

## AGENDA

### AUDIT COMMITTEE MEETING

Date: Monday, 30 July 2018

Time: 7.00pm

Venue: Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT

Membership:

Councillors Andy Booth, Roger Clark, Adrian Crowther, Mick Galvin, Nicholas Hampshire, Harrison, Nigel Kay (Chairman), Peter Marchington (Vice-Chairman) and Ken Pugh.

Quorum = 3

---

Pages

#### 1. Emergency Evacuation Procedure

The Chairman will advise the meeting of the evacuation procedures to follow in the event of an emergency. This is particularly important for visitors and members of the public who will be unfamiliar with the building and procedures.

The Chairman will inform the meeting whether there is a planned evacuation drill due to take place, what the alarm sounds like (i.e. ringing bells), where the closest emergency exit route is, and where the second closest emergency exit route is, in the event that the closest exit or route is blocked.

The Chairman will inform the meeting that:

(a) in the event of the alarm sounding, everybody must leave the building via the nearest safe available exit and gather at the Assembly points at the far side of the Car Park. Nobody must leave the assembly point until everybody can be accounted for and nobody must return to the building until the Chairman has informed them that it is safe to do so; and

(b) the lifts must not be used in the event of an evacuation.

Any officers present at the meeting will aid with the evacuation.

It is important that the Chairman is informed of any person attending who is disabled or unable to use the stairs, so that suitable arrangements may be made in the event of an emergency.

#### 2. Apologies for Absence and Confirmation of Substitutes

### 3. Minutes

To approve the Minutes of the Meeting held on 14 March 2018 (Minute Nos. 537 - 545) as a correct record.

[Link to Minutes](#)

### 4. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

(c) Where it is possible that a fair-minded and informed observer, having considered the facts would conclude that there was a real possibility that the Member might be predetermined or biased the Member should declare their predetermination or bias and then leave the room while that item is considered.

**Advice to Members:** If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

### Part B Reports for decision by the Audit Committee

- |    |  |         |
|----|--|---------|
| 5. | Work Plan (including professional updates)   | 1 - 8   |
| 6. | Annual Statement of Accounts                 | 9 - 82  |
|    | Appendix I and II to follow.                 |         |
| 7. | Audit Findings Report                        |         |
|    | The report for item 6 also covers this item. |         |
| 8. | External Audit Fee Letter                    | 83 - 86 |

### **Issued on Monday, 16 July 2018**

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of the Audit Committee, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Chief Executive, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

This page is intentionally left blank

<b>Audit Committee</b>	
<b>Meeting Date</b>	30 July 2018
<b>Report Title</b>	Committee Work Plan
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer
<b>Head of Service</b>	Rich Clarke, Head of Audit Partnership/Nick Vickers, Chief Financial Officer
<b>Lead Officer</b>	Rich Clarke Head of Audit Partnership/Nick Vickers Chief Financial Officer
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. To determine whether to request General Purposes Committee to consider any changes to the Committee's Terms of Reference.</li><li>2. To endorse the need for member training and development.</li><li>3. To agree the annual work plan.</li></ol>

## **1 Purpose of Report and Executive Summary**

- 1.1 The Chairman, Cllr Kay, has asked for a revised format for this report and also for an update on the Terms of Reference issue and Member Development.

## **2 Background**

### Terms of Reference

- 2.1 The Terms of Reference for the Committee are set by Council. The current Terms of Reference of the Committee and those of the other Mid Kent Councils are shown in Appendix I. Members are reminded that Maidstone is a hung Council with a Committee system so its constitutional arrangements are quite different from the other three Councils.
- 2.2 The Head of Audit Partnership reported to the Committee in March and his report is included in the background documents.
- 2.3 Members are asked if there are any issues other than Treasury Management to ask General Purposes Committee to consider. The proposed wording on Treasury Management is:

“Maintain oversight of the Council's Treasury Strategy and receive six monthly monitoring reports.”

## Member Development

- 2.4 It is essential that Members have the necessary skills and knowledge to undertake their role. The Head of Audit Partnership usually delivers an update each June but this was not done this year given how well advanced we now are in the four year cycle. The Chairman suggests using the beginning of the next two meetings for training purposes.
- 2.5 The Chairman has asked that CIPFA and Grant Thornton updates are provided to all members of the Committee.

## Annual Work Plan

- 2.6 The Chairman has discussed the Annual Work Plan with Officers and a revised plan is attached in Appendix II.

## **3 Proposals**

- 3.1 Recommendations are made to General Purposes Committee on amended Terms of Reference.
- 3.2 The importance of Member Training and Development is endorsed.
- 3.3 The Annual Work Plan is agreed.

## **4 Alternative Options**

- 4.1 The report addresses clarification issues in relation to the role of the Committee and the discharge of its duties.

## **5 Consultation Undertaken or Proposed**

- 5.1 Research has been undertaken on how similar Committees operate in other Councils and the Head of Audit Partnership and Chief Financial Officer can supplement this from their experience of other Councils. The Chairman is also seeking to engage with other Chairmen of Audit Committees.

## **6 Implications**

Issue	Implications
Corporate Plan	Supports the priority of being a Council to be Proud Of.
Financial, Resource and Property	No direct implications.
Legal, Statutory	No direct implications.

and Procurement	
Crime and Disorder	No direct implications.
Environment and Sustainability	No direct implications.
Health and Wellbeing	No direct implications.
Risk Management and Health and Safety	No direct implications.
Equality and Diversity	No direct implications.
Privacy and Data Protection	No direct implications.

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Mid Kent Councils Terms of Reference
- Appendix II Annual Work Plan

## 8 Background Papers

Head of Audit Partnership March 2018 report

[https://services.swale.gov.uk/meetings/documents/s9416/ITEM%209%20Memo\\_on\\_Swale\\_BC\\_Audit\\_Committee\\_Terms\\_of\\_Reference.pdf](https://services.swale.gov.uk/meetings/documents/s9416/ITEM%209%20Memo_on_Swale_BC_Audit_Committee_Terms_of_Reference.pdf)

## APPENDIX I

### Mid Kent Councils Audit Committee Terms of Reference

<u>Swale Borough Council</u>	<u>Ashford Borough Council</u>
<p>Consider the effectiveness of the authority's risk management arrangements, the control environment and associated antifraud and anti-corruption arrangements.</p> <p>Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.</p> <p>Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.</p> <p>Approve (but not direct) internal Audit's strategy and Annual Audit Plan and monitor performance against them.</p> <p>Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.</p> <p>Receive the annual report of the Head of Internal Audit.</p> <p>Consider the reports of external audit and inspection agencies.</p> <p>Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.</p> <p>Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.</p> <p>Approve the Annual Statement of Accounts.</p>	<p>The Head of Internal Audit's Annual Report and Opinion, and a summary of the internal audit activity (actual and proposed) and the level of assurance it can give over the Council's Corporate Governance arrangements.</p> <p>The summary of internal audit reports issued in the previous period.</p> <p>Reports on the management and performance of the Audit Partnership Agreement.</p> <p>Reports from the Head of Internal Audit on agreed recommendations not implemented within reasonable timescales.</p> <p>The External Auditors management letter and relevant reports.</p> <p>Any detailed responses to the External Auditor's Annual Letter.</p> <p>Specific reports as agreed with the External Auditor.</p> <p>The scope and depth of external audit work and ensure it gives value for money.</p> <p>Liaison with the Audit Commission on the appointment of the Council's External Auditor.</p> <p>The commissioning of work from internal and external audit.</p>



<p>Present an annual report to the Executive on exceptions and highlights throughout the year.</p>	
<p><u>Maidstone Borough Council</u></p> <p>To Consider the Head of Internal Audit Partnership's annual report and opinion, and a summary of Internal Audit activity (actual and proposed and the level of assurance it can give over the Council's corporate governance arrangements.</p> <p>To consider reports dealing with the management and performance of Internal Audit Services, including consideration of endorsement of the Strategic Internal Audit Plan and any report on agreed recommendations not implemented within a reasonable timescale; and the Internal Audit Charter.</p> <p>To consider the External Auditor's Annual Audit letter, relevant reports, and any other report of recommendations to those charged with governance; and ensure that the Council has satisfactorily addressed all issues raised. To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>To review and approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of Policy and Resources Committee and Council.</p> <p>Consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Medium Term Financial Strategy, Annual Report and Mid Year review and make recommendations to Policy and Resources Committee and Cabinet.</p> <p>Recommend and monitor the effectiveness of the Council's Counter Fraud and</p>	<p><u>Tunbridge Wells Borough Council</u></p> <p>To consider the Internal Audit Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p> <p>To agree the external Audit Plan for the year.</p> <p>To approve the cost of the Audit.</p> <p>To consider summaries of specific internal audit reports as requested.</p> <p>To consider reports dealing with the management and performance of the providers of internal audit services.</p> <p>To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.</p> <p>To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.</p> <p>To consider specific reports as agreed with the external audit work and to ensure it gives value for money.</p> <p>To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>To liaise with the Audit Commission over the appointment of the Council's external auditor.</p> <p>To commission work from internal and external audit.</p> <p>To oversee the whistle-blowing policy and make appropriate recommendations for change to the policy;</p>

<p>Corruption Strategy</p> <p>.</p> <p>To maintain a financial overview of the operation of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.</p> <p>In conjunction with Policy and Resources Committee to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.</p> <p>To monitor Council policies on 'Raising Concerns at Work' (Whistleblowing') and the Anti-fraud and corruption' strategy.</p> <p>To oversee the production of the authority's Annual Governance Statement and to agree its adoption.</p> <p>The Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice and high standards of ethics and probity.</p> <p>This Committee will receive the annual review of the Local Code of Corporate Governance and may make recommendations to Policy and Resources Committee for proposed amendments, as necessary.</p> <p>To consider whether safeguards are in place to secure the Council's compliance with its own and other published standards and controls.</p>	<p>To liaise with the Overview and Scrutiny Committee Chairman to coordinate cross-cutting issues and avoid duplication.</p>
---	--

## Appendix II

### Annual Work Plan

<b>30 July</b>	<b>Lead Officer</b>
Work Plan (including professional updates)	Chief Financial Officer
Annual Statement of Accounts	Chief Financial Officer
Audit Findings Report	External Auditor
External Audit Fee Letter	External Auditor
Audit Committee Annual Report	Head of Audit Partnership
<b>19 September</b>	
Work Plan (including professional updates)	Chief Financial Officer
Member training & development	All
Annual Treasury Management Review	Chief Financial Officer
Fraud and Compliance	Revenues and Benefits
Annual Audit Letter	External Auditor
Update	External Auditor
<b>28 November</b>	
Work Plan (including professional updates)	Chief Financial Officer
Member training & development	All
Six Month Treasury Management Review	Chief Financial Officer
Internal Audit Interim Report	Head of Audit Partnership
Internal Audit Charter	Head of Audit Partnership
Update	External Auditor
<b>13 March</b>	

Work Plan (including professional updates)	Chief Financial Officer
Internal Audit Plan 2019/20	Head of Audit Partnership
Strategic Risk Register and Action	Head of Audit Partnership
Certification of Claims and Returns	External Auditor
2019/20 Audit Plan – External Audit	External Auditor

<b>Audit Committee</b>	
<b>Meeting Date</b>	30 July 2018
<b>Report Title</b>	Annual Financial Report 2017/18 and Audit Findings Report
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer
<b>Head of Service</b>	Nick Vickers, Chief Financial Officer
<b>Lead Officer</b>	Phil Wilson, Financial Services Manager
<b>Classification</b>	Open
<b>Recommendations</b>	<p>Members are asked to :</p> <ol style="list-style-type: none"> <li>1. Note the external auditor's Audit Findings Report (Appendix I);</li> <li>2. Approve the letter of representation (Appendix II) on behalf of the Council;</li> <li>3. Approve the Annual Financial Report for the year ended 31 March 2018 including the Annual Governance Statement (Appendix III);</li> <li>4. Approve that the Chairman of this committee signs and dates the Annual Financial Report for the year ended 31 March 2018.</li> </ol>

## 1. Purpose of Report and Executive Summary

- 1.1 This report seeks the Audit Committee's approval of the Council's Annual Financial Report for 2017/18 and includes the external auditor's Audit Findings Report for their consideration.

## 2. Background

### Audit Findings Report

- 2.1 Grant Thornton UK LLP has been the Council's external auditors since 1 September 2012. Their audit of the financial statements began on 9 July 2018.
- 2.2 The Audit Findings Report highlights the key matters arising from the audit of the Council's Annual Financial Report for the year ended 31 March 2018. It is also used to report the audit findings to management and those charged with governance. Grant Thornton are required to report whether the Council's Annual Financial Report presents a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared. They are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure value for money.

- 2.3 The Audit Findings Report is Appendix I. Grant Thornton will present this report to the Committee on 30 July and it will be a “to follow” item.

#### Letter of Representation

- 2.4 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Annual Financial Report. The letter also covers the responsibilities of the Chief Financial Officer and those of the Council in producing the Annual Financial Report for the Council. Grant Thornton require the Audit Committee to approve the Letter of Representation before they can issue their opinion and conclusion on the Council’s accounts for 2017/18.
- 2.5 The Letter of Representation is Appendix II. Grant Thornton will present this to the Committee on 30 July and it will be a “to follow” item.

#### Annual Financial Report 2017/18

- 2.6 The Annual Financial Report for the year ended 31 March 2018 is attached as Appendix III. The Chief Financial Officer has signed the accounts to certify that in his view they present a true and fair view of the financial position of the Council.
- 2.7 In previous years the deadline for the Council to have its accounts approved by the Audit Committee was the 30 September, but under the 2015 Accounts and Audit Regulations, the timetable has been moved forward for the 2017/18 accounts so the draft accounts had to be published by 31 May and approved and published by 31 July.

### **3. Proposals**

- 3.1 The Annual Financial Report for the year ended 31 March 2018 is attached as Appendix III. The draft accounts were sent to members of the Committee on 30 May 2018.
- 3.2 The Chief Financial Officer and Financial Services Manager would like to express their thanks to Grant Thornton for their efforts in completing the required audit work in time for reporting to this Committee. As in the past, the Chief Financial Officer and Financial Services Manager will work with the external auditors to review the accounts and to continue to maintain and improve them in the future.

### **4. Alternative Options**

- 4.1 The Annual Financial Report has been prepared in accordance with statutory accounting principles. No other options have been considered as it is a legal requirement that the financial statements are prepared and signed by the person presiding at this meeting no later than 31 July 2018.

