Grant Receipts in Advance	39	(2,497)		(2,060)	
S106 Deferred Revenue Receipts	37	(620)		(695)	
Provisions	40	(1,002)		(2,562)	
Total Long-Term Liabilities			(70,829)		(64,224)
Net Assets			9,379		12,065

Balance Sheet – The Council’s Resources

	Note	31 March 2017		31 March 2016	
		£'000	£'000	£'000	£'000
Financing:					
Unusable Reserves					
Revaluation Reserve	21	(20,211)		(16,712)	
Deferred Capital Receipts Reserve		(20)		(20)	
Accumulated Absences Account	25	133		122	
Capital Adjustment Account	22	(36,825)		(36,667)	
Collection Fund Adjustment Account	23	(1,388)		787	
Pensions Reserve	26	66,266		58,297	
Financial Instruments Adjustment Account		2		(10)	
Available for Sale Reserve	24	91		(4)	
Total Unusable Reserves			8,048		5,793
Total Usable Reserves	MIRS		(17,427)		(17,858)
Total Reserves			(9,379)		(12,065)

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 balance of £8.050m 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
Chief Financial Officer

Date: 30 June 2017

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

	2016/17		2015/16
	£'000	£'000	Restated £'000
Net (Deficit)/Surplus on the Provision of Services (see CI&ES)		100	(3,062)
Depreciation	1,345		1,258
Impairment & downward valuations	631		456
Movement in market value of investment property and upward revaluation	(177)		(219)
(Decrease)/Increase in creditors	435		(2,329)
(Increase) in debtors	(755)		(167)
(Decrease)/Increase in debt impairment	(71)		(77)
Movement in provisions	(166)		932
Movement in pension liability	1,404		1,760
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	43		2,981
Other movements	(1)		(6)
Adjustment to Net Surplus on the Provision of Services for Non-Cash Movements		2,688	4,589
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities		51,543	78,458
Net Cash (Outflows)/Inflows from Operating Activities		54,331	79,985
Purchase of property, plant and equipment, investment property and intangible assets	(1,035)		(1,176)
Movements of short-term and long-term investments	(60,590)		(80,325)
Other payments for investing activities	(172)		(273)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	102		357
Other receipts from investing activities	3,096		2,483
Net Cash (Outflows)/Inflows from Investing Activities		(58,599)	(78,934)
Council tax and business rates adjustments	608		163
Cash payments for the reduction of outstanding liabilities relating to finance leases	(181)		(174)
Net Cash (Outflows) from Financing Activities		427	(11)
Net (Decrease)/Increase in Cash or Cash Equivalents		(3,841)	1,040
Cash and cash equivalents as at 1 April (note 43)		11,891	10,851
Cash and cash equivalents at 31 March (note 43)		8,050	11,891
Net (Decrease)/Increase in Cash or Cash Equivalents During Year		(3,841)	1,040

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 2015/16 comparative has been amended to show the gross movements in short term investments which had previously been netted off.

The cash flow for operating activities includes £261,000 for interest received (£230,000 in 2015/16) and £77,000 for interest paid (£75,000 in 2015/16).

Accounting Policies

1. Accounting Policies – General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code supported by IFRS and other guidance.

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. This Code only requires local authority financial statements to disclose information which is material.

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 Council 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 Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – 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 or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy has been extended for 2016/17 to cover larger payments also now credited to the year in which they were billed and not apportioned between years. The impact of this change is not material in 2016/17 and will facilitate a speedier closure of accounts in future years.

2. Accounting Policies

Capital Receipts

Income from the sale of capital assets is categorised as capital receipts and credited initially to the Comprehensive Income and Expenditure Account. After deductions the usable element is transferred to the Usable Capital Receipts Reserve and 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.

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 Code states that the Council is required to identify 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 the Surplus or Deficit on the Provision of Services in the CI&ES, but then reversed out through the Movement in Reserves Statement.

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 CI&ES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require that the General Fund is charged with the amount payable by the Council to the 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 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 2.7%. 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 International Accounting Standard (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;

Notes to the Core Financial Statements

- 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;
- net interest on the net defined benefit liability – this is made up of two elements: (1) the value of the liabilities increases as a year's worth of interest is added on; and (2) the increase in assets used to fund pensions in line with the discount rate. This is charged to the Financing and Investment Income and Expenditure line of the CI&ES;
- 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/demographic assumptions, (gain)/ 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 by staff as employee contributions to the KCC Pension Fund;
- employer contributions – cash paid by the Council 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 2016 and the change in contribution rates as a result of that valuation took effect from 1 April 2017.

Estimation Techniques

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

Financial Instruments

Financial instruments are recognised on the Balance Sheet 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; and
 - Investment in CCLA Property Fund carried at fair value.
- 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.

Notes to the Core Financial Statements

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

The fair value of a financial instrument on initial recognition is generally the market price.

The reconciliation of amounts based on accounting regulations charged to the CI&ES to the net charge required by statute against the General Fund Balance, is accounted for by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has made loans with no interest charge (soft loans). The fair value of soft loans is calculated by taking the Council's effective loss on interest receivable over the life of the loan. 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 accumulated value of the outstanding advance is over £100,000. A charge based on an appropriate rate of interest is made 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 it is not borne by the local taxpayer.

Government Grants and Other External Contributions

Receipts defined as grants and contributions for which conditions have not been satisfied are included on the Balance Sheet as creditors. When conditions are satisfied, grants specific to a service will be credited against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council's share of business rates from the Collection Fund are credited and disclosed separately in the 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.

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 over its "useful" life, which for computer software has been assessed as up to a maximum of seven years.

Interests in Companies and Other Entities

The Council 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 Council'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 and any gains or losses on revaluation or disposal are taken to the Comprehensive Income and Expenditure Statement.

Joint Operations

Joint 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, Fraud Investigation, Debt Recovery and Building Control services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the Mid Kent Services (MKS) 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. 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 included 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. This also applies where the IFRS reporting arrangements require the Council to determine whether 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 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.

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.

Long-Term Liabilities

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

Material Items of Income and Expense

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

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

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

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

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

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

- infrastructure, assets under construction and community assets are valued at Historic Cost, net of depreciation (where applicable); and

Notes to the Core Financial Statements

- other land and buildings, vehicles, plant, furniture, equipment and surplus assets are valued at Current Value.

For assets that are carried in the Balance Sheet at Current Value, the measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. The Current Value measurement bases include:

- Existing Use Value defined in accordance with RICS Valuation – Professional Standards (RICS, January 2014) for assets providing service potential to the authority where an active market exists;
- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised; and
- Fair Value, for surplus assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment properties or non-current assets Held for Sale.

The value of any surplus property is measured at its fair value with the purpose being to return the highest possible valuation, the estimated use of the property being taken as that which best supports this highest value (i.e. the valuation is not limited with regard to assuming the current use will continue). Surplus property valuations are based on using pricing information derived from an accessible market with the highest volume and level of activity for property transactions available. The valuer will use one or several measurements and/or factors to determine the value of the property, some of which may be more significant in assessing the valuation than others assess. Examples of such inputs into the valuation process are size, current market rental and sale values, location, condition and other relevant information for assets in the local authority area. Many of these inputs are observable, e.g. they can be seen, measured or found from existing data and records. Other inputs however may not be observable, e.g. an input based solely on the judgement of the valuer or where data is not available and assumptions are made. Each input has a level of significance towards determining the final valuation. The inputs used in valuations are classified into separate hierarchies, which hierarchies are a guide in assessing the risk of the valuation being more based on subjective interpretation than fact. For building and land valuations, observable inputs are classed as Level 2 and unobservable inputs are classed as Level 3. It is possible to use a mixture of Level 2 and Level 3 inputs, however, it is the significance of the inputs that is the determining factor in what level is applied to the whole valuation and any valuation that uses a Level 3 input that is significant will be classed as Level 3. Level 3 valuations will require more disclosure notes than Level 2 valuations.

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

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

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

Impairment – assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified, they are charged against the Revaluation Reserve up to the amount attributable to each specific asset held in that Reserve. Any excess of this amount is then chargeable to the 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:

Notes to the Core Financial Statements

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 over their useful lives.

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

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

Disposals – when an asset is disposed of, 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 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). 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 are payable to the Government. The balance of receipts is taken to the Usable Capital Receipts Reserve, from the CI&ES via the MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the 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 – Charges to Revenue

Service revenue accounts, support services and trading accounts are charged 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 services that benefit from the supply or service in accordance with the principles of the CIPFA Service Reporting Code of Practice 2016/17. The total absorption

Notes to the Core Financial Statements

costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

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

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. 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 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 general and earmarked reserves, with the latter being set up for a specific purpose, whilst the former are not. 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. The expenditure is charged to the relevant service in the CI&ES and then reversed out through the MIRS to the Capital Adjustment Account.