## 5. Consultation Undertaken or Proposed

5.1 Consultation has taken place with Grant Thornton throughout this process.

## 6. Implications

Issue	Implications
Corporate Plan	Good financial management is key to achieving our Corporate Plan priority of being “A council to be proud of”
Financial, Resource and Property	The External Auditor’s opinion is that the Council’s accounting statements give a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year then ended.
Legal, Statutory and Procurement	The production of the financial statements is a legal requirement under the 2015 Accounts and Audit regulations.
Crime and Disorder	No direct issues
Environment and Sustainability	No direct issues
Health and Wellbeing	No direct issues
Risk Management and Health and Safety	No direct issues
Equality and Diversity	No direct issues
Privacy and Data Protection	No direct issues

## 7. Appendices

7.1 The following documents are to be published with this report and form part of the report:

7.1.1 Appendix I: Audit Findings Report

7.1.2 Appendix II: Letter of Representation

7.1.3 Appendix III: Annual Financial Report for the year ended 31 March 2018

## 8. Background Papers

8.1 Detailed working papers are held in the Finance Department.

This page is intentionally left blank



<b>What's in this Report?</b>
-------------------------------

<b>Overview .....</b>	<b>1</b>
<b>Financial Overview.....</b>	<b>2</b>
<b>Cabinet Member for Finance and Performance Statement.....</b>	<b>3</b>
<b>Reviewing Performance .....</b>	<b>4</b>
<b>Reviewing Financial Performance .....</b>	<b>6</b>
<b>Annual Governance Statement .....</b>	<b>14</b>
<b>Auditor's Report.....</b>	<b>20</b>
<b>Statement of Responsibilities .....</b>	<b>21</b>
<b>Note to the Accounts: Expenditure and Funding Analysis .....</b>	<b>22</b>
<b>Comprehensive Income &amp; Expenditure Statement .....</b>	<b>23</b>
<b>Movement In Reserves Statement.....</b>	<b>24</b>
<b>Balance Sheet .....</b>	<b>25</b>
<b>Cash Flow Statement.....</b>	<b>27</b>
<b>Accounting Policies.....</b>	<b>28</b>
1. Accounting Policies – General Principles.....	28
2. Accounting Policies .....	29
3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.....	35
4. Events after the Reporting Period .....	35
5. Authorisation of Accounts for Issue .....	36
<b>Pay and Pensions .....</b>	<b>36</b>
6. Officers' Remuneration and Termination Benefits.....	36
7. Members' Allowances .....	38
8. Defined Benefit Pension Scheme.....	38
<b>Day to Day Spending – Revenue .....</b>	<b>42</b>
9. Expenditure and Income Analysed by Nature .....	42
10. Financing and Investment Income and Expenditure .....	42
11. Shared Services.....	43
12. Grant Income .....	43
13. External Audit Costs.....	44
14. Gains and Losses on Disposal of Non-Current Assets .....	44
<b>Council Resources – Reserves.....</b>	<b>44</b>
15. Usable Capital Receipts Reserve .....	44
16. Capital Grants Unapplied Account .....	44
17. Revenue Earmarked Reserves .....	45
18. Revaluation Reserve.....	46
19. Capital Adjustment Account .....	47
20. Collection Fund Adjustment Account .....	47
21. Available for Sale Reserve .....	47
22. Pensions Reserve .....	47
<b>Long Term Spending – Capital .....</b>	<b>48</b>
23. Property, Plant and Equipment Assets.....	48
24. Non-Current Asset Valuation .....	49
25. Impairment Losses.....	50
26. Investment Properties .....	51
27. Assets Held for Sale.....	51
28. Revenue Expenditure Funded from Capital under Statute (REFCUS).....	52
29. Commitments under Capital Contracts .....	52
30. Capital Expenditure and Capital Financing .....	52
<b>Creditors and Debtors .....</b>	<b>53</b>

## What's in this Report?

31.	Long-Term Creditors .....	53
32.	Short-Term Creditors .....	53
33.	S106 Revenue Receipts in Advance .....	53
34.	Deferred Liabilities .....	53
35.	Capital Grant Receipts in Advance .....	54
36.	Provisions .....	55
37.	Long-Term Debtors – Other .....	55
38.	Short-Term Debtors .....	55
39.	Cash and Cash Equivalents .....	55
<b>Leases.....</b>		<b>56</b>
40.	Leases .....	56
<b>Financial Instruments .....</b>		<b>56</b>
41.	Financial Instruments .....	56
<b>The Council's Relationship With Other Organisations .....</b>		<b>59</b>
42.	Related Parties .....	59
43.	Group Accounts .....	60
<b>Further Adjustments Between Accounting Basis and Funding Basis .....</b>		<b>61</b>
44.	Adjustments Between Accounting Basis and Funding Basis Under Regulations .....	61
45.	Expenditure and Funding Analysis 2016/17 .....	61
<b>Collection Fund.....</b>		<b>62</b>
46.	Collection Fund Surplus/ Agency Arrangements.....	64
47.	The Calculation of the Council Tax Base .....	65
48.	Income Collectable from Business Ratepayers.....	65
49.	Debt Impairment .....	65
50.	Provision for Business Rate Valuation Appeals .....	66
<b>Glossary.....</b>		<b>67</b>

### **The Council**

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.

The Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, housing benefit, public conveniences and environmental health.

The Council has 47 councillors (also known as 'Members') covering 24 wards. Each Councillor is elected for a term of four years, with the last election on 7 May 2015. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. Swale is Conservative controlled under a Leader and a Cabinet. The Leader of the Council is Councillor Andrew Bowles. The Council's services are organised into Directorates and Departments and the Chief Executive is Mark Radford.

### **The Council's Purpose**

The Council's overarching purpose is making Swale a better place.

### **The Council's 2017/18 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**

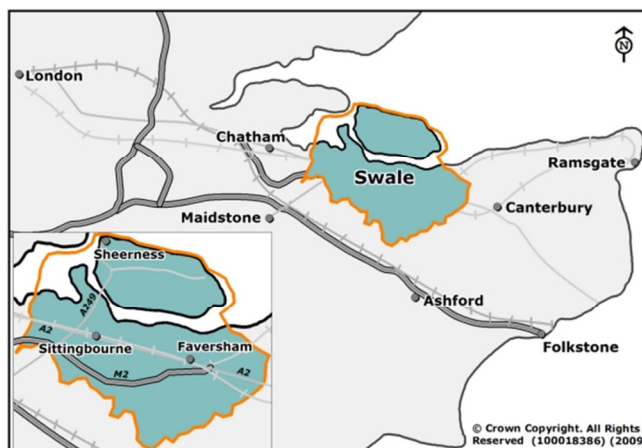
This priority theme focuses on the Council's aspirations for the people of Swale.

#### **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.

### **The Council's Values – Swale FIRST**

- **Fairness** - being objective to balance the needs of all those in the Council's 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 the Council's promises to each other, customers and the Council's partners



### Council Tax

2017/18

Band D £164.88

2018/19

Band D £169.83

### Number of staff

Down by 11.5 compared to 2016/17

272.6 (full time equivalents)

---

### Usable reserves

Up by £2.4m compared to 2016/17

£19.8m

### Revenue budget variance

Down £0.6m compared to 2016/17

£0.8m budget underspend

---

### Council Tax collection rate

Down 0.3% compared to 2016/17

97.2%

### Business Rates collection rate

Up by 0.1% compared to 2016/17

98.2%

---

### Percentage of invoices paid by the Council within 30 days

Up 0.1% compared to 2016/17

99.1%

### Ratio of current assets to liabilities

Down 0.2 compared to 2016/17

1.8

---

## **Foreword by Councillor Duncan Dewar-Whalley**

The purpose of this Annual Report is to demonstrate the Council's stewardship of its finances for the financial year 2017/18. The Report provides a useful and important source of financial information for residents, Council Members and all other interested parties.

A key aspect of the Council's Corporate Plan is financial sustainability to ensure that the Council can continue to provide services vital to residents. Whilst austerity will continue over the medium term and the world economy is volatile, the Council will continue to handle its finances in a prudent and professional manner, so that any impact can be cushioned. The Council will continue to play a key role in reviving the local economy and will continue to encourage new businesses and to support those already established in the Borough. Major projects are designed to bring about improvements that will pay dividends over the long-term whilst also boosting the local jobs market.

Difficult challenges are ahead as a result of Central Government cuts and these are significant for the Council. Whilst the Government's reduction in funding to the public sector continues, the Council will be more resilient by becoming more self-financing. There is the increasing importance of Business Rates to the Council, and therefore the Council is part of the 2018/19 Kent and Medway pilot area for the localisation of Business Rates, and it is predicted that Swale will be the largest gainer of any of the lower tier councils. For many years the Council had a very limited capital budget, although the position has changed significantly in 2018/19 and beyond as a result of the Sittingbourne town centre work, improvements to both the Sittingbourne and Sheerness Leisure Centres, and also the Council is committed to improving equipment in play areas.

The level of reserves allows the Council to invest in capital items and deliver services. Given the uncertainty ahead, the reserves are an important secure element for the Council's future and to protect against any unforeseen problems, for example, such as the Lower Medway Internal Drainage Board increase last year.

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  
25 May 2018

### Reviewing Performance

#### The Council's Performance

The Council adopted its Corporate Plan 2015 and it remained in operation for the whole of 2017/18 (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 the Council's own organisational culture and development. The Council's Annual Report will set out in detail progress against the Corporate Plan.

The Council maintains comprehensive partnership links with a wide range of other agencies both within and beyond the Borough. These include both strategically and operationally focused partnerships with partners from the health, housing, blue-light and other sectors, some of which are directly responsible for the delivery of key services or strategies, as well as partnerships with other local councils aimed at sharing functions to make them more effective, efficient and resilient than they would be as stand-alone services. The most comprehensive of these shared-service partnerships is Mid-Kent Services (MKS), whose core members are Maidstone, Swale and Tunbridge Wells, within which the Council shares a number of large back-office and frontline services. Maintaining strong partnership links with cross-sectoral partners has become more difficult in recent years as austerity has taken its toll on agencies' capacity for meaningful engagement and collaboration.

Like other parts of the public sector, the Council has experienced major reductions in Government grant funding since 2010, and in common with most councils, the Council has worked to identify and pursue alternative sources of income. While the Council has a relatively low physical asset base and the Borough's low land values mean that viability on property development schemes is often marginal, nonetheless the Council is investing in much-needed large-scale regeneration in Sittingbourne town centre as a means both of improving the quality of the local offer for residents and visitors, and of providing new revenue streams to support the Council's services.

The Council continues to monitor its performance against a range of key performance indicators and, where possible, to benchmark its performance with those of other local authorities. In addition to numerous indicators in use within specialist teams, Cabinet, Scrutiny and the Strategic Management Team (SMT) monitor a set of 38 'corporate' indicators on a regular basis. This set is balanced across services to ensure that taken as a whole it is broadly representative of the Council's performance across the board. When minor changes are excluded, performance improved on 26% of these indicators in 2017/18 compared to 2016/17, while it deteriorated on 37% of indicators. This result is not surprising given the high baseline comparison set by last year's exceptional performance levels. The Council publishes a summary performance report each month on the its website at <http://www.swale.gov.uk/managing-performance/>.

A major challenge is homelessness and the number of households in temporary accommodation. The causes are complex and in response the Government has introduced the Homeless Reduction Act whose aim is to prevent people from becoming homeless with earlier intervention. However, this is largely dependent upon the Council's ability to secure homes financially within the private rented sector.

Looking forwards, there are a number of issues which will continue to challenge the Council's ability to deliver the outcomes its residents need during 2018/19 and beyond. Despite its location in the generally prosperous South-East, Swale contains large pockets of deprivation. In addition to the effects of ongoing austerity on the Council's own capacity, the rollout of universal credit and further reductions in social security spending will continue to have a profound impact on the lives and opportunities of the people who live in Swale.

### **The Council's People**

The Council recognises that its success is built on the knowledge, expertise and commitment of its workforce and it therefore places 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 its values to describe clearly how the Council does things and all employees should be aware how the Council expects them to work. 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.

The support to staff and the approach to employee engagement was recognised in February 2016 with the award of the Investors in People Gold Standard. The award recognises the investment in the Council's staff in the approach to leadership, development opportunities, reward and recognition, wellbeing and engagement. This has been further developed through the Workforce Strategy, which reflects the Council's revised priorities and the possible opportunities and challenges in the future.

The Council was recognised in the Top 100 Not for Profit organisations to work for in the Best Companies Survey in February 2017 and it 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 2017 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 the Council was awarded an 'excellence' rating in the Kent Healthy Business Awards for its approach to managing sickness. During 2017/18, the amount of time lost to sickness was an average of 9.91 days per employee, which is higher than the average for the local government sector of 8.5 days. The main reasons for the increase in sickness figures are due to long-term absence relating to mental health-related issues as well as hospital treatment. One other outcome of the Council's 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 the Council Manages Data**

The Council has a responsibility to keep the personal data it holds securely. In 2017/18 there were seven 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 2017/18 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 demonstrated that it had taken effective and efficient action in minimising the impact of the breaches reported.

### **How the Council Manages Risk**

The Council's corporate level risks are those that link directly to the delivery of its Corporate Plan. In recognition of this, the Council keeps its corporate risks under frequent review. This includes both monitoring at SMT level and through Members (via Informal Cabinet and Audit Committee).

The Council maintains a full register of its risks, and undertakes regular exercises to identify any emerging risks that it may face over the medium term. Over the course of 2017/18 the Council identified, assessed, took action and monitored 13 corporate risk issues.

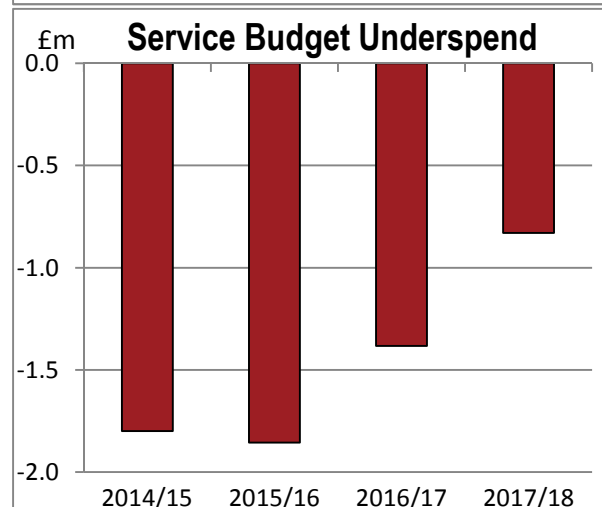
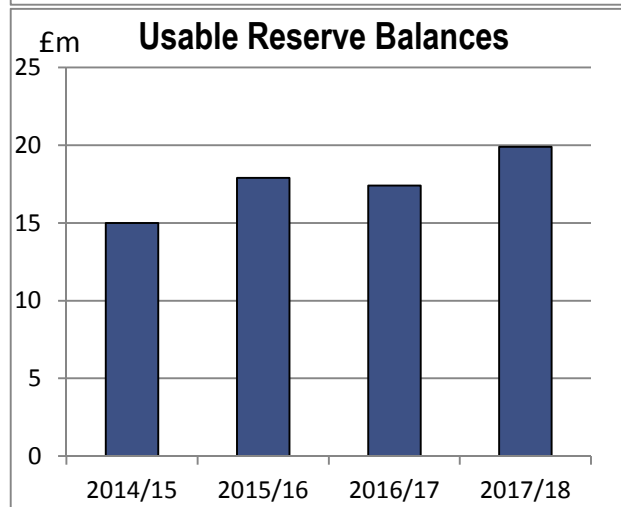
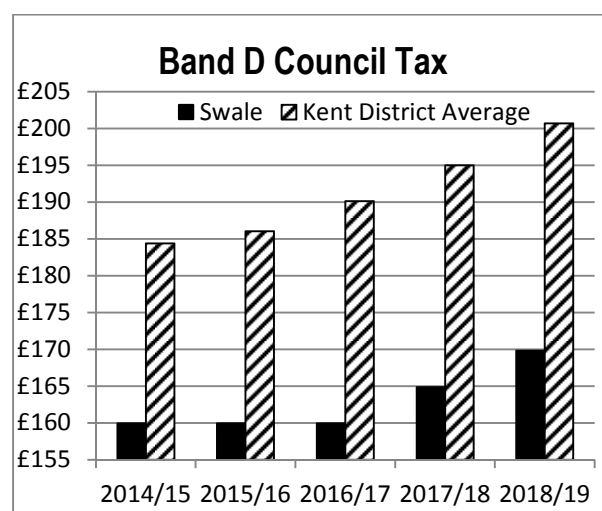
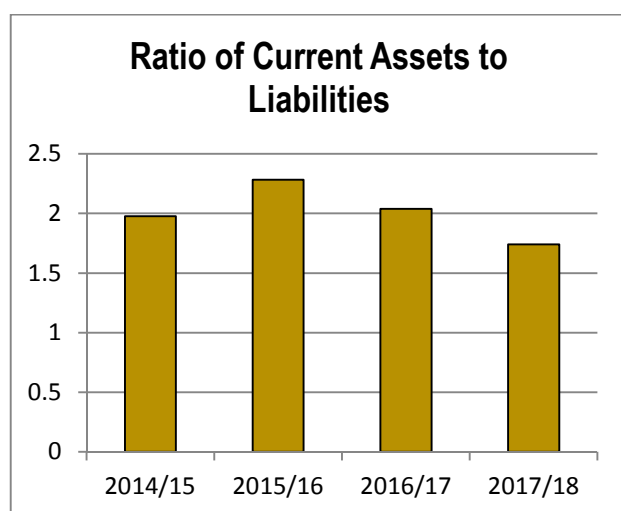
Like all Local Authorities, this year the Council has been operating in a particularly challenging environment. Notably, continued funding pressures, changing regulation, increased homelessness and IT security have all

## Reviewing The Council's Performance

featured highly on the Council's risk register. The Council works collectively to respond to these risks, and behind each risk is an action plan which sets out the existing controls the Council has in place to manage the risk, but also, shows any actions that it plans to take to manage the risk further. Regardless of the overall score, the corporate risks are reported and reviewed throughout the year, and this ensures that the Council remains fully prepared in the event of a risk occurring. The last progress update on the Council's risk management processes was presented to the Audit Committee on 14 March 2018 and can be found here <https://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=142&MId=1902&Ver=4>

### Financial Performance by Chief Financial Officer Nick Vickers

#### Key Indicators of Financial Performance





## Reviewing The Council's Performance

### The Council's Expenditure and Income for 2017/18

The table below shows spend against budget for the Council's service departments:

	<b>Budget 2017/18 £'000</b>	<b>Actual Spending 2017/18 £'000</b>	<b>Over/(Under) spend 2017/18 £'000</b>
Chief Executive	390	370	(20)
Policy	218	206	(12)
Economy and Communities	2,412	2,221	(191)
Communications	291	277	(14)
Resident Services	1,132	1,073	(59)
Planning	958	969	11
Commissioning & Customer Contact	5,728	5,073	(655)
Directors	418	230	(188)
Information Technology	1,201	1,120	(81)
Audit	164	174	10
Environmental Health	547	492	(55)
Finance	778	769	(9)
Human Resources	381	314	(67)
Legal	437	545	108
Democratic Services	970	944	(26)
Property	600	563	(37)
Regeneration	0	142	142
Corporate Items	1,497	1,811	314
<b>Cost of Services</b>	<b>18,122</b>	<b>17,293</b>	<b>(829)</b>
Financed by Council Tax, Business Rates and Government Grants	(18,006)	(18,006)	0
<b>Deficit / (Surplus) in Year</b>	<b>116</b>	<b>(713)</b>	<b>(829)</b>

	<b>Budget 2017/18 £'000</b>	<b>Actual Spending 2017/18 £'000</b>	<b>(Under) spend 2017/18 £'000</b>
General Fund Balance as at 1 April 2017	(4,874)	(4,874)	0
<b>Deficit/ (Surplus) in Year</b>	<b>116</b>	<b>(713)</b>	<b>(829)</b>
2016/17 approved rollovers	892	892	0
<b>General Fund Balance as at 31 March 2018</b>	<b>(3,866)</b>	<b>(4,695)</b>	<b>(829)</b>

The above table shows how the decrease in the General Fund of £179,000 shown in the Movement in Reserves Statement (MIRS) page 24 compared to the budget. The Council's policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £4.7 million represents 27% of the cost of services for 2017/18, and is therefore at an adequate level.

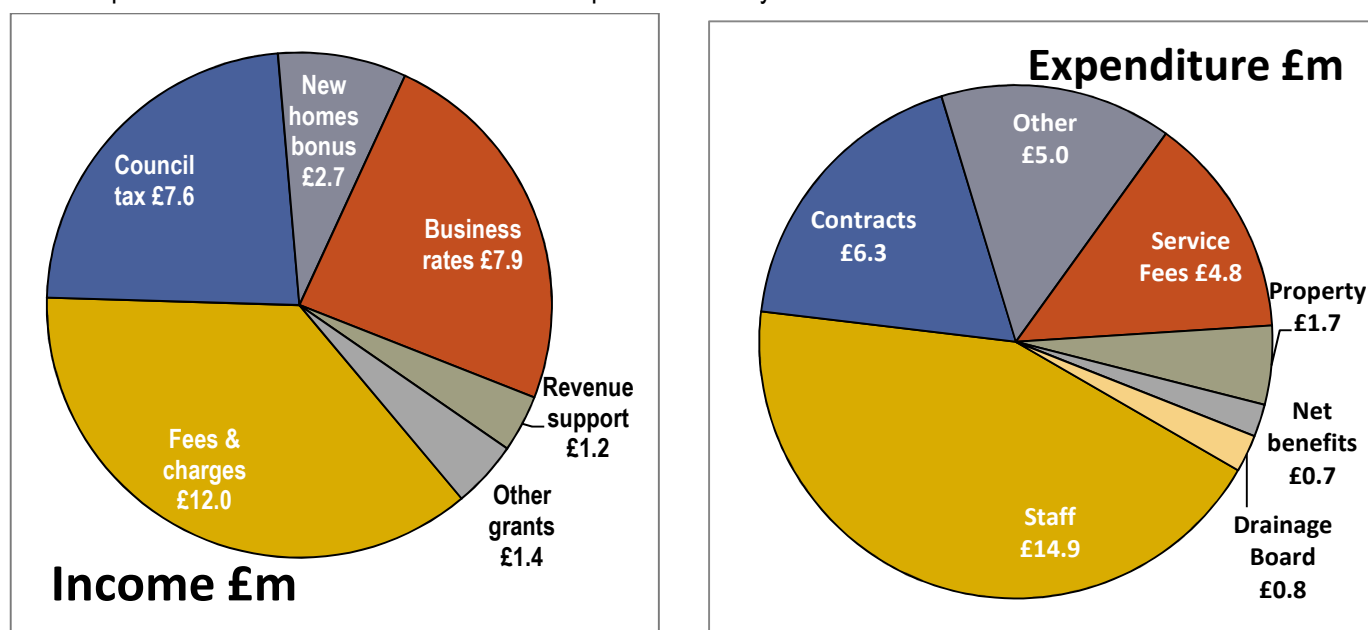
There are regular reports to Cabinet and senior management on the monitoring of spend against budget. There will be a report detailing the 2017/18 differences between the budget forecasts and the actual money spent and income to Cabinet on 11 July 2018. A summary of the major reasons for variances is shown below:

<b>Reasons for Budget Variance on Cost of Services</b>	<b>£'000</b>
Additional income	(1,917)
Procurement savings	(248)
Additional costs	1,061
Net overspends	275
<b>Total Budget Variance on Cost of Services</b>	<b>(829)</b>

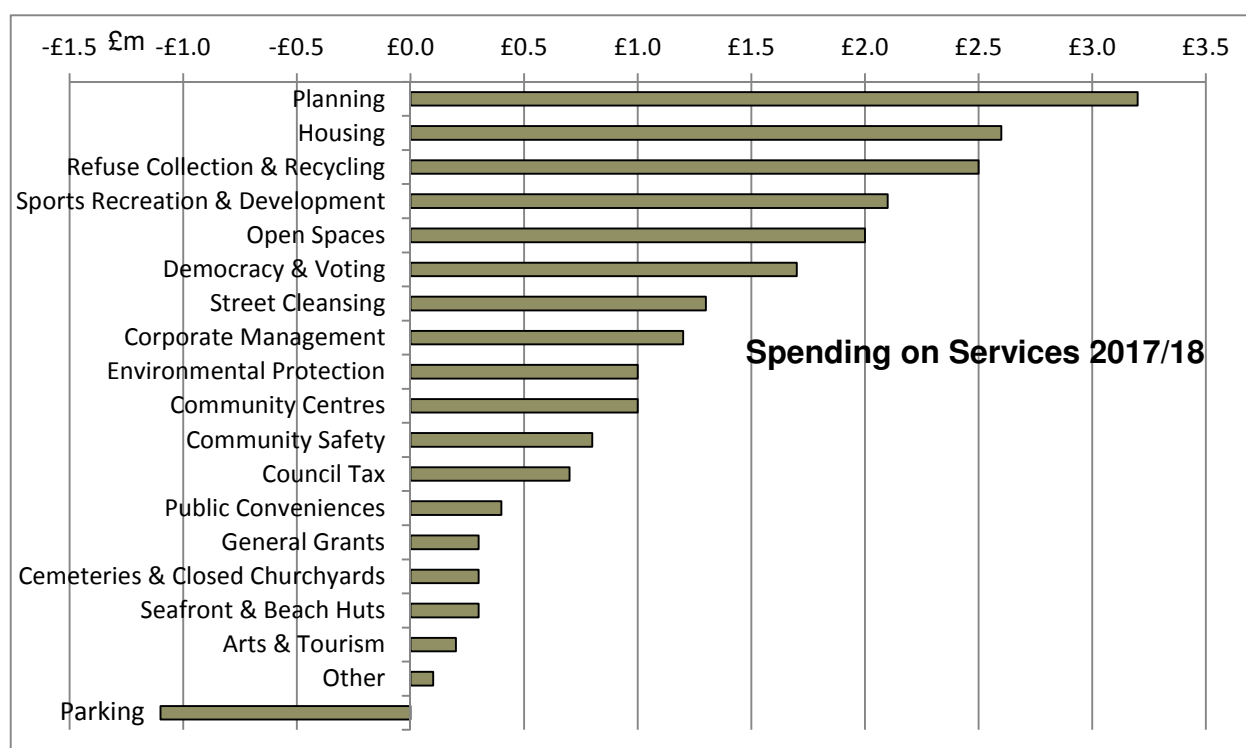
## Reviewing The Council's Performance

### Where the Council Spent its Money and Received its Income

The two pie charts below show what the Council spent the money on and how it raised its income



The Council shows the cost of running its services in its revenue account known as the Comprehensive Income and Expenditure Statement. This account shows you the costs in 2017/18 of the Council's priorities and the amount left to be financed from local and national tax income. Service costs are shown below



In addition the Council:

- collected £74m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and ourselves (£70m in 2016/17);
- collected £48m of Business Rates for the Government, Fire, KCC, and ourselves (£48m in 2016/17);
- paid out £51m on benefits and received £51m in grant (£54m paid, £53m received in 2016/17).

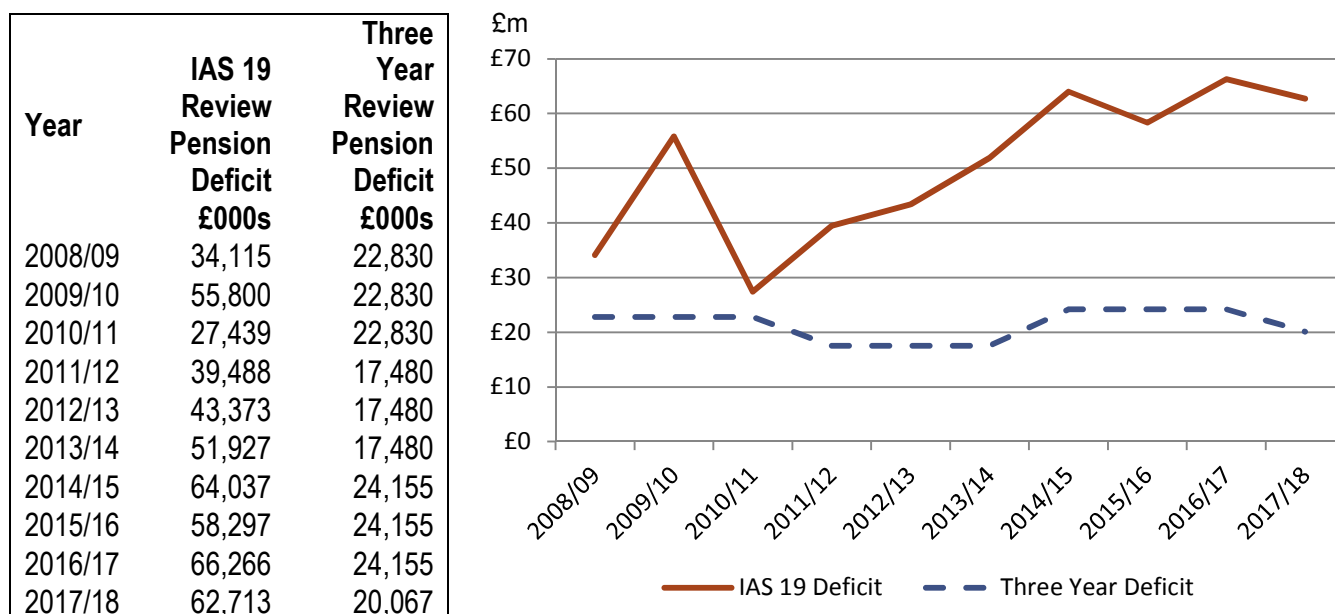
## Pensions

The Council is a member of the Local Government Pension Scheme (LGPS), which KCC runs on the Council's behalf. Every three years the value of this fund is valued by Barnett Waddingham a firm of actuaries (professionally qualified independent consultants). This valuation estimates how much money will be needed to pay pensions in the future and compares this to expected income with the aim that the last payment to the last pensioner uses up the remaining money left in the Pension Fund.