Value Added Tax (VAT)

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

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

The CIPFA Local Authority Accounting Panel Bulletin 105 confirmed that the accounting policy changes that will be required by the 2017/18 Code relate to the reporting of scheme transaction costs and investment concentration which are relevant only to pension fund accounts.

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 2017 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
Property, Plant and Equipment	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 net book value of Land & Building assets (operational only) as at 31 March 2017 is £46.406m.	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 operational buildings would increase by £24,840 should the useful life of each property be reduced by one year.
Fair Value Measurements	There are assets valued at fair value. Where possible, the inputs to these valuations are based on observable data, but where this is not possible, judgement is required in establishing fair values. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in the accounting policies. The fair value of assets (surplus and investment) as at 31 March 2017 is £3.879m.	Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's surplus and investment assets were to reduce by 10% this would result in £0.388m being charged to the CI&ES.
Debtor Arrears (including Housing Benefit Overpayments)	As at 31 March 2017 the Council has a gross balance for sundry debtors of £3.5m. A review of significant balances suggested that an impairment for doubtful debts of 47% (£1.6m) 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 £16,450 to be set aside for every 1% reduction in collection rates.
Business Rate Appeals	As at 31 March 2017 a provision for business rates appeals relating to the Collection Fund has been set aside of £7.8m (the Council's share is £3.1m). 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 £78,000 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.

Financial Instruments Market Risk – Note 45 details the effect if the actual result differs from the assumptions.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies (note 2), 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 2016/17 and earlier years. The total estimated value for these appeals on 1 April 2017 is £7.8m of which the Council's share is £3.1m (£8.1m and £3.2m respectively at 1 April 2016); and
- group accounts have not been prepared for the Faversham Swimming Pool Management Committee or for Opportunities for Sittingbourne on the grounds of materiality. Details are in the note on Group Accounts.

Notes to the Core Financial Statements

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information. There were no events after 31 March 2017 that require the financial statements to be adjusted.

7. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Chief Financial Officer on 30 June 2017.

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	2016/17 Number of Employees	2015/16 Number of Employees
£50,000 - £54,999	15	14
£55,000 - £59,999	3	3
£60,000 - £64,999	1	0
£65,000 - £69,999	2	1
£75,000 - £79,999	3	5
£80,000 - £84,999	1	0
£95,000 - £99,999	0	1
£100,000 - £104,999	2	0
£145,000 - £150,000	0	1
Total	27	25

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 2016/17 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 £	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 – £20,000	0	6	0	0	0	6	0	17,100
£20,001– £40,000	0	2	1	0	1	2	40,000	63,700
Total	0	8	1	0	1	8	40,000	80,800
Total paid to employees							40,000	45,000
Total paid to KCC for contracted payments for pension scheme							0	35,800
Total							40,000	80,800

Notes to the Core Financial Statements

a) Disclosure of remuneration for senior employees whose salary is £150,000, or more per year.

(a) Post holder Information (Post title and name)	Point	2016/17 Salary, Fees & Allowances £'000	2016/17 Pension Contributions £'000	2016/17 Total Remuneration £'000	2015/16 Total Remuneration £'000
Chief Executive Mr Abdool Kara	1	143	43	186	198
Chief Executive Mr Mark Radford	2	21	6	27	0
Total		164	49	213	198

Point 1: Includes Returning Officer fees for Police & Crime Commissioner and EU referendum elections. Post holder left February 2017.

Point 2: Post holder was appointed February 2017 on a fixed term contract until September 2018.

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

(b) Post holder Information (Post title)	Point	2016/17 Salary, Fees & Allowances £'000	2016/17 Pension Contributions £'000	2016/17 Total Remuneration £'000	2015/16 Total Remuneration £'000
Director of Corporate Services	1	85	25	110	129
Head of Legal Services	2	40	12	52	104
Head of Legal Services	3	29	9	38	0
Director of Regeneration	4	0	0	0	50
Director of Regeneration	5	67	15	82	50
Director of Regeneration	6	63	19	82	0
Monitoring Officer	7	8	2	10	0
Head of Development Services		78	24	102	103
Head of Economic Development and Cultural Services	8	20	6	26	103
Head of Economic Development and Cultural Services	9	48	15	63	0
Head of Commissioning & Customer Contact		79	24	103	104
Policy & Performance Manager	10	54	16	70	71
Head of Housing Services		78	24	102	103
Chief Executive Thames Gateway Kent Partnership	11	53	16	69	70
Chief Executive Thames Gateway Kent Partnership	12	5	0	5	0
Head of Audit Partnership	13	0	0	0	0
Head of Human Resources Partnership	14	0	0	0	0
Chief Financial Officer	15	0	0	0	0
Total		707	207	914	887

Point 1: Includes election fees for Police & Crime Commissioner and EU referendum. Post holder was appointed Chief Executive February 2017. This post was vacant as at 31 March 2017.

Point 2: Post holder left September 2016.

Point 3: Post holder was appointed November 2016 on an interim basis.

Point 4: Post holder left October 2015. Includes election fees for Parliamentary Elections.

Point 5: Post holder left July 2016. Includes £40,000 pay-in-lieu of notice.

Point 6: Post holder started July 2016 on an interim basis until September 2018.

Notes to the Core Financial Statements

Point 7: Post holder was appointed Monitoring Officer from February 2017 on an interim basis until September 2018.

Point 8: Post holder was appointed Director of Regeneration from July 2016.

Point 9: Post holder was appointed mid July 2016 on an interim basis until September 2018.

Point 10: Includes election fees for Police & Crime Commissioner.

Point 11: Post holder left April 2017.

Point 12: Post holder started March 2017.

Point 13: The Head of Audit Partnership. Disclosure covering this post will be made by Maidstone Borough Council.

Point 14: The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

Point 15: The Chief Financial Officer works across both Swale and KCC. Disclosure covering this post will be made by KCC.

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

9. Members' Allowances

	2016/17 £'000	2015-16 £'000
Basic allowance	230	226
Special responsibility allowance	140	135
Members' travel, subsistence and IT allowance	28	28
Total	398	389

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, so that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' pay and length of service. 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 with regard to employer admission arrangements. The committee consists of 12 members with voting rights (nine from KCC and three from district councils) and five other members without voting rights. Policy is determined in accordance with the Pensions Fund Regulations.

c) Risks of Defined Benefit Pension Schemes

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

Notes to the Core Financial Statements

d) Other Factors Affecting Pension Payments

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

e) Revenue Transactions Relating to 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:

	2016/17 £'000	2015/16 £'000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services comprising:		
Current service cost	2,113	2,310
Past service cost	0	74
Administration expenses	41	44
Net interest on the net defined benefit liability	2,047	2,066
Total Retirement Benefits Charged to the (Surplus)/Deficit on the Provision of Services	4,201	4,494
Other Retirement Benefits Charged to Other Comprehensive Income and Expenditure:		
Return on plan assets in excess of interest	(10,920)	1,394
Other actuarial losses on assets	290	0
Change in demographic assumptions	(2,262)	0
Change in financial assumptions	26,513	(8,970)
Experience (gain)/loss on defined benefit obligation	(7,056)	75
Total Re-measurements Recognised in Other Comprehensive Income and Expenditure	6,565	(7,501)
Total Retirement Benefits Charged to the CI&ES	10,766	(3,007)
Movement in Reserves Statement		
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	(1,404)	(1,760)
Employers' Contributions Payable to the Scheme	2,797	2,734
Actual Return on Scheme Assets less Interest	10,920	(1,394)

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:

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	138,752	118,348
Fair value of plan assets	(75,769)	(63,219)
Sub total	62,983	55,129
Present value of unfunded obligation	3,283	3,168
Net liability in Balance Sheet	66,266	58,297

Notes to the Core Financial Statements

- 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	2016/17 £'000	2015/16 £'000
Opening balance as at 1 April – defined benefit obligation	(121,516)	(127,214)
Current service cost	(2,113)	(2,310)
Interest cost	(4,319)	(4,144)
Contributions by scheme participants	(548)	(540)
Changes in Financial assumptions	(26,513)	8,970
Changes in Demographic assumptions	2,262	0
Past service costs	0	(74)
Experience gain/ (loss) on defined benefit obligation	7,056	(75)
Benefits paid including unfunded pension payments	3,656	3,871
Closing balance as at 31 March – defined benefit obligation	(142,035)	(121,516)

Reconciliation of fair value of the scheme assets	2016/17 £'000	2015/16 £'000
Opening balance as at 1 April – fair value of scheme assets	63,219	63,177
Interest on assets	2,272	2,078
Return on assets less interest	10,920	(1,394)
Other Actuarial Losses	(290)	0
Administration expenses	(41)	(44)
Employer contributions	2,797	2,733
Contributions by scheme participants	548	540
Benefits paid including unfunded pension payments	(3,656)	(3,871)
Closing balance as at 31 March – fair value of scheme assets	75,769	63,219