The estimate is based on forecasting the current and future payments from the fund to pensioners (known as liabilities) against the current and future contributions to be made to the Pension Fund from the Council and council staff, and the projected investment returns on cash held by the fund (assets). These forecasts are based on assumptions on factors such as future inflation, possible pay increases, pension growth, interest rate movements, investment returns, mortality estimates, retirement ages, etc. To arrive at the valuation, the actuary must convert the cost of future pension payments (liabilities) to a present day value (using a method called discounting). If the liabilities are more than the assets then the Pension Fund is in deficit. The higher the deficit of the valuation of the Pension Fund valuation, the higher the contribution that will have to be made by the Council to make up the difference. The result of the latest 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 meant that the Council's pension contributions could remain at the same percentage of salaries as for the previous valuation.

However, the Pensions Note in the accounts (Note 8) is based upon a different method of valuing the Pension Fund from the one described above. Instead, the value of pensions in the accounts is based on an accounting standard (IAS 19). This too calculates a liabilities figure for the cost of future pension payments which is offset against a value of the Pension Fund assets, but it does so using different assumptions. For example, the basis of 'discounting' the cost of future payments to pensioners to a present day value is set by the accounting standard. This enables the comparison of the pension assets and liabilities between different councils. In the accounts, the pension deficit according to IAS 19 has fallen from £66.3 million at 31 March 2017 to £62.7 million at 31 March 2018. However, this IAS 19 approach does not affect the amount that the Council actually has to pay to the Pension Fund which is set by the results of the three year valuation described above.

The table and graph below compares these two differing methods of valuation for the past few years.



The reasons for the contrast in the valuations between the two methods are the different methods and assumptions underlying their calculations, for example a key feature of IAS19 is the requirement for the cost of pensions, i.e. the liabilities, to be valued using a discount rate assumption set with reference to yields on high quality corporate bonds.

## Reviewing The Council's Performance

Reports on the Kent Pension Fund are available from: KCC, Treasury and Investments, County Hall, Maidstone, Kent ME14 1XQ or by using the following link: <http://www.kentpensionfund.co.uk/>

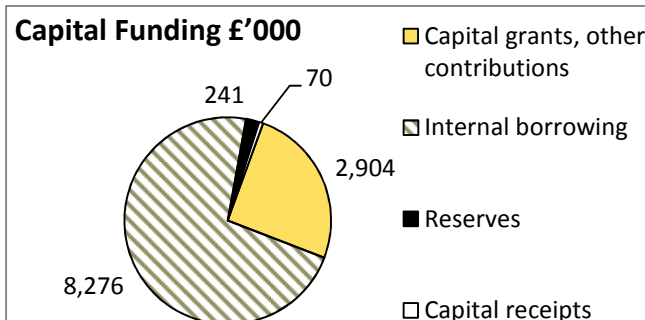
### Capital Spending for 2017/18

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 elements of capital spend were on Sittingbourne Town Centre and on Disabled Facilities Grants.

The tables below show capital spending and how they were funded. More details are shown in Note 30.

Capital Spending	Revised Budget 2017/18 £'000	Actual Spending 2017/18 £'000	Over/ (Under) spend £'000	Level of Approved Rollover £'000
Sittingbourne Town Centre	7,283	8,855	1,572	0
Disabled Facilities Grants	2,498	1,328	(1,170)	1,170
Easthall Farm Community Centre	508	305	(203)	158
Sittingbourne Skate Park	240	21	(219)	219
Iwade Recreation Ground	280	0	(280)	0
Faversham Creek Regeneration Project	200	0	(200)	200
Other services	1,077	982	(95)	281
<b>Total</b>	<b>12,086</b>	<b>11,491</b>	<b>(595)</b>	<b>2,028</b>

<b>Capital Funding</b>	<b>2017/18</b>
	<b>£'000</b>
<b>Total Capital Spending</b>	<b>11,491</b>
<b>Source of Funding:</b>	
Capital receipts	70
Capital grants and other contributions	2,904
Earmarked reserves	241
Internal borrowing	8,276
<b>Total Capital Funding</b>	<b>11,491</b>



With regard to funding the Sittingbourne Town Centre project, the retail, early phase highways works and the multi-storey car park will be funded from internal borrowing. Officers are working with Arlingclose, the Council's treasury adviser, to develop an optimised long-term borrowing strategy. The Council plans to spend £38 million in the future on capital of which £5 million will be paid for from external contributions, £0.4 million will be funded from the Council's own resources with the rest being paid for from internal and external borrowing.

### How the Council Manages Its Surplus Funds and Its Cash Flows

The approach the Council takes to invest its surplus funds and manage its day-to-day cash flow is called Treasury Management. The Council's total investment averaged £36 million during 2017/18 (£38 million for 2016/17) and closed at £19.815 million at 31 March 2018 (see Note 41, Table 4) (£29.421 million 31 March 2017). The Council achieved a return of 0.72% for 2017/18 (0.68% for 2016/17), amounting to £261,000 (£258,000 in 2016/17). The increase compared with the previous year is due to an improved return on the Council's investments which was mainly as a result of the investment in the Church, Charities and Local Authorities Mutual Investment Property Fund but this was offset against a reduction in the amount invested as a result of increased capital expenditure.

The Council meets Government and accounting requirements on Treasury Management which emphasise the security of funds. The policy is to avoid unnecessary risk, so the Council only puts 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 2018. The Council's cash flow movements for 2017/18 are detailed in the Cash Flow Statement on page 27.

### How The Council Collects Tax

The Council collects Council Tax on behalf of KCC, Police, Fire, and Parishes, and Business Rates for the Government, KCC, and Fire, which is recorded in the Collection Fund. At the year-end, this account had a surplus balance of £1,689,451, compared with the surplus estimate made for preceptors in December 2017 of £1,821,400, which the Council took into account when setting the Council Tax for 2018/19.

### Transparency of the Council's Spending

The Government has promoted how local authorities make information on senior staff salaries and payments to the Council's suppliers available to the public. This information can be found on the Council's website at: <http://www.swale.gov.uk/transparency/>.

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

### New Accounting Policy in 2018/19

#### IFRS 9 Financial Instruments

The Council will adopt the International Financial Reporting Standard 9 (IFRS 9) with effect from 1 April 2018. A key issue is the treatment of gains and losses on the fair value of the Council's £3 million investment in the Church, Charities and Local Authorities (CCLA) Property Fund. Previously, losses and gains were only realised when the assets were disposed of and the effect of IFRS 9 will be that gains and losses will no longer be 'hidden' but revealed every year in the accounts so that if there is a loss then it could become 'real' cost to the Council's reserves and/ or Council Taxpayers. Whether or not gains/ losses on the fair value of the CCLA go to the General Fund will depend which category of investment is judged to be appropriate for the CCLA and there is currently considerable debate over the accounting treatment of this form of investment. In addition, the Ministry of Housing, Communities and Local Government (MHCLG) are considering whether to introduce a 'statutory override' whereby the Council's accounts would meet the IFRS 9 requirements but any financial impact would be reversed out so it would not be a 'real' charge to the Council.

### Future Performance

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

- the Sittingbourne Town Centre regeneration project;
- the Local Plan for adoption by April 2022 including integration with transport infrastructure;
- national increases in homelessness and changes to legislation (Homelessness Reduction Act);
- skills gap - employers in the borough are unable to recruit or retain sufficient skilled workforce necessary to grow their businesses;
- the continuing funding pressure on local authorities and the need for income generation programmes to cover the loss of Government grant for the Council; and,
- General Data Protection Regulations (GDPR) - non-compliance with GDPR could result in significant monetary fines and damage to Council reputation.

### Future Financial Strategy

The Council has seen a dramatic change over the last eight years in how it is funded. The Revenue Support Grant will disappear completely in 2020/21, and in its place the Council has become reliant on income sources that are related in full or in some part to issues over which it has control. This sets the pattern for how councils will be funded in the future and the Council will continue down the path of financial self-sufficiency.

## Reviewing The Council's Performance

The Secretary of State announced that in 2018/19 there would be 11 pilot areas for the full localisation of Business Rates including Kent and Medway and it is expected that these will continue into 2019/20. The pilot submission document projected Swale being the largest gainer of any of the lower tier councils.

The Council's approach to the Medium Term Financial Plan is based upon:

- income from fees and charges, new sources of income and asset management;
- regeneration which will generate additional Business Rates, New Homes Bonus and Council Tax;
- the relet of contracts to achieve business outcomes and savings;
- the Transformation Team's review of council services including seeking opportunities to make more use of digital service provision; and,
- traditional approaches seeking efficiency savings.

For many years the Council has had a very limited capital budget; basically 100% grant funded Disabled Facilities Grant and small projects funded mainly by capital receipts and reserves. For 2018/19 and beyond the position changes significantly due to the following:

- Sittingbourne Town Centre - progress is already underway on the Retail and highways works. The retail development will be completed in May 2018.
- Multi-Storey Car Park - Huber are contracted for the construction of a 302 space car park commencing work in Spring 2018. The projected cost is £3.5 million;
- Leisure Centres - work is continuing on options for the Swallows and Sheppey Leisure Centres in advance of the current contract ceasing in late 2019. Detailed work has been undertaken on the options for the centres and prior to any final decision at this stage a provisional allowance of £2m is made for capital spend; and,
- open space play equipment renewal.

The Council's key principles for the management of its reserves are:

- maintaining a prudent level of reserves to allow the Council to deal with unexpected one-off events;
- funding the Council's strategic priorities; and,
- funding one-off items of expenditure to support service delivery.

The Council's investment strategy has two overriding principles:

- 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. If the Council incurred debt charge costs then, unless the investment generated sufficient income to cover these costs, the Council may have to reduce services to fund the costs. In the case of the Sittingbourne Town Centre investment all the capital financing costs will be funded from rental income; and
- strategic impact - if the Council is going to invest in property it needs to support the Council's wider objectives around regeneration of the borough and creating new employment. This means there needs to be additionality in-terms of the wider economic benefits e.g. higher Business Rates.

Two significant announcements were made which will take effect from 2020/21:

- a consultation document was published on the Fair Funding Review; this is a fundamental reworking of needs based funding allocations; and,
- the Secretary of State announced that the local share in the Business Rate Retention Scheme will increase from 50% to 75% in 2020/21. The increase in local share will be fiscally neutral and will be matched by transfers of Revenue Support Grant, public health grant and other grants. No announcement has been made about the split over the different levels of local authorities (e.g. KCC and district councils).

The Secretary of State has also suggested that there would be a full business rate baseline reset for 2020/21 but there was no clarity on whether there would be a full or partial reset. This whole issue is very significant for the Council given the extent of business rate growth since the partial localisation from 1 April 2013. When the reset is combined with the extension of business rate localisation and a Comprehensive Spending Review in 2019 it makes any forecasts beyond 2019/20 highly speculative.

### Annual Financial Report

Swale Borough Council's Annual Financial Report for 2017/18 provides a record of how the Council has used its financial resources during the year. The Council's accounts and all relevant documents are subject to review by Grant Thornton UK LLP – the Council's external auditors.

The Annual Financial Report has the following sections:

- this review of the Council's performance, which gives a background to its financial performance;
- an Annual Governance Statement showing how the Council meets set standards when carrying out its 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 2018. 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 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts appears on pages 22 to 66 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.

**Expenditure and Funding Analysis** page 22 - 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 Statement.

The Council's core financial statements' are listed below along with a brief explanation of their purpose.

**Comprehensive Income & Expenditure Statement (CI&ES)** page 23 - shows all of the Council's spending, income and changes in value in providing its services during the year in accordance with generally accepted accounting practice. This is now analysed by the Council's departments.

**Movement in Reserves Statement** page 24 - shows the movement on all the Council's reserves (funds set aside) due to the increase or decrease in the Council's net worth as a result of its spending, the income it received, and changes in the value of its assets.

**Balance Sheet** page 25 - summarises the Council's financial position at 31 March each year. It shows the assets (what the Council owns) that the Council holds and its liabilities (what the Council owes) to other parties, and the Council's reserves, separated into those that can be used for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

**Cash Flow Statement** page 27 - summarises the cash movements in and out of the Council's bank accounts over 2017/18.

**Accounting Policies** page 28 - sets out the policies the Council adopted for drawing up the various accounting statements.

### Further Information

You can get more information about the accounts by emailing the Finance Department at [finance@swale.gov.uk](mailto:finance@swale.gov.uk). This document is on the Council's website at: <https://www.swale.gov.uk/statement-of-accounts/>

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

Date: 25 May 2018





## **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 Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 2018, 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 2015 to 2018. The Plan is structured around three high level priority themes, each containing a number of specific objectives. The three themes are:

- A Borough to be Proud Of
- A Community to be Proud Of
- A Council to be Proud Of

This is the Council's third Corporate Plan, and the latest is very much an evolution based upon what has preceded it. In governance terms it is the document that sets out the Council's overarching medium term



strategic vision. The Annual Report reviews headline performance and does focus on outcomes. A new corporate plan, again an evolution of the current one is currently being developed to cover the period 2019 to 2022.

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 SMT on a monthly basis, and by Informal Cabinet and Scrutiny Committee on a quarterly basis.

### Management of Resources

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

- a medium term financial strategy and annual budget process that ensures that financial resources are directed to the Council's priorities;
- 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; and,
- 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 2017/18 it was made up of seven 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 Chartered Institute of Public Finance and Accountancy (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 December 2017, Council confirmed the appointment of the interim as the Council's permanent Chief Executive.

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. The Interim Deputy Head of the Legal Partnership has been covering the Monitoring Officer role since February 2017 and 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 Chief Financial Officer (CFO), 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: 'The Role of the Chief Financial Officer in Local Government' (2010).

The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership, an arrangement covering the three MKS 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 2015. 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).

In March 2018 the General Purposes Committee and then Council considered and agreed a number of changes to the Constitution in relation to Officer delegations, the deletion of the Corporate Services Director post and process for appointing the Chief Executive, the Director, the Chief Financial Officer, the Monitoring Officer and Heads of Service.

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 three 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:

- 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 the corporate priorities, and any equality and diversity implications.

Internal Audit have led a complete review of the approach to risk management. This has embedded a rigorous process for identifying and managing corporate risks based upon senior officer workshops and then discussions with Executive Members. The Audit Committee maintains an oversight of the process. A refresh has recently been undertaken.

### **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 the Council does things, and all employees have been engaged in activities to help them be aware of how the Council expects 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 SMT meetings, monthly Corporate Leadership Team meetings, monthly team meetings, and quarterly for third tier managers. These processes are supplemented by a staff group with direct access to SMT. In February 2017 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 Swale Partnership 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.

## Annual Governance Statement

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 e.g. 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 the 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; and,
- 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's 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 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 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 frameworks.

In the 2016/17 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Commencing the delivery of a quality and appropriately financed Sittingbourne Town Centre regeneration project	Very significant progress has been made. The retail development is nearly complete and the leisure development and funding agreements were signed and work has commenced on the highways works. Further stages of the highways works, the commencement of the multi-storey car park and then the leisure build are programmed for the next few months. The Council has bought in specialist advice where necessary and is actively managing the risks of the project.

## Annual Governance Statement

Issue	Updated position
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	The 2018/19 budget process aimed to achieve a balanced budget for that year and make progress towards the 2019/20 budget as well. This has been achieved. As has been reflected upon previously the Council has greatly reduced reliance upon Government grant and much more on resources which it generates locally. The full localisation of Business Rates through the pilot scheme is particularly important to the Council. The Council's financial position remains strong.
Delivering service improvement and good governance from the interim management structure	The permanent appointments of the interim Chief Executive and Director of Regeneration were signs of the effectiveness of the new senior management arrangements. The Chief Executive will be implementing a restructure now that the General Purposes Committee and Council have agreed the new appointment processes.

### Significant Governance Issues

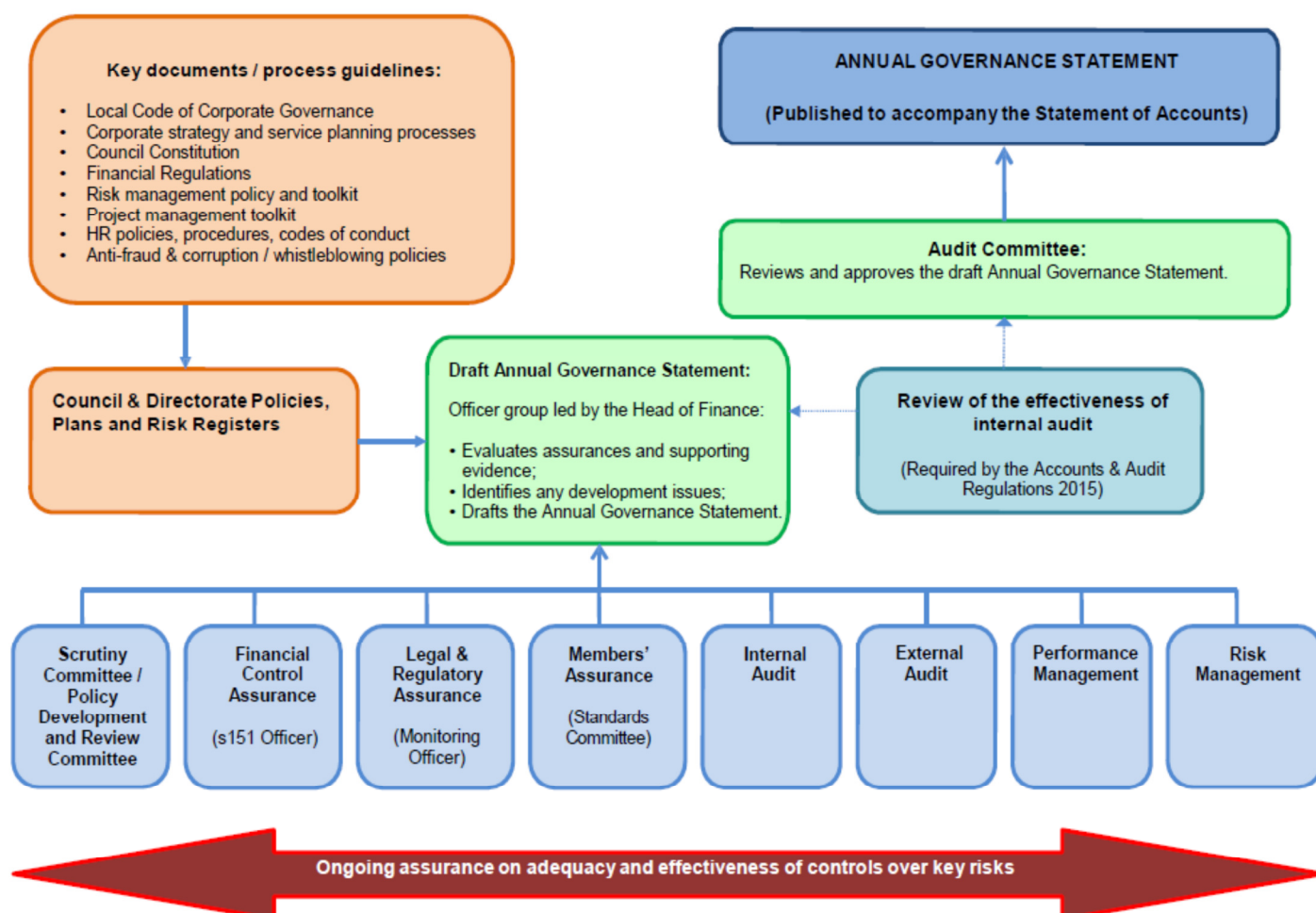
The main areas for Member and senior management attention in the coming year are:

- continued development of a robust Medium Term Financial Plan with greater financial self-sufficiency and the pilot of full localisation of Business Rates;
- significant progress in the delivery of the Sittingbourne Town Centre programme; and,
- delivering management development through the wider leadership team to ensure capacity to deliver continued service improvement.

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 2018, Grant Thornton UK LLP will be auditing the accounting statements of Swale Borough Council for the year ended 31 March 2018 in accordance with the statutory framework established by Sections 3 and 20 of the Local Audit and Accountability Act 2014 for England. Grant Thornton will be presenting their opinion of the financial statements to the Council's Audit Committee on 30 July 2018 and the final certification will be included here when it has been issued.

## **The Council's Responsibilities**

The Council 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 Council, 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 Council'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 Council at the reporting date and its income and expenditure for the year ended 31 March 2018.

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

**Date: 30 July 2018**

## **Certification of the Chairman of the Audit Committee**

I confirm that the adoption process for the 2017/18 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2018 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee on 30 July 2018.

**Councillor Nigel Kay FCCA, ACIB, CTA**  
**Chairman of the Audit Committee**

**Date: 30 July 2018**

**Note to the Accounts: Expenditure and Funding Analysis – Change in Spend Per Department from Reported Basis to Accounting Basis**

Service Departments	2017/18					Net Expenditure Accounting Basis £'000
	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Respon- sibility £'000	Other £'000	
Chief Executive	370	27	58	2	0	457
Policy	206	0	44	10	(1)	259
Economy and Communities	2,221	967	226	32	(29)	3,417
Communications	277	0	35	14	0	326
Resident Services	1,073	7	464	394	(2)	1,936
Planning	969	0	277	187	(1)	1,432
Commissioning & Customer Contact	5,073	1,368	269	(41)	(1)	6,668
Directors	230	150	64	7	1	452
Information Technology	1,120	85	0	(385)	0	820
Audit	174	0	0	0	1	175
Environmental Health	492	1	14	6	0	513
Finance	769	0	116	48	253	1,186
Human Resources	314	0	0	9	1	324
Legal	545	0	224	(137)	0	632
Democratic Services	944	14	64	32	(1)	1,053
Property	563	28	88	(172)	275	782
Regeneration	142	0	1	1	0	144
Corporate Items	1,811	0	0	(231)	(1,580)	0
<b>Cost of Services</b>	<b>17,293</b>	<b>2,647</b>	<b>1,944</b>	<b>(224)</b>	<b>(1,084)</b>	<b>20,576</b>
Financed by Council Tax, Business Rates & grants	(18,006)					
<b>Surplus in Year</b>	<b>(713)</b>					
General Fund Balance at 1 April 2017	(4,874)					
Surplus in Year	(713)					
2016/17 approved rollovers	892					
<b>General Fund Balance at 31 March 2018</b>	<b>(4,695)</b>					

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, in the column on the right, which then appears in the next statement - the CI&ES as the Cost of Services. The figures for 2016/17 can be seen in Note 45.

**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 post-employment benefits rather than the payments made to the Pension Fund; **Budget Responsibility** – the Council reports 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.

The table below reconciles the Cost of Services to the Surplus on the Provision of Services on the 2017/18 CI&ES:

2017/18	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Respon- sibility £'000	Other £'000	Net Expenditure Accounting Basis £'000
<b>Cost of Services</b>	17,293	2,647	1,944	(224)	(1,084)	20,576
Other Income and Expenditure	(21,301)	(1,478)	1,751	0	1,854	(19,174)
<b>Deficit on Provision of Services</b>	<b>(4,008)</b>	<b>1,169</b>	<b>3,695</b>	<b>(224)</b>	<b>770</b>	<b>1,402</b>
Adjustments from Accounting Basis	3,295	(1,169)	(3,695)	224	(770)	(2,115)
<b>Surplus in Year</b>	<b>(713)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(713)</b>



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

	2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000	2016/17 Net Expenditure £'000
Chief Executive	485	(28)	457	277
Policy	275	(16)	259	236
Economy and Communities	3,751	(334)	3,417	2,926
Communications	335	(9)	326	261
Resident Services	57,868	(55,932)	1,936	1,863
Planning	2,690	(1,258)	1,432	1,299
Commissioning & Customer Contact	11,289	(4,621)	6,668	5,994
Directors & Corporate Items	927	(475)	452	479
Information Technology	821	(1)	820	819
Audit	175	0	175	162
Environmental Health	575	(62)	513	558
Finance	1,210	(24)	1,186	1,240
Human Resources	328	(4)	324	347
Legal	1,787	(1,155)	632	461
Democratic Services	1,086	(33)	1,053	1,030
Property	977	(195)	782	623
Regeneration	574	(430)	144	0
<b>Sub Total Cost of Services</b>	<b>85,153</b>	<b>(64,577)</b>	<b>20,576</b>	<b>18,575</b>
<b>Other Operating Expenditure</b>				
Drainage Board levy	779	0	779	334
Parish Precepts	1,100	0	1,100	1,039
Housing capital receipts pool	7	0	7	0
Disposal of assets (gains)/ losses (Note 14)	101	(159)	(58)	(58)
Write down of long term leasing liability	0	(80)	(80)	0
<b>Sub Total Other Operating Expenditure</b>	<b>1,987</b>	<b>(239)</b>	<b>1,748</b>	<b>1,315</b>
<b>Financing &amp; Investment (Note 10)</b>	<b>2,147</b>	<b>(1,031)</b>	<b>1,116</b>	<b>1,686</b>
<b>Taxation and Non-Specific Grant Income and Expenditure</b>				
Council Tax	0	(8,725)	(8,725)	(8,236)
Business Rates income	0	(19,930)	(19,930)	(19,670)
Tariff & levy Business Rates to Government	11,308	0	11,308	12,106
Contribution paid to Business Rates pool	1,992	0	1,992	1,448
Income received from Business Rates pool	0	(1,295)	(1,295)	(855)
Revenue Support Grant	0	(1,238)	(1,238)	(1,955)
New Homes Bonus	0	(2,742)	(2,742)	(3,481)
Other grants and contributions	0	(1,408)	(1,408)	(1,033)
<b>Sub Total Taxation and Non-Specific Grant</b>	<b>13,300</b>	<b>(35,338)</b>	<b>(22,038)</b>	<b>(21,676)</b>
<b>Sub Total Movement from Cost of Services</b>			<b>(19,174)</b>	<b>(18,675)</b>
<b>Deficit/(Surplus) on Provision of Services</b>			<b>1,402</b>	<b>(100)</b>
Net surplus on revaluation of non-current assets (Note 18)			(647)	(3,938)
Re-measurement of net defined pension liability (Note 8)			(5,632)	6,565
Receipts from long-term debtors			66	64
(Surplus)/Deficit on revaluation of available for sale assets			(91)	95
<b>Sub Total Other Comprehensive Income &amp; Expenditure</b>			<b>(6,304)</b>	<b>2,786</b>
<b>Total (Surplus)/Deficit Comprehensive Income and Expenditure</b>			<b>(4,902)</b>	<b>2,686</b>

This shows the cost of providing services on an accounting basis. The £4.9 million total shows the gains in the value of the assets and liabilities of the Council and is the total of the movement on the Balance Sheet.

## Movement in Reserves Statement – The Change in the Council's Resources

	General Fund Balance £'000	Revenue Earmarked Reserves £'000 (Note 17)	Total General Fund £'000	Capital Receipts Reserve £'000 (Note 15)	Capital Grants Unapplied £'000 (Note 16)	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>2016/17</b>								
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 44) 2016/17	384	0	384	141	6	531	(531)	0
Transfers (to)/from earmarked reserves 2016/17 (Note 17)	207	(207)	0	0	0	0	0	0
<b>(Increase)/Decrease in 2016/17</b>	<b>491</b>	<b>(207)</b>	<b>284</b>	<b>141</b>	<b>6</b>	<b>431</b>	<b>2,255</b>	<b>2,686</b>
<b>Balance as at 31 March 2017</b>	<b>(4,874)</b>	<b>(11,261)</b>	<b>(16,135)</b>	<b>(986)</b>	<b>(306)</b>	<b>(17,427)</b>	<b>8,048</b>	<b>(9,379)</b>
<b>2017/18</b>								
Balance as at 31 March 2017	(4,874)	(11,261)	(16,135)	(986)	(306)	(17,427)	8,048	(9,379)
Total Comprehensive Expenditure and Income 2017/18	1,402	0	1,402	0	0	1,402	(6,304)	(4,902)
Adjustments between accounting basis and funding basis (Note 44) 2017/18	(3,736)	0	(3,736)	(95)	(20)	(3,851)	3,851	0
Transfers (to)/from earmarked reserves 2017/18 (Note 17)	2,513	(2,513)	0	0	0	0	0	0
<b>(Increase)/Decrease in 2017/18</b>	<b>179</b>	<b>(2,513)</b>	<b>(2,334)</b>	<b>(95)</b>	<b>(20)</b>	<b>(2,449)</b>	<b>(2,453)</b>	<b>(4,902)</b>
<b>Balance as at 31 March 2018</b>	<b>(4,695)</b>	<b>(13,774)</b>	<b>(18,469)</b>	<b>(1,081)</b>	<b>(326)</b>	<b>(19,876)</b>	<b>5,595</b>	<b>(14,281)</b>

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 an increase in the Council's reserves of £2.3 million resulting in a balance of £19.876 million.