- h) Pension Scheme Assets

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

	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Equity investments	53,505	71	42,190	67
Gilts	565	1	560	1
Bonds	7,385	10	6,947	11
Property	9,447	12	9,190	15
Cash	1,893	2	1,583	2
Target return portfolio	2,974	4	2,749	4
Total	75,769	100	63,219	100

Asset Category	31 March 2017				31 March 2016			
	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
Equity Securities (All UK unless stated)								
Consumer	7,689	0	7,689	10.2%	6,906	0	6,906	10.9%
Manufacturing	4,770	0	4,770	6.3%	4,182	0	4,182	6.6%

Notes to the Core Financial Statements

Asset Category	31 March 2017				31 March 2016			
	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
Materials, energy and utilities	5,397	0	5,397	7.1%	4,148	0	4,148	6.6%
Financial services	6,355	0	6,355	8.4%	4,241	0	4,241	6.7%
Health and care	3,123	0	3,123	4.1%	2,144	0	2,144	3.4%
Information technology	3,136	0	3,136	4.1%	2,698	0	2,698	4.3%
Other	21,093	0	21,093	27.8%	16,363	0	16,363	25.9%
Private equity/ infrastructure (overseas)	0	1,960	1,960	2.6%	0	1,508	1,508	2.4%
Corporate Bonds								
UK	3,524	0	3,524	4.7%	3,454	0	3,454	5.5%
Overseas	3,897	0	3,897	5.1%	3,493	0	3,493	5.5%
Overseas fixed interest Government securities	530	0	530	0.7%	560	0	560	0.9%
Property								
Retail	0	3,359	3,359	4.4%	0	3,315	3,315	5.2%
Offices	0	1,559	1,559	2.1%	0	1,525	1,525	2.4%
Industrial	0	1,425	1,425	1.9%	0	1,217	1,217	1.9%
Other	0	3,104	3,104	4.1%	0	3,133	3,133	5.0%
Others								
Absolute return portfolio	2,955	0	2,955	3.9%	0	2,749	2,749	4.4%
Cash/ temporary investments	0	1,590	1,590	2.1%	0	1,136	1,136	1.7%
Net debtors/ creditors	0	303	303	0.4%	0	447	447	0.7%
TOTALS	62,469	13,300	75,769	100%	48,189	15,030	63,219	100%

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 2016, allowing for the different assumptions required under IAS 19.

	31 March 2017	31 March 2016
Mortality assumptions:		
Longevity at 65 if retiring today:		
Men	23.0 years	22.9 years
Women	25.0 years	25.3 years
Longevity at 65 if retiring in 20 years:		
Men	25.1 years	25.2 years
Women	27.4 years	27.7 years
Rate of inflation (RPI increases)	3.6%	3.2%
Rate of inflation (CPI Increases)	2.7%	2.3%
Rate of increase in salaries	4.2%	4.1%
Rate of increase in pensions	2.7%	2.3%
Rate of discounting scheme liabilities	2.7%	3.6%
Take-up option to convert annual pension into retirement lump sum	50%	50%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be

Notes to the Core Financial Statements

21%. The actual return on Fund assets over the year may be different.

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.

Uncertainty	Sensitivity Analysis		
	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	139,603	142,035	144,512
Projected service cost	3,024	3,099	3,176
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	142,400	142,035	141,674
Projected service cost	3,099	3,099	3,099
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	144,145	142,035	139,962
Projected service cost	3,176	3,099	3,024
Adjustment to life expectancy assumptions	+ 1 Year	None	- 1 Year
Present value of total obligation	147,500	142,035	136,779
Projected service cost	3,198	3,099	3,003

j) Funding and Investment Strategy

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

k) Impact of Pension 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 2016 which disclosed a net deficit of £547m on the fund overall, a reduction from the 2013 valuation deficit of £784m. To address this deficit a change in contribution rates took effect from 1 April 2017. The employer's contribution has been agreed with the Actuary and is based on the aim of eliminating the deficit by 2033.

The LGPS is a defined benefit salary scheme where the retirement benefits are determined independently from investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The LGPS is now a career average scheme for benefits built up from 1 April 2014 meaning that the employer and employees pay contributions into a fund, calculated at a level

Notes to the Core Financial Statements

intended to balance the pension liabilities with investment assets. Policy is determined in accordance with the LGPS Regulations.

The total contributions expected to be made to the LGPS by the Council in 2017/18 is £2.540m.

The weighted average duration of the defined benefit obligation for scheme members remains at 18 years for 2016/17 (2015/14, 18 years).

Day to Day Spending - Revenue

11. Expenditure and Income Analysed by Nature

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

	2016/17 Net Expenditure £'000	2015/16 Net Expenditure £'000
Benefit payments	53,936	54,939
Employee costs	14,667	14,409
Support service recharges	13,846	14,624
Business rates paid to Government and Pool	13,554	12,803
Other service expenses	12,625	11,902
Major contracts	6,501	6,564
Parish precepts	1,039	929
Drainage board levy	334	326
Other items	194	2,699
Total Expenditure	116,696	119,195
Benefit payments	(53,450)	(54,522)
Business rates income	(20,525)	(18,614)
Support service recharges	(13,846)	(14,624)
Fees, charges and other service income	(13,657)	(12,916)
Council tax	(8,236)	(7,966)
New homes bonus	(3,481)	(2,823)
Revenue support grant	(1,955)	(2,929)
Other grants and contributions	(1,033)	(972)
Other items	(613)	(767)
(Surplus)/Deficit on Provision of Services	(100)	3,062

12. Financing and Investment Income and Expenditure

	2016/17 Net Expenditure £'000	2015/16 Net Expenditure £'000
Financing and Investment Income and Expenditure		
Interest payable & similar charges	77	75
Net interest on the net defined pension liability	2,047	2,066
Interest receivable & similar income	(261)	(230)
(Gains)/ Losses on Trading Undertakings	117	(148)
Income & expenditure - investment properties (note 31)	(117)	(170)
Gains in relation to investment properties and changes in their fair value (note 31)	(177)	(219)
Total	1,686	1,374

Notes to the Core Financial Statements

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:

	2016/17 Expenditure Other £'000	2016/17 Expenditure on Partners £'000	2016/17 Income Other £'000	2016/17 Income from Partners £'000	2016/17 Net Expenditure £'000	2015/16 Net Expenditure £'000
Planning Support	48	240	(3)	0	285	241
Local Land Charges	4	70	(186)	0	(112)	(256)
Environmental Health	583	18	(42)	(1)	558	526
Information Technology	751	438	(1)	0	1,188	1,193
Human Resources	102	248	(4)	0	346	367
Internal Audit	5	156	0	0	161	140
Legal	1,687	0	(117)	(1,012)	558	504
Parking	1,278	64	(2,760)	(18)	(1,436)	(1,256)
Building Control	0	75	(1)	0	74	78
Fraud Investigation	12	16	0	0	28	98
Debt Recovery	0	16	(52)	0	(36)	14
Total	4,470	1,341	(3,166)	(1,031)	1,614	1,649

In 2015/16 it was unanimously decided by Swale, Maidstone and Tunbridge Wells Borough Councils that Tunbridge Wells would withdraw from the Planning Support partnership, and that Maidstone and Swale would continue to deliver a shared service based at Maidstone. It was also unanimously agreed that all three councils would continue the shared Local Land Charges service, based at Maidstone. These decisions were implemented in 2016/17.

In 2016/17 the Council contributed £25,400 towards shared IT capital expenditure (£63,330 in 2015/16). The Council has accrued its funding share to Maidstone as revenue expenditure funded from capital under statute.

In 2016/17 £228,000 was spent on a new telephone system for Swale, Maidstone and Tunbridge Wells Borough Councils which was fully funded from a Transformation Challenge Award and for which Tunbridge Wells was the accountable authority. The system is due to go live in 2017/18 when the value of this system will be split into equal thirds and appear on the Balance Sheets of each authority.

14. Grant Income

Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the CI&ES.

Grants Credited to Services

Grant Area	Provider	2016/17 £'000	2015/16 £'000
Housing benefit grant	Department for Work & Pensions	(53,450)	(54,522)
Revenue expenditure funded by capital under statute	Various Contributors	(1,622)	(906)
Housing benefit admin subsidy	Department for Work & Pensions	(551)	(663)
Communities living sustainability	Big Lottery Fund	(16)	(272)
Discretionary housing payment	Department for Work & Pensions	(312)	(244)
Localising council tax support administration subsidy grant	Department for Communities and Local Government	(202)	(179)
Open spaces and play areas – commuted sums	Various Contributors	(245)	(175)
Troubled families grant	Kent County Council	(57)	(92)

Notes to the Core Financial Statements

Grant Area	Provider	2016/17 £'000	2015/16 £'000
Localising council tax – new burdens funding	Department for Communities and Local Government	(5)	(35)
Local Land Charges New Burdens Grant	Department for Communities and Local Government	0	(137)
Other grants	Various Contributors	(639)	(554)
Total Grant Income Credited to Cost of Services		(57,099)	(57,779)

Revenue Grants – Receipts in Advance

The revenue grants receipts in advance for 2016/17 were £262,915 (£98,634 in 2015/16). This included the new Community Housing Grant £170,616 received from the DCLG in 2016/17.