## Balance Sheet – The Council's Resources

		31 March 2018		31 March 2017	
	Note	£'000	£'000	£'000	£'000
<b>Total Property, Plant and Equipment</b>	23		62,588		55,239
Heritage Assets		579		579	
Investment Property	26	3,438		3,252	
Intangible Assets		155		117	
Long-Term Investments	41	3,000		2,909	
Long-Term Debtors	37	2,514		2,639	
			<b>9,686</b>		<b>9,496</b>
<b>Total Long-Term Assets</b>			<b>72,274</b>		<b>64,735</b>
<b>Current Assets</b>					
Assets Held for Sale	27	200		0	
Short-Term Investments	41 T4	6,000		17,992	
Inventories		1		3	
Cash and Cash Equivalents	39	9,393		8,050	
Short-Term Debtors	38	8,984		4,329	
<b>Total Current Assets</b>			<b>24,578</b>		<b>30,374</b>
<b>Total Assets</b>			<b>96,852</b>		<b>95,109</b>
<b>Current Liabilities</b>					
Short-Term Creditors	32	(11,648)		(12,302)	
S106 Deferred Revenue Receipts	33	(142)		(139)	
Revenue Grant Receipts in Advance	12	(413)		(262)	
Provisions	36	(1,908)		(2,198)	
<b>Total Current Liabilities</b>			<b>(14,111)</b>		<b>(14,901)</b>
<b>Total Assets less Current Liabilities</b>			<b>82,741</b>		<b>80,208</b>
<b>Long-Term Liabilities</b>					
Long-Term Creditors	31	(60)		(60)	
Deferred Liabilities	34	(140)		(384)	
Liability Related to Defined Benefit Pension Scheme	8(f)	(62,713)		(66,266)	
Capital Grant Receipts in Advance	35	(3,501)		(2,497)	
S106 Deferred Revenue Receipts	33	(478)		(620)	
Provisions	36	(1,568)		(1,002)	
<b>Total Long-Term Liabilities</b>			<b>(68,460)</b>		<b>(70,829)</b>
<b>Net Assets</b>			<b>14,281</b>		<b>9,379</b>

## Balance Sheet – The Council's Resources

		31 March 2018		31 March 2017	
	Note	£'000	£'000	£'000	£'000
<b>Financing:</b>					
<b>Unusable Reserves</b>					
Revaluation Reserve	18	(20,511)		(20,211)	
Deferred Capital Receipts Reserve		(6)		(20)	
Accumulated Absences Account		0		133	
Capital Adjustment Account	19	(36,287)		(36,825)	
Collection Fund Adjustment Account	20	(314)		(1,388)	
Pensions Reserve	22	62,713		66,266	
Financial Instruments Adjustment Account		0		2	
Available for Sale Reserve	21	0		91	
<b>Total Unusable Reserves</b>			<b>5,595</b>		<b>8,048</b>
<b>Total Usable Reserves</b>	MIRS		<b>(19,876)</b>		<b>(17,427)</b>
	page				
	24				
<b>Total Reserves</b>			<b>(14,281)</b>		<b>(9,379)</b>

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

The usable reserves are detailed on the Movement in Reserves Statement and can be used to fund expenditure or reduce local taxation. The movement in cash that resulted in the Cash and Cash Equivalents balance of £9.393m 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 Council's financial position and financial performance in advance of approval.

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

Date: 25 May 2018

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

	2017/18	2016/17
	£'000	£'000
<b>Net (Deficit)/Surplus on the Provision of Services (see CI&amp;ES)</b>	<b>(1,402)</b>	<b>100</b>
Depreciation	1,276	1,345
Impairment & downward valuations	1,289	631
Movement in market value of investment property and upward revaluation	(186)	(177)
(Decrease)/Increase in creditors	(147)	435
(Increase) in debtors	(3,397)	(755)
(Decrease) in debt impairment	(20)	(71)
Movement in provisions	276	(166)
Movement in pension liability	2,079	1,404
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	101	43
Other movements	(199)	(1)
<b>Adjustment to Net Surplus on the Provision of Services for Non-Cash Movements</b>	<b>1,072</b>	<b>2,688</b>
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	16,416	51,543
<b>Net Cash Inflows from Operating Activities</b>	<b>216,086</b>	<b>54,331</b>
Purchase of property, plant and equipment, investment property and intangible assets	(8,730)	(1,035)
Movements of short-term and long-term investments	(7,500)	(60,590)
Other payments for investing activities	(555)	(172)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	96	102
Other receipts from investing activities	2,725	3,096
<b>Net Cash (Outflows) from Investing Activities</b>	<b>(13,964)</b>	<b>(58,599)</b>
Council Tax and Business Rates adjustments	(610)	608
Cash payments for the reduction of outstanding liabilities relating to finance leases	(169)	(181)
<b>Net Cash (Outflows)/Inflows from Financing Activities</b>	<b>(779)</b>	<b>427</b>
<b>Net Increase/(Decrease) in Cash or Cash Equivalents</b>	<b>1,343</b>	<b>(3,841)</b>
Cash and cash equivalents as at 1 April (Note 39)	8,050	11,891
Cash and cash equivalents at 31 March (Note 39)	9,393	8,050
<b>Net Increase/(Decrease) in Cash or Cash Equivalents During Year</b>	<b>1,343</b>	<b>(3,841)</b>

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 reduction in the movements of short-term and long-term investments is due to the Council reducing its short-term investments to fund capital expenditure through internal borrowing.

The cash flow for operating activities includes £263,000 for interest received (£261,000 in 2016/17) and £61,000 for interest paid (£77,000 in 2016/17).

## **Accounting Policies**

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

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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. Critical judgements and estimation and judgements about the future made when applying the Accounting Policies are detailed in the appropriate note.

#### **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 reflecting the economic and statutory environment in which local authorities operate. These provisions confirm that as authorities cannot be created or dissolved without statutory prescription it is only appropriate for their financial statements to be prepared on a going concern basis.

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;
- accruals are recognised where the value exceeds £1,000; 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 was 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 2017/18.

## **2. Accounting Policies**

### **Apprenticeship Levy**

The Apprenticeship Levy was introduced from 1 April 2017. It has been treated as an employee expense as the sums involved are not material.

### **Capital Receipts**

When an asset is disposed of or de-commissioned, the receipt from the sale is charged to the CI&ES. Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure or set aside to reduce the Council's borrowing requirement. Receipts below £10,000 are considered de-minimis and treated as revenue.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents are 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 provided under the contract.

### **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. For the 2017/18 Statement the Council has decided that this entry in its accounts is no longer material and so has ceased making this adjustment.

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 – Post-Employment 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 2.55%. 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.

## Notes to the Core Financial Statements

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for whom the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services;
- 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 Fund 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;



## Notes to the Core Financial Statements

- 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.

Financial liabilities are 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 makes loans in certain circumstances to organisations and individuals with no interest charge (soft loans). The fair value of soft loans is based on an appropriate rate of interest and is charged to the CI&ES, but this is then reversed out through a transfer to the Financial Instruments Adjustment Account, via the Movement in Reserves Statement, so it is not borne by the local taxpayer. The charge is calculated by taking the Council's effective loss on interest receivable over the life of the loan. For the 2017/18 Statement the Council has decided that this entry in its accounts is no longer material and so has ceased making this adjustment.

### Government Grants and Other External Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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. Where capital grants are credited to the CI&ES, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 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.

## Investment Property

Investment properties are those that are used primarily 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 CI&ES and are reversed out of the General Fund balance via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## Shared Services

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 council via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. Operational management is via a Shared Services 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 12. The Council has decided that for the 2017/18 accounts the value of this element of its lease accounting is no longer material from 2017/18 and therefore no longer reports this element.

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 Assets or Assets Held for Sale, are recorded 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-minimis 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

## Notes to the Core Financial Statements

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
- 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 Council 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 Assets or 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. 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:

## Notes to the Core Financial Statements

- 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:

<b>Asset</b>	<b>Depreciation Methodology</b>
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.

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 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; and
- amortisation of intangible non-current assets attributable to the service.

These charges are reversed out of the CI&ES via the Movement in Reserves Statement to the Capital Adjustment Account.

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, the Minimum Revenue Provision (MRP) (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). The main basis of this calculation for capital expenditure incurred prior to 1 April 2008 was a fixed 4% sum of debt outstanding/unfinanced capital expenditure plus sums in respect of the write down of finance leases. For 2017/18, the basis of calculation has changed from the 4% sum to an annuity method plus the finance lease element. This

change has reduced the overall charge to the CI&ES for the current and future years with the overall debt repayment based on current figures now being slightly quicker. MRP for all self-financed capital expenditure incurred after 1 April 2008 will continue to be calculated based on the life of the relevant asset.

## 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)

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

## 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 Bulletin 01 issued in February 2018 confirmed that the changes in accounting standards introduced in the 2018/19 Code that may be relevant for the 2018/19 financial statements are.

- IFRS 9 Financial Instruments - this could potentially have a material effect on the Council's financial statements (see note in the 'Reviewing Performance' section);
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers – not expected to have a material effect on the Council's finances;
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative – not expected to have a material effect on the Council's finances.

## 4. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information. In May 2018 a Retail Park became operational as it was opened to the public as part of the Sittingbourne Town Centre regeneration scheme. In the Balance Sheet at 31 March 2018 it was valued at £5.5m, but since the Retail Park opened it has been revalued at £6.6m.

## Notes to the Core Financial Statements

### 5. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Chief Financial Officer on 25 May 2018.

### Pay and Pensions

### 6. 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	2017/18 Number of Employees	2016/17 Number of Employees
£50,000 - £54,999	10	15
£55,000 - £59,999	5	3
£60,000 - £64,999	1	1
£65,000 - £69,999	1	2
£70,000 - £74,999	1	0
£75,000 - £79,999	3	3
£80,000 - £84,999	0	1
£85,000 - £89,999	1	0
£100,000 - £104,999	0	1
£135,000 - £139,999	1	1
<b>Total</b>	<b>23</b>	<b>27</b>

These remuneration bands include senior employees. This has been applied consistently to both years.

Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- 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 £	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£20,001–£40,000	0	0	0	1	0	1	0	40,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>40,000</b>
Total paid to employees							0	40,000
<b>Total</b>							<b>0</b>	<b>40,000</b>

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	2017/18 Salary, Fees & Allowances £'000	2017/18 Pension Contributions £'000	2017/18 Total Remuneration £'000	2016/17 Total Remuneration £'000
Chief Executive Mr Abdool Kara	1	0	0	0	186
Chief Executive Mr Mark Radford	2	137	42	179	27
<b>Total</b>		<b>137</b>	<b>42</b>	<b>179</b>	<b>213</b>

**Point 1:** Previous Chief Executive left in 2016/17.

## Notes to the Core Financial Statements

**Point 2:** Post holder appointed in February 2017 on a fixed term contract until September 2018. However, was appointed on a permanent basis in April 2018. Includes Returning Officer fees for Parliamentary elections and KCC elections.

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

(b) Post holder Information (Post title)	Point	2017/18 Salary, Fees & Allowances £'000	2017/18 Pension Contributions £'000	2017/18 Total Remuneration £'000	2016/17 Total Remuneration £'000
Director of Corporate Services	1	0	0	0	110
Head of Legal Services	2	45	14	59	52
Head of Legal Services	3	31	10	41	38
Director of Regeneration	4	89	27	116	82
Director of Regeneration	5	0	0	0	82
Monitoring Officer	6	57	17	74	10
Head of Development Services		79	25	104	102
Head of Economic Development and Cultural Services	7	0	0	0	26
Head of Economic Development and Cultural Services	8	73	22	95	63
Head of Commissioning & Customer Contact	9	65	20	85	0
Head of Commissioning & Customer Contact	10	2	1	3	103
Policy & Performance Manager	11	55	17	72	70
Head of Housing Services		79	24	103	102
Chief Executive Thames Gateway Kent Partnership	12	5	1	6	69
Chief Executive Thames Gateway Kent Partnership	13	80	0	80	5
<b>Total</b>		<b>660</b>	<b>178</b>	<b>838</b>	<b>914</b>

**Point 1:** Post vacant in 2017/18.

**Point 2:** Post holder in post from September 2017. Includes market supplement.

**Point 3:** Post holder left September 2017 having been employed on an interim basis.

**Point 4:** Post holder started July 2016 on an interim basis until September 2018.

**Point 5:** Post holder left July 2016. Included £40,000 pay-in-lieu of notice in 2016/17.

**Point 6:** Post holder appointed Monitoring Officer from February 2017 on an interim basis. Includes fees for Parliamentary Elections, KCC Elections and Presiding Officer and honorarium paid in 2017/18.

**Point 7:** Post holder left in 2016/17.

**Point 8:** Post holder was appointed July 2016 on an interim basis until September 2018. Includes Standby Allowance and Election fees.

**Point 9:** Post holder appointed in April 2017 on an interim basis. Includes Election fees.

**Point 10:** Post holder left April 2017.

**Point 11:** Includes Parliamentary and Election fees.

**Point 12:** Post holder left April 2017.

**Point 13:** Post holder joined April 2017.

More details on the cost of shared services can be seen on Note 11.

## 7. Members' Allowances

	2017/18 £'000	2016/17 £'000
Basic allowance	234	230
Special responsibility allowance	138	140
Members' travel, subsistence and IT allowance	21	28
<b>Total</b>	<b>393</b>	<b>398</b>

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

## 8. 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 career average salary 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 and these benefits are determined independently from investments of the scheme. 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, currently 14.7%.

### b) Regulatory Framework of Defined Benefit Pension Schemes

The KCC Pension Fund 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 Fund 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.