Capital Grants - Receipts in Advance

Please see note 39 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 providers of independent assurance. Included in 2015/16 is £15,000 for the cost of the certification of grant claims for 2014/15.

	2016/17 £'000	2015/16 £'000
Fees payable for external audit service	61	61
Fees payable for the certification of grant claims and returns	25	36
Fees for other services: Investors in People assessment	0	9
Total	86	106

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 £72m 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

The Council has a Community Asset Transfer (CAT) policy whereby the Council will agree to transfer land or buildings into the ownership or management of a Voluntary or Community Sector organisation. Such transfers are often facilitated by a long-term lease of the assets. Therefore, to reflect the lease and the diminished immediate value of the asset to the council, assets subject to such a transfer have been removed from the Asset Register and the removal of their value is recorded under this note as a loss. In 2016/17 the value of properties subject to a CAT and removed from the Asset Register was £30,688, being the land used as a car park at London Road, Teynham, now leased to Teynham Parish Council. Other properties disposed of in 2016/17 valued £12,297. A total net gain of £58,393 was incurred for 2016/17 (net loss of £2,623,000 in 2015/16). Gains and losses on investment properties are shown under Financing and Investment Income and Expenditure in the CI&ES - no investment property losses were incurred in 2016/17 (also nil losses in 2015/16).

Council Resources - Reserves

18. Usable Capital Receipts Reserve

This 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 at year-end.

Notes to the Core Financial Statements

	2016/17 £'000	2015/16 £'000
Balance as at 1 April	(1,127)	(911)
Capital receipts in year from sale of assets	(52)	(259)
Capital receipts in year from repayment of grant and mortgages	(50)	(98)
Capital receipts applied during the year – financing long-term assets	243	63
Capital receipts applied during the year – financing REFCUS	0	63
Other movements	0	15
Balance as at 31 March	(986)	(1,127)

19. 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.

20. 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 2016/17.

	Balance 31 March 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance 31 March 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000
General Reserve	(3,087)	136	(137)	(3,088)	280	(110)	(2,918)
Business Rates Volatility	(1,233)	42	(1,458)	(2,649)	1,378	(154)	(1,425)
Performance	(747)	210	0	(537)	302	(300)	(535)
Building Maintenance	(627)	0	(191)	(818)	80	(196)	(934)
Regeneration	(310)	201	(253)	(362)	198	(523)	(687)
Business Rates Pool (Economic)	0	0	(328)	(328)	0	(420)	(748)
Repairs & Renewals	(277)	81	(93)	(289)	110	(116)	(295)
Housing Benefits	(388)	111	0	(277)	5	(218)	(490)
Commuted Sums	0	0	(259)	(259)	50	(122)	(331)
Local Loan Fund	(250)	0	0	(250)	50	0	(200)
Preceptors Council Tax Support	(125)	0	(125)	(250)	66	(125)	(309)
Housing	(181)	5	(22)	(198)	41	0	(157)
Transformation	(193)	81	(100)	(212)	40	(33)	(205)
Local Development Framework	(233)	163	0	(70)	0	(105)	(175)
Stay Put Grants	(158)	6	0	(152)	9	(1)	(144)
Emergency Accommodation	0	183	(218)	(35)	10	0	(25)
Development Control	(122)	208	(86)	0	117	(117)	0
Miscellaneous	(782)	424	(922)	(1,280)	873	(1,276)	(1,683)
Total	(8,713)	1,851	(4,192)	(11,054)	3,609	(3,816)	(11,261)

General Reserve	Its use is subject to the approval of members.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.

Notes to the Core Financial Statements

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. Each year the reserve is topped up by any underspend on the building maintenance revenue budget.
Regeneration	To fund regeneration projects in the Borough. Officers can submit bids to this reserve.
Business Rates Pool (Economic)	This fund has been established as a result of the Council joining the Kent Business Rates Pool. It is to fund economic development as agreed by the Council and KCC.
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.
Housing Benefits	Savings made in the Benefits section, including unspent grants were transferred to this reserve. This is used to cover the shortfall in grant.
Commuted Sums	Set up to meet Grant Thornton UK LLP recommendations on accounting treatment. This reserve will be used to fund play area and open space maintenance in future years.
Local Loan Fund	To support voluntary, community or not-for-profit organisations and town and parish councils in Swale to enable management and delivery of local services and facilities.
Preceptors Council Tax Support	Paid by KCC, Police and Fire to reflect the costs of council tax support localisation.
Housing	This is made up of a number of housing reserves, including Rent Deposit Scheme Bond Reserve, Empty Property 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 Development Framework	Any underspend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund Local Development Framework associated work.
Stay Put Grants	Ring-fenced external funding for health grants and supporting people grants.
Emergency Accommodation	Set up to meet the cost of a homeless property in Sheerness. The reserve has been topped up by unused funds from the Sittingbourne homeless property. It will continue to be used to fund any costs of maintaining our three emergency accommodation houses.
Development Control	This reserve was used in 2016/17 to meet the cost of additional agency staff and consultants to help clear the backlog of major planning applications.
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.

21. Revaluation Reserve

This Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment assets, Heritage assets and frozen gains re Investment assets (incurred prior to the assets being classified as Investment assets).

The balance is reduced when assets with accumulated gains are:

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

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

	2016/17 £'000	2015/16 £'000
Balance as at 1 April	(16,712)	(11,915)
Upward revaluation of assets	(4,388)	(6,837)
Downward revaluation of assets and impairment losses not charged to the	450	289

Notes to the Core Financial Statements

	2016/17 £'000	2015/16 £'000
(surplus)/deficit on the provision of services		
Write down re gains derived from depreciation differences, between historic costs and current value	312	254
Write down of accumulated gains on disposed assets	31	1,487
Write down frozen balance following Investment asset reclassified to PPE Land and Building asset	0	10
Adjustment of Revaluation Reserve balance further to IFRS derived corrections	96	0
Balance as at 31 March	(20,211)	(16,712)

22. 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.

	2016/17 £'000	2015/16 £'000
Balance as at 1 April	(36,667)	(38,292)
Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
Depreciation of tangible non-current assets	1,317	1,234
Amortisation of intangible assets	28	24
Write down Revenue Expenditure Funded by Capital under Statute (REFCUS)	1,758	1,123
Revaluation Losses – impairment to CI&ES – other assets	801	568
Revaluation Losses – impairment to CI&ES – investment assets	344	323
Revaluation – reversal of prior losses or impairments – other assets	(170)	(112)
Revaluation - reversal of prior losses or impairments – investment assets	0	(324)
Revaluation (gain) to CI&ES – investment assets	(520)	(218)
Disposal and Derecognition of assets – write out of notional gross book value	43	3,669
Disposal and Derecognition of assets – write out of accumulated depreciation	0	(688)
Write down of Revaluation Reserve:		
Write down of Revaluation Reserve depreciation (gains)	(312)	(254)
Write down of Revaluation Reserve accumulated gains on disposed assets	(31)	(1,487)
Write down of frozen Revaluation Reserve balance following investment asset reclassified to PPE Land and Building asset	0	(10)
Adjustment of Revaluation Reserve balance further to IFRS derived corrections	(96)	0
Capital financing applied in the year:		
Capital financing – capital receipts	(243)	(126)
Capital financing – Government grants and external contributions	(2,447)	(1,478)
Capital financing – capital reserves	(264)	(349)
Minimum revenue provision	(430)	(336)
Write down of financing long-term debtors	64	66
Balance as at 31 March	(36,825)	(36,667)

23. 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 taxpayers and business ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the

Notes to the Core Financial Statements

Council's share of the overall Collection Fund surplus and the surplus for renewable energy income retained by the Council. The total movement in 2016/17 was a surplus of £2,175,000 (£878,000 deficit in 2015/16). The increase in surplus over the previous year is attributable to an increase in business rate income, a reduction in business rate reliefs, an increase in the income received for renewable energy, and a large increase in the appeals provision needed in 2015/16 was not required in 2016/17.

24. Available for Sale Reserve

The movement in year represents the Council's additional investment in the CCLA Local Authorities' Mutual Investment Trust (LAMIT) Property Fund. The fair value is based on public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

25. 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 2017. 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 2016/17 was an increase of £11,000, (£20,000 decrease in 2015/16).

26. Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for 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 2016/17 is shown on note 10 under Pension Assets and Liabilities Recognised in the Balance Sheet.

Long-Term Spending - Capital

27. Property, Plant and Equipment Assets

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 Construc-tion £'000	Surplus Land & Buildings £'000	
Cost or Valuation								
At 1 April 2015	36,861	6,337	2,074	5,180	1,245	38	5,514	57,249
Additions	766	250	0	41	0	67	0	1,124
Revaluations	5,824	0	0	0	0	0	62	5,886
Derecognition	(2,627)	(404)	0	0	(4)	0	(403)	(3,438)
Reclassifications	3,868	472	0	47	0	(31)	(4,557)	(201)
At 31 March 2016	44,692	6,655	2,074	5,268	1,241	74	616	60,620
Accumulated Depreciation and Impairments								
At 1 April 2015	(606)	(5,054)	(639)	(351)	(1,140)	0	(159)	(7,949)
Depreciation	(795)	(302)	(37)	(63)	(24)	0	(13)	(1,234)
Impairment losses/(reversals)	194	0	0	0	0	0	12	206
Derecognition	94	404	0	0	4	0	53	555

Notes to the Core Financial Statements

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets £'000
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construc-tion £'000	Surplus Land & Buildings £'000	
Reclassifications	195	(302)	0	0	0	0	107	0
At 31 March 2016	(918)	(5,254)	(676)	(414)	(1,160)	0	0	(8,422)
Net Book Value at 31 March 2016	43,774	1,401	1,398	4,854	81	74	616	52,198
Net Book Value at 31 March 2015	36,255	1,283	1,435	4,829	105	38	5,355	49,300

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets £'000
	Land & Buildings	Vehicles & Equipment	Infra-structure	Comm-unity	Leased	Assets Under Construc-tion	Surplus Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or Valuation								
At 1 April 2016	44,692	6,655	2,074	5,268	1,241	74	616	60,620
Additions	216	69	150	32	24	603	0	1,094
Revaluations	2,420	0	0	0	0	1	11	2,432
Derecognition	(31)	0	0	(12)	0	0	0	(43)
At 31 March 2017	47,297	6,724	2,224	5,288	1,265	678	627	64,103
Accumulated Depreciation and Impairments								
At 1 April 2016	(918)	(5,254)	(676)	(414)	(1,160)	0	0	(8,422)
Depreciation	(848)	(333)	(37)	(74)	(25)	0	0	(1,317)
Impairment losses/(reversals)	875	0	0	0	0	0	0	875
At 31 March 2017	(891)	(5,587)	(713)	(488)	(1,185)	0	0	(8,864)
Net Book Value at 31 March 2017	46,406	1,137	1,511	4,800	80	678	627	55,239
Net Book Value at 31 March 2016	43,774	1,401	1,398	4,854	81	74	616	52,198

Surplus Land & Buildings

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

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

28. 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 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.

Notes to the Core Financial Statements

In 2016/17 Wilks, Head and Eve valued total assets to a gross value of £43,691,370, including Investment properties. The Total valuation comprises of Valuations dated at 1 January 2017 of £40,439,250 Plus valuation dated at 31 March 2017 of £3,252,120.

An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. The impairment review considered if there were material differences to the valuations performed at 1 January 2017 which would require these to be updated at 31 March 2017, but the result was that there were no material changes to the valuations advised. Mr K Parker, a member of the Royal Institution of Chartered Surveyors (RICS) and an employee of the Council, reviewed both tasks.

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) at or up to:	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	2,224	5,288	0	678	0	8,190
Previous years	0	4,354	0	0	1,134	0	0	5,488
2012/13	563	33	0	0	107	0	0	703
2013/14	941	176	0	0	0	0	0	1,117
2014/15	784	1,843	0	0	0	0	0	2,627
2015/16	5,123	250	0	0	0	0	26	5,399
2016/17	39,886	68	0	0	24	0	601	40,579
Gross Book Value at 31 March 2017	47,297	6,724	2,224	5,288	1,265	678	627	64,103

The Council has undertaken a review of all assets that were valued before 2016/17 to ensure that their carrying value does not differ materially from current value.

29. 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 27 and 28, reconciling the movement over the year in the asset balances for Property, Plant and Equipment and Investment Properties.

During 2016/17 the Council has recognised a net total loss of £454,220 in respect of its non-current assets (£238,000 recognition of losses in 2015/16).

	Property, Plant & Equipment Assets £'000	Investment Assets £'000	2016/17 Total £'000	2015/16 Total £'000
Revaluation – increase recognised in deficit on Provision of Services (reversal prior loss/impairment)	96	320	416	114
Depreciation written out to the deficit on Provision of Services (reversal prior loss/impairment)	74	0	74	2
Total Reversal Prior Loss/Impairment	170	320	490	116
Revaluation – decrease recognised in the (surplus) on Provision of Services	(815)	(344)	(1,159)	(654)

Notes to the Core Financial Statements

	Property, Plant & Equipment Assets £'000	Investment Assets £'000	2016/17 Total £'000	2015/16 Total £'000
Depreciation written out to the deficit on Provision of Services	15	0	15	80
Total Losses and Impairments	(800)	(344)	(1,144)	(574)
Revaluation – increase recognised in (surplus)/deficit on Provision of Services (gain)	0	200	200	220
Net Total Reversal/(Loss) Debited/Credited) to (Surplus)/Deficit on Provision of Services	(630)	176	(454)	(238)

The two greatest revaluation reversals of previous losses were against the buildings at Trading Estate West Lane, and the structure component of Swale House, incurring reversal increases of £319,980 and £48,990 respectively. Twelve other assets incurred an average reversal increase of £10,060.

Seven assets incurred direct gains totalling £200,290, the greatest gain being £162,080 to the land at Lappel Bank, West Minster.

The greatest reduced valuations were incurred by four assets, the Meads Community Centre (building component), Trading Estate West Lane (land component), vacant land at Minster Cliffs and the Clock Tower Hall Church Milton (building component), the losses being £455,130, £315,320, £139,100 and £130,800 respectively. Eighteen other assets incurred reduced valuations, an average reduction of £5,770 per property.

30. 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
At 1 April 2016	112	356	111	579
Balance at 31 March 2017	112	356	111	579
Balance at 31 March 2016	112	356	111	579

31. Investment Properties

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

	2016/17 £'000	2015/16 £'000
Rental income from investment properties	(191)	(205)
Direct operating expenses arising from investment properties	74	35
Net (Gain)	(117)	(170)

The net gain on revaluation for investment properties in the year was £176,710 (£218,590 gain in 2015/16). No investment properties were sold in 2016/17.

The Council's entire investment property portfolio has been assessed as input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels).

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these assets are such that the level of observable inputs are significant with no significant Level 3 inputs used, leading to the properties being categorised as Level 2 in the fair value hierarchy. In estimating the fair value of the authority's investment properties, the highest and best use of the properties has been applied.

Notes to the Core Financial Statements

32. 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	2016/17 £'000	2015/16 £'000
Home Renovation Grants	Swale Borough Council	11	11
Home Renovation Grants	Department for Communities & Local Government	1,541	854
Car Park Wall, Newington	Swale Borough Council	110	0
Shared Information Technology service	Swale Borough Council	26	63
Coastal Monitoring	Environment Agency	57	41
Play Area Equipment, Borden	Private Developer	13	0
Wylie Court utilities protection	Swale Borough Council	0	120
Coast Protection	Swale Borough Council	0	34
Total		1,758	1,123

33. Commitments under Capital Contracts

The contractual commitments at 31 March 2017 totalled £1,415,060 (£514,330 in 2015/16). The major commitments were: £365,750 Easthall Farm Community Centre, £281,350 Housing Repair Grants, £240,000 the Mill Project Sittingbourne Skate Park, £200,000 Faversham Creek Basin Regeneration Project and £169,980 Play Area Thistle Hill.

34. 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.

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	4,770	5,106
Add Adjustment for Embedded Lease Assets	166	0
Restated Opening Capital Financing Requirement	4,936	5,106
Total Capital Investment	2,868	2,268
Add Long-Term Debtors – Loans	110	41
Sources of Finance:		
Capital receipts (see note 18)	(243)	(127)
Government grants & external contributions	(2,447)	(1,478)
Sums set aside from revenue:		
Direct revenue funding	(264)	(704)
Minimum revenue provision (MRP)	(430)	(336)
Total Sources of Finance	(3,384)	(2,645)
Closing Capital Financing Requirement	4,530	4,770
Explanation of Movements in Capital Financing Requirement in Year:		
(Reduction) in underlying need to borrow (unsupported by governmental financial assistance) (MRP)	(404)	(313)

Notes to the Core Financial Statements

	2016/17 £'000	2015/16 £'000
(Reduction) relating to assets acquired under Embedded Leases (MRP)	(26)	(23)
Increase relating to assets acquired under Embedded Leases	24	0
Total (Decrease) in Capital Financing Requirement	(406)	(336)

Creditors and Debtors

35. Long-Term Creditors

As consideration for the extension of a current lease of 99 years, the tenants have paid the Council a premium of £60,000. A premium paid on entry into an operating lease must be accounted for as a prepayment of rent. The prepayment is amortised over the lease term in accordance with the pattern of benefits provided. Therefore, this premium, being consideration for the extended term of 69 years from 24 March 2070 to 24 June 2139, will start to be amortised in 2070/71 (assuming all current conditions remain unaltered).