### 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 Post-Employment 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 the General Fund balance via the Movement in Reserves Statement:



## Notes to the Core Financial Statements

	2017/18 £'000	2016/17 £'000
<b>Comprehensive Income &amp; Expenditure Statement (CI&amp;ES)</b>		
Cost of Services comprising:		
Current service cost	3,040	2,113
Administration expenses	37	41
Net interest on the net defined benefit liability	1,751	2,047
<b>Total Post-Employment Benefits Charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>4,828</b>	<b>4,201</b>
Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure:		
Return on plan assets in excess of interest	(559)	(10,920)
Other actuarial losses on assets	0	290
Change in demographic assumptions	0	(2,262)
Change in financial assumptions	(5,073)	26,513
Experience (gain)/loss on defined benefit obligation	0	(7,056)
<b>Total Re-measurements Recognised in Other Comprehensive Income and Expenditure</b>	<b>(5,632)</b>	<b>6,565</b>
<b>Total Post-Employment Benefits Charged to the CI&amp;ES</b>	<b>(804)</b>	<b>10,766</b>
<b>Movement in Reserves Statement</b>		
Reduction of charges made to the (surplus)/deficit on the Provision of Services for post-employment benefits to equal actual payments in accordance with the Code	(2,079)	(1,404)
<b>Employers' Contributions Payable to the Scheme</b>	<b>2,749</b>	<b>2,797</b>
<b>Actual Return on Scheme Assets less Interest</b>	<b>559</b>	<b>10,920</b>

f) Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2017/18 £'000	2016/17 £'000
Present value of the defined benefit obligation	137,191	138,752
Fair value of plan assets	(77,556)	(75,769)
<b>Sub total</b>	<b>59,635</b>	<b>62,983</b>
Present value of unfunded obligation	3,078	3,283
<b>Net liability in Balance Sheet</b>	<b>62,713</b>	<b>66,266</b>

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

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

	2017/18 £'000	2016/17 £'000
<b>Reconciliation of present value of the scheme liabilities</b>		
<b>Opening balance as at 1 April – defined benefit obligation</b>	<b>(142,035)</b>	<b>(121,516)</b>
Current service cost	(3,040)	(2,113)
Interest cost	(3,788)	(4,319)
Contributions by scheme participants	(542)	(548)
Changes in financial assumptions	5,073	(26,513)
Changes in demographic assumptions	0	2,262
Experience gain/ (loss) on defined benefit obligation	0	7,056
Benefits paid including unfunded pension payments	4,063	3,656
<b>Closing balance as at 31 March – defined benefit obligation</b>	<b>(140,269)</b>	<b>(142,035)</b>

## Notes to the Core Financial Statements

	2017/18	2016/17
	£'000	£'000
<b>Reconciliation of fair value of the scheme assets</b>		
<b>Opening balance as at 1 April – fair value of scheme assets</b>	<b>75,769</b>	<b>63,219</b>
Interest on assets	2,037	2,272
Return on assets less interest	559	10,920
Other actuarial losses	0	(290)
Administration expenses	(37)	(41)
Employer contributions	2,749	2,797
Contributions by scheme participants	542	548
Benefits paid including unfunded pension payments	(4,063)	(3,656)
<b>Closing balance as at 31 March – fair value of scheme assets</b>	<b>77,556</b>	<b>75,769</b>

### h) Pension Fund Assets

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

	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£'000	%	£'000	%
Equity investments	51,783	67	53,505	71
Gilts	594	1	565	1
Bonds	7,420	9	7,385	10
Property	9,757	13	9,447	12
Cash	2,526	3	1,893	2
Target return portfolio	5,476	7	2,974	4
<b>Total</b>	<b>77,556</b>	<b>100</b>	<b>75,769</b>	<b>100</b>

A detailed analysis of the Pension Fund's assets over asset category is available from the Finance Department. Please email your request to [finance@swale.gov.uk](mailto:finance@swale.gov.uk).

### 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 2018	31 March 2017
<b>Mortality assumptions:</b>		
Longevity at 65 if retiring today:		
Men	23.1 years	23.0 years
Women	25.2 years	25.0 years
Longevity at 65 if retiring in 20 years:		
Men	25.3 years	25.1 years
Women	27.5 years	27.4 years
Rate of inflation (Retail Price index (RPI) increases)	3.35%	3.6%
Rate of inflation (Consumer Price index (CPI) Increases)	2.35%	2.7%
Rate of increase in salaries	3.85%	4.2%
Rate of increase in pensions	2.35%	2.7%
Rate of discounting scheme liabilities	2.55%	2.7%
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 2018 is estimated to be 3% (21% for the year 31 March 2017). Equities had performed well over the period to January 2018, however for the remaining period to 31 March 2018, returns fell, offsetting the strong returns seen over most of the year.

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

## Notes to the Core Financial Statements

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	137,863	140,269	142,718
Projected service cost	2,797	2,866	2,937
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	140,530	140,269	140,009
Projected service cost	2,866	2,866	2,866
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	142,459	140,269	138,116
Projected service cost	2,937	2,866	2,796
Adjustment to life expectancy assumptions	+ 1 Year	None	- 1 Year
Present value of total obligation	145,650	140,269	135,092
Projected service cost	2,957	2,866	2,777

### 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 Fund on Council's Cash Flows

An objective of the scheme is to keep employers' contributions at as constant a rate as possible and 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. For 2017/18 the actuary changed the basis of calculating the discount rate and the inflation rates to reflect national auditor preferences. These changes now reflect the use of a 'corporate bond yield curve' assessment rather than a 'spot rate' approach.

The total contributions (not including unfunded) expected to be made to the LGPS by the Council in 2018/19 is £2.551m (£2.749m, 2017/18).

The weighted average duration of the defined benefit obligation for scheme members remains at 18 years for 2017/18 (2016/17, 18 years).

## Day to Day Spending - Revenue

### 9. Expenditure and Income Analysed by Nature

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

	2017/18 Net Expenditure £'000	2016/17 Net Expenditure £'000
Benefit payments	51,382	53,936
Employee costs	14,968	14,667
Support service recharges	14,806	13,846
Business Rates paid to Government and Pool	13,300	13,554
Other service expenses	13,854	12,625
Major contracts	6,343	6,501
Parish precepts	1,100	1,039
Drainage board levy	779	334
Other items	432	194
<b>Total Expenditure</b>	<b>116,964</b>	<b>116,696</b>
Benefit payments	(50,701)	(53,450)
Business Rates income	(21,225)	(20,525)
Support service recharges	(14,806)	(13,846)
Fees, charges and other service income	(13,599)	(13,657)
Council Tax	(8,725)	(8,236)
New homes bonus	(2,742)	(3,481)
Revenue support grant	(1,238)	(1,955)
Other grants and contributions	(1,408)	(1,033)
Other items	(1,118)	(613)
<b>Total Income</b>	<b>(115,562)</b>	<b>(116,796)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,402</b>	<b>(100)</b>

### 10. Financing and Investment Income and Expenditure

	2017/18 Net Expenditure £'000	2016/17 Net Expenditure £'000
Interest payable & similar charges	61	77
Net interest on the net defined pension liability	1,751	2,047
Interest receivable & similar income	(263)	(261)
(Gains)/ losses on trading undertakings	(79)	117
Income & expenditure - investment properties (Note 26)	(168)	(117)
Gains in relation to investment properties and changes in their fair value (Note 26)	(186)	(177)
<b>Total</b>	<b>1,116</b>	<b>1,686</b>

## 11. Shared Services

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

	2017/18 Expenditure Other £'000	2017/18 Expenditure on Partners £'000	2017/18 Income Other £'000	2017/18 Income from Partners £'000	2017/18 Net Expenditure £'000	2016/17 Net Expenditure £'000
Planning Support	21	214	0	0	235	285
Local Land Charges	(27)	71	(185)	0	(141)	(112)
Environmental Health	166	374	(28)	0	512	558
Information Technology	782	423	0	0	1,205	1,188
Human Resources	120	197	(2)	0	315	346
Internal Audit	1	170	0	0	171	161
Legal	1,933	0	(124)	(1,031)	778	558
Parking	1,328	102	(3009)	(22)	(1,601)	(1,436)
Building Control	4	72	0	0	76	74
Fraud Investigation	0	17	0	0	17	28
Debt Recovery	0	0	(134)	0	(134)	(36)
<b>Total</b>	<b>4,328</b>	<b>1,640</b>	<b>(3,482)</b>	<b>(1,053)</b>	<b>1,433</b>	<b>1,614</b>

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 2017/18 the Council contributed £25,400 towards shared IT capital expenditure (£63,330 in 2016/17). The Council has accrued its funding share to Maidstone as revenue expenditure funded from capital under statute.

## 12. Grant Income

### Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the CI&ES.

### Revenue Grants – Receipts in Advance

The revenue grants receipts in advance for 2017/18 were £412,785 (£262,915 in 2016/17).

### Capital Grants - Receipts in Advance

Please see Note 35 for a breakdown of Capital Grants Receipts in Advance

### Grants Credited to Services

Grant Area	Provider	2017/18 £'000	2016/17 £'000
Housing benefit grant	Department for Work & Pensions	(50,701)	(53,450)
Revenue expenditure funded by capital under statute	Various Contributors	(1,994)	(1,622)
Housing benefit admin subsidy	Department for Work & Pensions	(498)	(551)
Communities living sustainability	Big Lottery Fund	0	(16)
Discretionary housing payment	Department for Work & Pensions	(455)	(312)
Localising Council Tax support administration subsidy grant	Ministry for Housing, Communities and Local Government	(195)	(202)

## Notes to the Core Financial Statements

Grant Area	Provider	2017/18 £'000	2016/17 £'000
Open spaces and play areas – commuted sums	Various Contributors	(161)	(245)
Troubled families grant	Kent County Council	(84)	(57)
Localising Council Tax – new burdens funding	Ministry for Housing, Communities and Local Government	(22)	(5)
Local Land Charges New Burdens Grant	Ministry for Housing, Communities and Local Government	(14)	0
Other grants	Various Contributors	(911)	(639)
<b>Total Grant Income Credited to Cost of Services</b>		<b>(55,035)</b>	<b>(57,099)</b>

### 13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

	2017/18 £'000	2016/17 £'000
Fees payable for external audit service	53	61
Fees payable for the certification of grant claims and returns	21	25
<b>Total</b>	<b>74</b>	<b>86</b>

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

Property valued at £20,790 was disposed of in 2017/18 and £79,760 of Embedded Leased Assets were written out, giving a total value of disposals of £100,550. A total net gain of £57,980 was incurred for 2017/18 for all disposed assets (net gain of £58,798 in 2016/17). Gains and losses on investment properties are shown within Financing and Investment in the CI&ES - no investment property losses were incurred in 2017/18 (also nil losses in 2016/17).

## Council Resources – Reserves

### 15. 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.

	2017/18 £'000	2016/17 £'000
<b>Balance as at 1 April</b>	<b>(986)</b>	<b>(1,127)</b>
Capital receipts in year from sale of assets	(82)	(52)
Capital receipts in year from repayment of grant and mortgages	(90)	(50)
Capital receipts applied during the year – financing long-term assets	70	243
Other movements	7	0
<b>Balance as at 31 March</b>	<b>(1,081)</b>	<b>(986)</b>

### 16. 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.

## Notes to the Core Financial Statements

### 17. 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 2017/18.

	Balance 31 March 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000
Business Rates Volatility	(2,649)	1,378	(154)	(1,425)	25	(2,149)	(3,549)
General Reserve	(3,088)	280	(110)	(2,918)	435	(532)	(3,015)
Business Rates Pool (Economic)	(328)	0	(420)	(748)	0	(598)	(1,346)
Building Maintenance	(818)	80	(196)	(934)	122	(12)	(824)
Preceptors Council Tax Support	(250)	66	(125)	(309)	0	(254)	(563)
Housing Benefits	(277)	5	(218)	(490)	136	(62)	(416)
Regeneration	(362)	198	(523)	(687)	337	0	(350)
Performance	(537)	302	(300)	(535)	372	(153)	(316)
Parking	(32)	46	(127)	(113)	1	(193)	(305)
Commuted Sums	(259)	50	(122)	(331)	92	(19)	(258)
Local Development Framework	(70)	0	(105)	(175)	0	(62)	(237)
Pension & Redundancy	(212)	40	(33)	(205)	0	0	(205)
Local Loan Fund	(250)	50	0	(200)	0	0	(200)
Repairs & Renewals	(213)	110	(80)	(183)	73	(76)	(186)
Financial Services	(75)	0	(59)	(134)	0	(50)	(184)
Stay Put Fund	(152)	9	(1)	(144)	0	(39)	(183)
Housing	(233)	51	0	(182)	134	(119)	(167)
Wheeled Bins	(76)	0	(35)	(111)	0	(35)	(146)
Communities Fund	(72)	8	(52)	(116)	6	(2)	(112)
Miscellaneous	(1,101)	936	(1,156)	(1,321)	644	(535)	(1,212)
<b>Total</b>	<b>(11,054)</b>	<b>3,609</b>	<b>(3,816)</b>	<b>(11,261)</b>	<b>2,377</b>	<b>(4,890)</b>	<b>(13,774)</b>

Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
General Reserve	The use of this reserve is subject to the approval of Members.
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.
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.
Preceptors Council Tax Support	Paid by KCC, Police and Fire to reflect the costs of Council Tax support localisation.
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.
Regeneration	To fund regeneration projects in the Borough. Officers can submit bids to this reserve.
Performance	To improve overall performance. Officers can submit a bidding list of proposals.

## Notes to the Core Financial Statements

Parking	Any surplus from on street parking is transferred to the ring fenced on-street parking account under Section 55 of the Road Traffic Act 1984.
Commuted Sums	Set up to meet Grant Thornton's recommendations on accounting treatment. This reserve will be used to fund play area and open space maintenance in future years.
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.
Pension & Redundancy	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement and to fund all other redundancy costs.
Local Loan Fund	To support voluntary, community or not-for-profit organisations and town and parish councils in Swale to enable management and delivery of local services and facilities.
Repairs & Renewals	Regular contributions are made to this fund from the General Fund for a number of services to fund the future cost of significant items of expenditure.
Financial Services	To fund system developments to ensure that financial systems meet the 'Digital by Default' standard wherever possible, and meeting the costs of the professional advice and staff development on accounting, taxation, payments, etc required to maintain the high standard of performance.
Stay Put Fund	To support the Council's Stay Put service which offers advice, support and help to the elderly and disabled, who are owner occupiers or private tenants and who need practical assistance to repair, adapt or improve their homes.
Housing	The Housing reserves will help to fund the homelessness service in future years.
Wheeled Bins	This reserve is to fund the new wheeled bins purchases and replacements.
Communities Fund	To support the Council's Localism Agenda.
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.

### 18. 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.

	2017/18 £'000	2016/17 £'000
<b>Balance as at 1 April</b>	<b>(20,211)</b>	<b>(16,712)</b>
Upward revaluation of assets	(3,148)	(4,388)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services in the CI&ES	2,501	450
<b>Sub Total</b>	<b>(647)</b>	<b>(3,938)</b>
Write down re gains derived from depreciation differences, between historic costs and current value	347	312
Write down of accumulated gains on disposed assets	0	31
Adjustment of Revaluation Reserve balance further to IFRS derived corrections	0	96
<b>Balance as at 31 March</b>	<b>(20,511)</b>	<b>(20,211)</b>



## 19. 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.

	2017/18 £'000	2016/17 £'000
<b>Balance as at 1 April</b>	<b>(36,825)</b>	<b>(36,667)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b>		
Depreciation of tangible non-current assets	1,246	1,317
Amortisation of intangible assets	30	28
Write down Revenue Expenditure Funded by Capital under Statute (REFCUS)	2,051	1,758
Revaluation losses – impairment to CI&ES – other assets	1,425	801
Revaluation losses – impairment to CI&ES – investment assets	814	344
Revaluation – reversal of prior losses or impairments – other assets	(136)	(170)
Revaluation (gain) to CI&ES – investment assets	(1,000)	(520)
Disposal & derecognition of assets – write out of notional gross book value	101	43
Write out of long-term lease liability	(80)	0
Recognition of donated asset	(201)	0
<b>Write down of Revaluation Reserve:</b>		
Write down of Revaluation Reserve depreciation (gains)	(347)	(312)
Write down of Revaluation Reserve accumulated gains on disposed assets	0	(31)
Adjustment of Revaluation Reserve balance to IFRS derived corrections	0	(96)
<b>Capital financing applied in the year:</b>		
Capital financing – capital receipts	(70)	(243)
Capital financing – Government grants and external contributions	(2,904)	(2,447)
Capital financing – capital reserves	(241)	(264)
Minimum revenue provision	(216)	(430)
Write down of financing long-term debtors	66	64
<b>Balance as at 31 March</b>	<b>(36,287)</b>	<b>(36,825)</b>

## 20. 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 Council's share of the overall collection fund surplus and the surplus for renewable energy income retained by the Council. The total movement in 2017/18 was a decrease in surplus of £1,074,000 (£2,175,000 surplus in 2016/17), as this was released from the Collection Fund Adjustment Account during the year.