36. Short-Term Creditors

	31 March 2017 £'000	Restated 31 March 2016 £'000
Central Government bodies	(5,977)	(4,183)
Other local authorities	(4,215)	(3,977)
NHS Bodies	(44)	(43)
Bodies external to general Government	(2,066)	(3,262)
Total	(12,302)	(11,465)

The 2015/16 figures have been restated to include receipts in advance in the relevant categories.

37. 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.

38. 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 £1.826m 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 of the Council by its grounds maintenance contractors.

	31 March 2017 £'000	31 March 2016 £'000
Due within one year (Short-Term Creditors)	(188)	(179)

Notes to the Core Financial Statements

	31 March 2017 £'000	31 March 2016 £'000
Due after more than one year (Long-Term Liabilities)	(384)	(550)
Total	(572)	(729)

39. 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. It is used for the funding of future capital expenditure. This includes monies received for S106 purposes (see note 37) to fund new facilities provided as part of an agreement with developers.

	1 April 2016 £'000	Expenditure £'000	Income £'000	31 March 2017 £'000
Disabled facilities grants	(186)	1,541	(1,664)	(309)
Other	(245)	213	(287)	(319)
S106 held for third parties	(1,043)	762	(629)	(910)
S106 Capital Funding:				
Housing	(200)	0	0	(200)
Play areas	(548)	0	(83)	(631)
The Meads Community Centre	(10)	11	(32)	(31)
Open spaces	(605)	13	(12)	(604)
Town centre improvements	(184)	0	0	(184)
Easthall Farm Community Hall	(947)	598	0	(349)
Other	(64)	0	(12)	(76)
Total	(4,032)	3,138	(2,719)	(3,613)

	31 March 2017 £'000	31 March 2016 £'000
Due to spend within one year (Short-Term Creditors)	(1,116)	(1,972)
Due to spend in more than one year (Long-Term Liabilities)	(2,497)	(2,060)
Total	(3,613)	(4,032)

In 2016/17, the Council did not repay any S106 grants to developers (£nil was repaid in 2015/16).

40. Provisions

In 1992 the Council's previous insurer, Municipal Mutual Insurance (MMI) declared that it would be going into "run off" which is similar to a company going into administration. Control of MMI has now passed to a Scheme Administrator who has implemented a "Scheme of Arrangement". The provision for future claims has been calculated as £59,000 as at 31 March 2017, following a payment of £24,000 during the year. This sum can be revised in future years as further information becomes available.

The Council has made a provision of £3,104,000 for business rate appeals based on its best estimates of the actual liability as at 31 March 2017. £943,000 has been identified as a long-term provision. See Note 54 for further details.

41. 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 and interest free loans, (classified as 'soft loans'). More details on soft loans are contained in Financial Instruments note 45, table 2.

Notes to the Core Financial Statements

	31 March 2017 £'000	31 March 2016 £'000
Housing repair loans	2,163	2,162
Rent deposit scheme – gross debt	94	188
Rent deposit scheme – allowance for impairment of debts	(80)	(151)
Assisted car purchase loans	208	256
Opportunities For Sittingbourne	118	118
Faversham Town Football Club	50	0
Queenborough Harbour Trust	42	42
Other long-term loans	44	54
Total	2,639	2,669

42. Short-Term Debtors

	31 March 2017 £'000	Restated 31 March 2016 £'000
Central Government bodies	804	393
Other local authorities	1,193	962
Bodies external to general Government	2,332	2,459
Total	4,329	3,814

The 2015/16 figures have been restated to include payments in advance in the relevant categories.

43. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash (overdrawn) by the Council	(470)	(485)
Same day (instant) access accounts	0	6,000
Money Market Funds	8,520	6,376
Total Cash and Cash Equivalents	8,050	11,891

Leases

44. Leases

Disclosures in Relation to Operating Leases – Council as Lessee

Plant and equipment – as at 31 March 2017 the Council had eleven vehicles on a contract hire-operating lease basis. During 2016/17 the Council commenced leasing a new vehicle as part of the ongoing replacement of older units. The Council is committed to making payments of £33,000 in 2017/18 and 2018/19. The commitments against the whole existing fleet are expected to fully expire in 2018/19.

The expenditure charged to the Net Cost of Services in the CI&ES during 2016/17 in relation to these leases was £35,500 (£31,500 in 2015/16).

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 2016/17 £'000	Rentals Payable 2015/16 £'000
Business premises	326	312
Industrial units	111	106
Other	80	78
Total	517	496

Notes to the Core Financial Statements

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

	2016/17 £'000	2015/16 £'000
Not later than 1 year	96	92
Later than 1 year and not later than 5 years	136	39
Later than 5 years	285	365
Total	517	496

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 2016/17 was £80,000 (£81,000 in 2015/16).

Financial Instruments

45. 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

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

Table 1

Financial Liabilities	Long-Term		Current	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Trade creditors	0	0	(1,613)	(3,491)
Lease liabilities	(324)	(492)	(188)	(155)
Total Financial Liabilities	(324)	(492)	(1,801)	(3,646)

Table 2

Financial Assets	Long-Term		Current	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Loans and Receivables				
Trade debtors	103	199	913	689
Soft loans	2,163	2,162	0	0
Car loans	208	256	0	0
Mortgages	5	5	0	0
Cash and cash equivalents	0	0	(470)	5,515
Long-term loans	160	184	0	2
Short-term Investments	0	0	18,000	12,989
Available-for-Sale				
Cash and cash equivalents	0	0	8,520	6,376
CCLA property fund*	3,000	1,500	0	0
Total Financial Assets	5,639	4,306	26,963	25,571

Notes to the Core Financial Statements

*The Council invested £3m in the CCLA LAMIT Property Fund which is carried in the Balance Sheet at its fair value of £2,909m, the difference being posted to the Available For Sale Reserve.

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

	2016/17 £'000	2015/16 £'000
Opening Carrying Amount of Soft Loans on 1 April	2,162	2,185
Nominal Value of new loans granted during the year	60	41
Loans repaid during the period	(59)	(64)
Closing Carrying Amount of Soft Loans at 31 March	2,163	2,162
Nominal Value at 31 March	2,166	2,123

d) Employee Car Loans

The Council had loans for car purchase to 41 employees in 2016/17 (44 in 2015/16). The interest charged on new loans is 1.25% and an unsubsidised rate for such loans would have been 2.25%.

e) 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

	2016/17 £'000	2015/16 £'000
Financial Liabilities		
Interest costs	71	75
Financial Assets – Interest Income:		
Loans and receivables: fixed term deposits and call accounts	(92)	(112)
Available-for-sale: money market funds	(163)	(118)
Total Interest	(255)	(230)
Net (Gain) for the Year	(184)	(155)

f) 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 2016/17, 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. are 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. To note:

- 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.

g) Nature and Extent of Risks Arising from Financial Instruments

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

Notes to the Core Financial Statements

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

The 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. The Council's investment in the CCLA is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3m. A 5% fall in commercial property prices would result in a £150,000 charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

Credit Risk

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

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

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

The table below summarises the Council's investment portfolio at 31 March 2017. 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 2017.

Table 5

Counterparty (MMF = Money Market Funds)	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2017 £'000				Balance Invested at 31 March 2016 £'000
			Up to 1 month	Greater than 1 month and up to 3 months	Greater than 3 months	Total	
Svenska Handelsbanken	Aa2	2		3,000		3,000	3,000
Santander Bank	Aa3	2		3,000		3,000	3,000
Lloyds Bank	A1	2		3,000		3,000	0
Standard Chartered Bank	A1	2		0		0	3,000
Nationwide Building Society	Aa3	2		3,000		3,000	0
HSBC Bank	Aa2	2		3,000		3,000	3,000
Debt Management Office (T-Bills)	Aa1	2		0		0	5,989
Leeds Building Society	A2	2		1,500		1,500	0
Close Brothers	Aa3	2		1,500		1,500	1,000
BNP Paribas MMF*	Aaa-mf	2	3,000			3,000	3,000
Morgan Stanley MMF*	Aaa-mf	2	2,520			2,520	376
Black Rock MMF*	Aaa-mf	2	3,000			3,000	3,000
CCLA Property Fund		2			2,909	2,909	1,504
Total			8,520	18,000	2,909	29,429	26,869

Notes to the Core Financial Statements

*These investments are cash and cash equivalents in the 2016/17 Balance Sheet. The rest are short-term investments, except for the CCLA Property Fund investment.

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 2017 (nil as at 31 March 2016).

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, Aa2, Aa1 Investments rated Aa3, Aa2 and Aa1 are judged to be of a high quality and are subject to very low credit risk.
- A1, A2 Investments rated A1 and A2 are considered upper-medium grade and are subject to low credit risk.

The Council's Relationship With Other Organisations

46. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, providing funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits). Un-ringfenced grants received from Government departments are set out in the CI&ES and the total grants received from Government are shown in note 14.

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 2016/17 is shown on note 9. During 2016/17, no works or services were commissioned from companies in which members had an interest. No grants were made to organisations whose senior management included Members or 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 their close family nor anyone in the same household have been involved in any material transactions with the Council. Returns were received in respect of the 2016/17 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 2016/17, 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 the running of the Faversham Pool in 2016/17. The Trust was 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.

47. Group Accounts

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

- Faversham Swimming Pool Management Committee (FSPMC). FSPMC changed its legal status from 30 April 2016 to become a Private Limited Company known as Faversham Pools and Leisure, (Company Number 10157657). This Company subsequently registered with the Charities Commission effective from October 2016. (Charity reference number 1169615) This change makes the new entity independent of the Council and although there are still Swale Borough Council councillors on the board of trustees they are no longer appointed by the Council. Prior to this change the Council appointed the majority of the governing body to the former entity and this fell within the definition of a subsidiary. Both the FSPMC and the new Company operated a swimming pool complex for the benefit of local residents, with a financial turnover of approximately £720,000 per annum (2015/16 figures). Included within the arrangements for 2016/17 is a grant of £80,000 from the Council towards the running of the Faversham Pool. For the purposes of this year's Statement of Accounts the Council, up until the effective date of the registration of the new company, is still required to assess its interest in FSPMC. It is considered that both the value of the FSPMC turnover in total and the Council's grant is not material in comparison to the Council's net cost of services of £18.575m. The FSPMC accounts for 2016/17 are due to be approved in August 2017. The latest accounts of FSPMC 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
- 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 Company owns and operates a property in Sittingbourne that offers opportunities for people across Swale and Medway to get involved in a programme of creative activities and offers low cost and free business support to new enterprises. Opportunities for Sittingbourne Ltd was incorporated in January 2015 (No. 09400214), and complies with all relevant Companies House requirements. 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. Further information on the Company is on the Companies House website <https://www.gov.uk/government/organisations/companies-house>

As at the end of 2016/17 the total investment in these two entities has been assessed as immaterial and the Council has decided that group accounts are not required.

Further Adjustments Between Accounting Basis and Funding Basis

48. 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.

	2016/17 Usable Reserves			2016/17 Unusable Reserves £'000	2015/16 Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to Revenue Resources					
Pension costs	(1,404)	0	0	1,404	1,761
Financial Instruments	(12)	0	0	12	(11)
Council tax and business rates	2,175	0	0	(2,175)	878
Holiday pay	(12)	0	0	12	(20)
Capital grants moved to Capital Grants Unapplied	65	0	(65)	0	0
Reversal of entries for capital expenditure	(3,600)	0	0	3,600	5,599

Notes to the Core Financial Statements

	2016/17 Usable Reserves			2016/17 Unusable Reserves £'000	2015/16 Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
Total Adjustment to Revenue Resources	(2,788)	0	(65)	2,853	8,207
Adjustments Between Revenue and Capital Resources					
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve (CRR)	102	(102)	0	0	0
Statutory provision for financing of capital investment	429	0	0	(429)	(336)
Capital expenditure charged to the General Fund	264	0	0	(264)	(349)
Total Adjustments between Revenue and Capital Resources	795	(102)	0	(693)	(685)
Adjustments to Capital Resources					
Use of the CRR to finance capital expenditure	0	243	0	(243)	(127)
Capital Grants used to finance capital expenditure	2,377	0	71	(2,448)	(1,478)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	0	0	0	(14)
Total Adjustment to Capital Resources	2,377	243	71	(2,691)	(1,619)
Total Adjustments	384	141	6	(531)	5,903

49. Expenditure and Funding Analysis 2015/16

	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Responsibility £'000	Other £'000	Net Expenditure Accounting Basis £'000
Chief Executive	238	0	27	2	0	267
Policy	175	0	34	10	8	227
Economy and Communities	1,985	294	150	60	47	2,536
Communications	233	0	20	(24)	0	229
Resident Services	639	(3)	349	308	265	1,558
Planning	911	0	187	108	203	1,409
Commissioning & Customer Contact	4,782	1,293	168	187	(252)	6,178
Directors	339	23	38	4	(47)	357
Information Technology	1,109	5	0	(435)	73	752
Audit	140	0	0	0	0	140
Environmental Health	434	2	55	22	13	526
Finance	750	69	198	46	315	1,378
Human Resources	337	0	0	17	14	368
Legal	332	0	140	(47)	26	451
Democratic Services	897	14	41	53	23	1,028
Property	423	235	59	(194)	383	906
Corporate Items	3,929	0	0	0	(3,929)	0
Cost of Services	17,653	1,932	1,466	117	(2,858)	18,310
Financed By	(19,579)					
(Surplus) in Year	(1,926)					
General Fund Balance at 1 April 2015	(5,124)					
(Surplus) in Year	(1,926)					
2014/15 approved rollovers	1,685					
Closing General Fund Balance at 31 March 2016	(5,365)					

Notes to the Core Financial Statements

The left hand column shows the final spend for the year as reported to Cabinet. The middle columns show changes that have to be made to the figures reported to Cabinet in order to report the Council's expenditure on an accounting basis which is shown in the column on the right which then appears in the next statement - the CI&ES as the Cost of Services.

Column Explanation: Capital – mainly adding the cost of depreciation of assets or the change in valuation of assets as these are not charged to the taxpayer; **Pension** – shows the forecast cost of providing retirement benefits rather than the payments made to the pension fund; **Budget Responsibility** – we report spend that services are directly responsible for, but this allocates them out to the services they were spent against; **Other** – taking out Corporate Items which are not in CI&ES Cost of Services, e.g. movement to/ from reserves, adds the increase in the value of staff annual leave carried forward at 31 March 2016.

The table below reconciles the Cost of Services to the Surplus on the Provision of Services on the 2015/16 CI&ES:

2015/16	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Responsibility £'000	Other £'000	Net Expenditure Accounting Basis £'000
Cost of Services	17,653	1,932	1,466	117	(2,858)	18,310
Other Income and Expenditure	(25,464)	1,790	2,066	(117)	6,477	(15,248)
(Surplus) on Provision of Services	(7,811)	3,722	3,532	0	3,619	3,062
Adjustments from Accounting Basis	5,885	(3,722)	(3,532)	0	(3,619)	(4,988)
(Surplus) in Year	(1,926)	0	0	0	0	(1,926)

The Council has restated its 2015/16 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services was previously presented based on SeRCOP classifications and is now disclosed in the local reporting format by Head of Service. The table below shows the comparative movement between SeRCOP and Directorate formats.

Analysis of Services in 2015/16 Annual Accounts	2015/16 as Reported in 2015/16 Annual Accounts £'000	Adjustments £'000	2015/16 as Reported in 2016/17 Annual Accounts £'000	Analysis of Services in 2016/17 Annual Accounts
		267	267	Chief Executive
		227	227	Policy
Cultural & Related Services	4,107	(1,571)	2,536	Economy and Communities
		229	229	Communications
Housing Services	2,357	(799)	1,558	Resident Services
Planning Services	3,118	(1,709)	1,409	Planning
Environmental & Regulatory Services	5,890	288	6,178	Commissioning & Customer Contact
		357	357	Directors
		752	752	Information Technology
		140	140	Audit
		526	526	Environmental Health
		1,378	1,378	Finance
		368	368	Human Resources
		451	451	Legal
Corporate & Democratic Core	2,288	(1,260)	1,028	Democratic Services

Notes to the Core Financial Statements

Analysis of Services in 2015/16 Annual Accounts	2015/16 as Reported in 2015/16 Annual Accounts £'000	Adjustments £'000	2015/16 as Reported in 2016/17 Annual Accounts £'000	Analysis of Services in 2016/17 Annual Accounts
		906	906	Property
Central Services	1,170	(1,170)		
Highways & Transport Services	(794)	794		
Non-Distributed Costs	174	(174)		
Cost of Services	18,310	0	18,310	Cost of Services

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 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.

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

Surpluses and deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

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

Collection Fund 2016/17	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income				
Council tax receivable	51	0	(69,501)	(69,501)
Business rates receivable	52	(47,912)	0	(47,912)
Kent County Council (Renewables share)		(80)	0	(80)
Sub Total		(47,992)	(69,501)	(117,493)
Contribution towards previous year's Collection Fund deficit –				
Central Government		(1,684)	0	(1,684)
Swale Borough Council		(1,348)	0	(1,348)
Kent County Council		(303)	0	(303)
Kent Fire and Rescue Service		(34)	0	(34)
Sub Total		(3,369)	0	(3,369)
Total Income		(51,361)	(69,501)	(120,862)
Expenditure				
Precepts, demands and shares:				
Central Government		22,050	0	22,050
Swale Borough Council		17,640	8,069	25,709
Kent County Council		4,764	49,830	54,594
Kent Fire and Rescue Service		441	3,165	3,606

Notes to the Core Financial Statements

Collection Fund 2016/17	Note	Business Rates £'000	Council Tax £'000	Total £'000
Kent Police and Crime Commissioner		0	6,689	6,689
Sub Total		44,895	67,753	112,648
Cost of collection		184	0	184
Transitional protection payments payable		6	0	6
Other transfers to General Fund		339	0	339
Debt write offs	42	89	267	356
Allowance for debt impairment	42	285	79	364
Charge to appeals provision	54	854	0	854
Allowance for appeals impairment	54	(336)	0	(336)
Sub total		1,421	346	1,767
Contribution towards previous year's Collection Fund surplus –				
Swale Borough Council		0	261	261
Kent County Council		0	1,569	1,569
Kent Fire and Rescue Service		0	102	102
Kent Police and Crime Commissioner		0	212	212
Sub total		0	2,144	2,144
Total Expenditure		46,316	70,243	116,559
(Surplus)/Deficit Movement for the Year	50	(5,045)	742	(4,303)
(Surplus)/Deficit at 1 April 2016	50	2,601	(2,020)	581
(Surplus)/Deficit at 31 March 2017	50	(2,444)	(1,278)	(3,722)

Collection Fund 2015/16	Note	Business Rates £'000	Council Tax £'000	Total £'000
Income				
Council tax receivable	51	0	(65,753)	(65,753)
Business rates receivable	52	(45,837)	0	(45,837)
Total Income		(45,837)	(65,753)	(111,590)
Expenditure				
Precepts, demands and shares:				
Central Government		21,645	0	21,645
Swale Borough Council		17,316	7,785	25,101
Kent County Council		4,072	46,727	50,799
Kent Fire and Rescue Service		433	3,029	3,462
Kent Police and Crime Commissioner		0	6,308	6,308
Sub total		43,466	63,849	107,315
Cost of collection		181	0	181
Transitional protection payments payable		145	0	145
Kent County Council (Renewables share)		249	0	249
Other transfers to General Fund		88	0	88
Debt write offs	42	1,335	423	1,758
Allowance for debt impairment	42	(1,569)	3	(1,566)
Charge to appeals provision	54	1,147	0	1,147
Allowance for appeals impairment	54	2,480	0	2,480
Sub total		4,056	426	4,482
Contribution towards previous year's Collection Fund surplus –				
Central Government		212	0	212
Swale Borough Council		170	176	346
Kent County Council		38	1,042	1,080

Notes to the Core Financial Statements

Collection Fund 2015/16	Note	Business Rates £'000	Council Tax £'000	Total £'000
Kent Fire and Rescue Service		4	68	72
Kent Police and Crime Commissioner		0	141	141
Sub total		424	1,427	1,851
Total Expenditure		47,946	65,702	113,648
(Surplus)/Deficit Movement for the Year	50	2,109	(51)	2,058
(Surplus)/Deficit at 1 April 2015	50	492	(1,969)	(1,477)
(Surplus)/Deficit at 31 March 2016	50	2,601	(2,020)	581

50. Collection Fund Surplus/Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £1,130,000 as at 31 March 2017 (£793,000 deficit in 2015/16), and is shown in the Balance Sheet within the Collection Fund Adjustment Account (note 23). 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 collection fund balance at 31 March 2017 split into its attributable parts:

	2016/17 Business Rates £'000	2016/17 Council Tax £'000	2016/17 Total £'000	2015/16 Total £'000
Central Government	(1,222)	0	(1,222)	1,301
Swale Borough Council	(978)	(152)	(1,130)	793
Kent County Council	(220)	(940)	(1,160)	(1,244)
Kent Fire and Rescue Service	(24)	(60)	(84)	(70)
Kent Police and Crime Commissioner	0	(126)	(126)	(199)
Balance at 31 March 2017	(2,444)	(1,278)	(3,722)	581

51. 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 43,959.22 (42,869.49 in 2015/16). 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 2016/17 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	1,011.75	6/9	3,728.56
B	1,180.38	7/9	8,609.25
C	1,349.00	8/9	11,500.97
D	1,517.63	9/9	9,066.03
E	1,854.88	11/9	5,857.99
F	2,192.13	13/9	3,172.57
G	2,529.38	15/9	1,833.95
H	3,035.26	18/9	189.90
Total			43,959.22

The detail to the calculation of the council tax base can be found in the report to Council on 27 January 2016 by using the following link: <http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=1537&Ver=4>

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

Notes to the Core Financial Statements

The level of non-payment provided for in 2016/17 was 1.10% (1.23% in 2015/16). The original anticipated income = 43,959.22 x £1,541.26 (Band D plus average parish precept) = £67,752,587. The actual income was £69,500,988. The difference is attributable to an increase in the number of properties in the Borough.

52. Income Collectable from Business Ratepayers

The Council retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses 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 business rate income after reliefs was £47,912,468 for 2016/17 (£45,837,020 for 2015/16). The difference is attributable to an increase in the amount due from businesses and a reduction in business rate reliefs.

The rateable value for the Council's area at the end of the financial year 2016/17 was £115,172,423 (£114,072,705 for 2015/16). The rate poundage set for 2016/17 was 49.7p (2015/16 was 49.3p). Small businesses have a lower rate poundage of 48.4p (2015/16 was 48.0p).

53. Debt Impairment

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

	2016/17 Business Rates £'000	2015/16 Business Rates £'000	2016/17 Council Tax £'000	2015/16 Council Tax £'000
Balance brought forward 1 April	(829)	(2,398)	(1,417)	(1,414)
Less amounts written off	89	1,335	267	423
Decrease/(Increase) in provision	(374)	234	(346)	(426)
Balance at 31 March	(1,114)	(829)	(1,496)	(1,417)
Swale Borough Council's proportion	(446)	(332)	(177)	(169)

Council tax provision for debt impairment is based on an analysis of the age of the debt and their recovery stage. At 31 March 2017, the total council tax outstanding debt was £4.3m (£4.3m in 2015/16) of which debt one year old was £1.8m, debt between two to five years old was £1.9m and debt over five years old was £0.6m.

The provision for business rate debt impairment is based on an assessment of each debt in respect of each financial year since 2003/04. The provision takes into account the recovery action, receivership/administration arrangements and potential absconders. At 31 March 2017, the total business rates outstanding debt was £1.6m (£1.1m in 2015/16) of which debt one year old was £1.0m, debt between two to five years old was £0.5m and debt over five years old was £0.1m.

54. Provision for Business Rate Valuation Appeals

	2016/17 Business Rates £'000	2015/16 Business Rates £'000
Balance brought forward 1 April	(8,096)	(5,615)
Less amounts charged to appeals	854	1,147
(Increase) in provision	(518)	(3,628)
Balance at 31 March	(7,760)	(8,096)
Swale Borough Council's proportion	(3,104)	(3,238)

This provision is based on the ratings list of outstanding appeals provided by the Valuation Office.

Glossary

Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Asset	An item having value measurable in monetary terms. A non-current asset has use and value for more than one year; a current asset is expected to be converted into cash within a year.
Service Reporting Code Of Practice (SeRCOP)	This provides guidance on the content of the costs of services.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Receipts	The proceeds of the sale of capital assets.
Cash & Cash Equivalents	The most liquid assets found within the asset portion of the Balance Sheet.
Code of Practice on Local Authority Accounting in the UK 2016/17 (The Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
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.
Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Infrastructure Assets	Non-current assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.
Intangible Assets	These are non-financial assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. software).
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.
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 long-term asset remains with the lessor.

Glossary

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.
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.
Property, Plant, Furniture and Equipment	An asset that has physical substance which is used in the provision of services and is expected to be in use for longer than one year. The value is depreciated over the estimated life of the asset.
Provision	A provision is made when the Council has a present obligation as a result of a past event and it is probable that the Council will be required to settle that obligation.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Soft Loans	Loans made below prevailing interest rates and which include loans made to organisations that undertake activities that the Council considers benefit the local population.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

Acronyms Used:

CCLA	Church Charities and Local Authorities
CI&ES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grant
FSPMC	Faversham Swimming Pool Management Committee
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council

LAMIT	Local Authorities' Mutual Investment Trust
LGPS	Local Government Pension Scheme
MKS	Mid Kent Services
MMF	Money Market Funds
NHB	New Homes Bonus
PPE	Property Plant and Equipment
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
S106	Section 106 - See note 37
SeRCOP	Service Reporting Code of Practice
SMT	Strategic Management Team