## 21. Available for Sale Reserve

The movement in year represents the gain in value of 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.

## 22. 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

## Notes to the Core Financial Statements

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 2017/18 are shown on Note 8 under Pension Assets and Liabilities Recognised in the Balance Sheet.

### Long-Term Spending - Capital

#### 23. Property, Plant and Equipment Assets

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construc-tion £'000	Surplus Land & Buildings £'000	
<b>Cost or Valuation</b>								
<b>At 31 March 2017</b>	<b>47,297</b>	<b>6,724</b>	<b>2,224</b>	<b>5,288</b>	<b>1,265</b>	<b>678</b>	<b>627</b>	<b>64,103</b>
Additions	211	539	20	167	0	8,600	0	9,537
Revaluations	(1,468)	(689)	0	0	0	0	97	(2,060)
Disposals	(22)	0	0	0	(598)	0	0	(620)
Reclassified	955	0	0	51	0	(981)	(225)	(200)
<b>At 31 March 2018</b>	<b>46,973</b>	<b>6,574</b>	<b>2,244</b>	<b>5,506</b>	<b>667</b>	<b>8,297</b>	<b>499</b>	<b>70,760</b>
<b>Accumulated Depreciation and Impairments</b>								
<b>At 31 March 2017</b>	<b>(891)</b>	<b>(5,587)</b>	<b>(713)</b>	<b>(488)</b>	<b>(1,185)</b>	<b>0</b>	<b>0</b>	<b>(8,864)</b>
Depreciation	(838)	(290)	(42)	(75)	0	0	0	(1,245)
Impairment losses/(reversals) on revaluation	729	689	0	0	0	0	0	1,418
Disposals	1	0	0	0	518	0	0	519
Reclassified	2	0	0	(2)	0	0	0	0
<b>At 31 March 2018</b>	<b>(997)</b>	<b>(5,188)</b>	<b>(755)</b>	<b>(565)</b>	<b>(667)</b>	<b>0</b>	<b>0</b>	<b>(8,172)</b>
<b>Net Book Value at 31 March 2018</b>	<b>45,976</b>	<b>1,386</b>	<b>1,489</b>	<b>4,941</b>	<b>0</b>	<b>8,297</b>	<b>499</b>	<b>62,588</b>
<b>Net Book Value at 31 March 2017</b>	<b>46,406</b>	<b>1,137</b>	<b>1,511</b>	<b>4,800</b>	<b>80</b>	<b>678</b>	<b>627</b>	<b>55,239</b>

Classification	Operational Assets					Non-Operational Assets		Total Property, Plant & Equipment Assets
	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Comm-unity £'000	Leased £'000	Assets Under Construc-tion £'000	Surplus Land & Buildings £'000	
<b>Cost or Valuation</b>								
<b>At 31 March 2016</b>	<b>44,692</b>	<b>6,655</b>	<b>2,074</b>	<b>5,268</b>	<b>1,241</b>	<b>74</b>	<b>616</b>	<b>60,620</b>
Additions	216	69	150	32	24	603	0	1,094
Revaluations	2,420	0	0	0	0	1	11	2,432
Disposals	(31)	0	0	(12)	0	0	0	(43)
<b>At 31 March 2017</b>	<b>47,297</b>	<b>6,724</b>	<b>2,224</b>	<b>5,288</b>	<b>1,265</b>	<b>678</b>	<b>627</b>	<b>64,103</b>

## 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	
Accumulated Depreciation and Impairments								
At 31 March 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

The increase in Assets Under Construction is due to the construction of the Princes Street Retail Park and other works undertaken as part of the Sittingbourne Town Centre regeneration project. The revaluation movements are explained in the Impairment Losses Note 25 and Revaluation Reserve Note 18.

The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational buildings would increase by £26,957 should the useful life of each property be reduced by one year.

### Surplus Land & Buildings

All of the Council's surplus assets have been revalued this year and the inputs used to measure their fair 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.

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 assets were to reduce by 10% this would result in £0.05m being charged to the CI&ES.

## **24. 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. 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.

In 2017/18 Wilks, Head and Eve valued property assets (which do not include Vehicles & Equipment) to a gross value of £ 39,555,350, including Investment and Held for Sale properties. The value comprises of valuations to £35,050,300 dated at 1 January 2018, £100,000 dated 7 February 2018 (upon reclassification as Surplus), £99,600 dated 1 March 2018 (upon reclassification as Held for Sale) and £4,305,450 dated 31 March 2018. In addition, £170,000 was added to the value of land at Minster Cliffs being the increased value due to forthcoming housing development.

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 2018

## Notes to the Core Financial Statements

which would require these to be updated at 31 March 2018, 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.

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

Date Valued (or Acquired) at or up to:	Land & Buildings	Vehicles & Equipment	Infra- structure	Comm- unity	Leased	Assets Under Construc- tion	Surplus Land & Buildings	Total Property, Plant & Equipment Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic cost	0	0	2,244	5,506	0	8,297	0	16,047
Previous years	0	3,612	0	0	667	0	0	4,279
2013/14	854	176	0	0	0	0	0	1,030
2014/15	324	1,843	0	0	0	0	0	2,167
2015/16	4,668	3	0	0	0	0	0	4,671
2016/17	5,538	247	0	0	0	0	0	5,785
2017/18	35,589	693	0	0	0	0	499	36,781
<b>Gross Book Value at 31 March 2018</b>	<b>46,973</b>	<b>6,574</b>	<b>2,244</b>	<b>5,506</b>	<b>667</b>	<b>8,297</b>	<b>499</b>	<b>70,760</b>

The Council has undertaken a review of all assets that were valued before 2017/18 to ensure that their carrying value does not differ materially from current value.

## 25. 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 23 and 26, reconciling the movement over the year in the asset balances for Property, Plant and Equipment and Investment Properties.

During 2017/18 the Council has recognised a net total loss of £1,103,450 in respect of its non-current assets (£454,220 recognition of losses in 2016/17).

	Property, Plant & Equipment Assets £'000	Investment Assets £'000	2017/18 Total £'000	2016/17 Total £'000
Revaluation – increase recognised in deficit on Provision of Services (reversal prior loss/impairment)	82	59	141	416
Depreciation written out to the deficit on Provision of Services (reversal prior loss/impairment)	54	0	54	74
<b>Total Reversal Prior Loss/Impairment</b>	<b>136</b>	<b>59</b>	<b>195</b>	<b>490</b>
Revaluation – decrease recognised in the (surplus) on Provision of Services	(2,132)	(769)	(2,901)	(1,159)
Depreciation written out to the deficit on Provision of Services	707	0	707	15
<b>Total Losses and Impairments</b>	<b>(1,425)</b>	<b>(769)</b>	<b>(2,194)</b>	<b>(1,144)</b>
Revaluation – increase recognised in (surplus)/deficit on Provision of Services (gain)	0	896	896	200
<b>Net Total (Loss)/Reversal Debited/(Credited) to (Surplus)/Deficit on Provision of Services</b>	<b>(1,289)</b>	<b>186</b>	<b>(1,103)</b>	<b>(454)</b>

## Notes to the Core Financial Statements

The greatest revaluation reversals (£30k and over) of previous losses were incurred on the Kent Auto Salvage site (buildings component) Gas Road, Milton Regis, the vacant land at Minster Cliffs and Central House Sittingbourne, the gains being £45,770, £39,100 and £33,930 respectively. Fourteen other assets incurred reversed losses, averaging £5,460 per asset.

The greatest reduced valuations (£100k and over) were incurred by four assets, Easthall Farm Community Centre, the Trading Estate West Lane (buildings component) Sittingbourne, Sheerness Swimming Pool (land component) and the open storage site at Gas Road, Milton Regis, the losses being £848,080, £523,140, £314,340 and £245,700 respectively. Sixteen other assets incurred reduced valuations, an average reduction of £16,460 per asset.

Ten assets incurred direct gains totalling £896,000, the greatest gains (£25k and over) being on assets at the Trading Estate West Lane (land component), the Kent Auto Salvage site (both building and land components) Gas Road, Milton Regis (being additional to the reversed previous losses), vacant land at Colegates Close, Oare, and the Lappel Bank, West Minster, the gains being £618,140, £155,080, £71,500 and £25,800 respectively. Five other assets incurred gains, an average of £5,100 per asset.

### 26. Investment Properties

The following items of income and expense have been included within Financing and Investment in the CI&ES:

	2017/18	2016/17
	£'000	£'000
Rental income from investment properties	(240)	(191)
Direct operating expenses arising from investment properties	72	74
<b>Net (Gain)</b>	<b>(168)</b>	<b>(117)</b>

The net gain on revaluation for investment properties in the year was £185,630 (£176,710 gain in 2016/17). This was from reversed prior losses of £59,170, losses of £769,540 and additional gains of £896,000. No investment properties were sold in 2017/18. One minor value property was reclassified as an investment property. 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 Council's investment properties, the highest and best use of the properties has been applied.

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 investment assets were to reduce by 10% this would result in £0.344m being charged to the CI&ES.

### 27. Assets Held for Sale

Further to the approval by Cabinet that two freehold sites be disposed of by auction (min.476/02/18), and the appointment of auctioneers on 29/03/18, these assets have been reclassified as Held for Sale as at 29/03/18. As both assets were classed as Surplus assets at the time of their reclassification and had been valued during 2017/18 on Fair Value basis, no further revaluation was required. Their current net book value is £199,600.

## 28. 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.

<b>Grant Area</b>	<b>Provider</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Housing Repair Grants	Swale Borough Council	7	11
Home Renovation Grants	Ministry for Housing, Communities & Local Government	1,328	1,541
Car Park Wall, Newington	Swale Borough Council	0	110
Shared Information Technology service	Swale Borough Council	80	26
Coastal Monitoring	Environment Agency	57	57
Play Area Equipment, Borden	Private Developer	0	13
Professional Fees Highways Works	Spirit of Sittingbourne	66	0
Highways Works Sittingbourne Town Centre	Kent County Council	513	0
<b>Total</b>		<b>2,051</b>	<b>1,758</b>

## 29. Commitments under Capital Contracts

The contractual commitments at 31 March 2018 totalled £31,789,330 (£1,415,060 in 2016/17). The major commitments were:

- £30,833,920 Sittingbourne Town Centre regeneration works (including the new cinema and multi-storey car park),
- £336,440 Housing Repair Grants,
- £240,000 Mill Project Sittingbourne Skate Park,
- £158,160 Easthall Farm Community Centre (retention payments),
- £88,600 Swale House lifts refurbishment, and
- £45,020 Play Area Milton recreation ground.

Note: although not contractually committed at 31 March 2018, approval to spend of £2,000,000 on the Swallows and Sheppey Leisure Centres will be decided by Cabinet on 30 May 2018.

## 30. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year, 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.

## Notes to the Core Financial Statements

	2017/18 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	<b>4,530</b>	<b>4,770</b>
Add adjustment for embedded lease assets	(79)	166
<b>Restated Opening Capital Financing Requirement</b>	<b>4,451</b>	<b>4,936</b>
Total capital investment	11,455	2,868
Add long-term debtors – loans	36	110
<b>Sources of Finance:</b>		
Capital receipts (see Note 15)	(70)	(243)
Government grants & external contributions	(2,904)	(2,447)
Sums set aside from revenue:		
Direct revenue funding	(241)	(264)
Minimum revenue provision (MRP)	(216)	(430)
<b>Total Sources of Finance</b>	<b>(3,431)</b>	<b>(3,384)</b>
<b>Closing Capital Financing Requirement</b>	<b>12,511</b>	<b>4,530</b>
<b>Explanation of Movements in Capital Financing Requirement in Year:</b>		
Capital expenditure to be funded from future MRP when assets are operational	8,276	0
(Reduction) in underlying need to borrow (MRP)	(216)	(430)
Increase relating to assets acquired under Embedded Leases	0	24
<b>Total Increase/ (Decrease) in Capital Financing Requirement</b>	<b>8,060</b>	<b>(406)</b>

## **Creditors and Debtors**

### **31. 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).

### **32. Short-Term Creditors**

	31 March 2018 £'000	31 March 2017 £'000
Central Government bodies	(5,324)	(5,977)
Other local authorities	(4,008)	(4,215)
NHS bodies	0	(44)
Bodies external to general Government	(2,316)	(2,066)
<b>Total</b>	<b>(11,648)</b>	<b>(12,302)</b>

### **33. 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.

### **34. 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

## Notes to the Core Financial Statements

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. For the 2017/18 statement the Council has determined that the value of this element is no longer material and so will no longer report this in the Statement of Accounts.

	31 March 2018	31 March 2017
	£'000	£'000
Due within one year (Short-Term Creditors)	(183)	(188)
Due after more than one year (Long-Term Liabilities)	(140)	(384)
<b>Total</b>	<b>(323)</b>	<b>(572)</b>

### 35. 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 33) to fund new facilities provided as part of an agreement with developers.

	1 April 2017	Expenditure	Income	31 March 2018
	£'000	£'000	£'000	£'000
Disabled facilities grants	(309)	1,328	(2,096)	(1,077)
Sittingbourne Town Centre grant	0	579	(579)	0
Other	(319)	199	(179)	(299)
S106 held for third parties	(910)	841	(1,349)	(1,418)
<b>S106 Capital Funding:</b>				
Housing	(200)	20	0	(180)
Play areas	(631)	372	(14)	(273)
The Meads Community Centre	(31)	0	0	(31)
Open spaces	(604)	336	(24)	(292)
Town centre improvements	(184)	0	0	(184)
Easthall Farm Community Centre	(349)	346	0	(3)
Other	(76)	21	0	(55)
<b>Total</b>	<b>(3,613)</b>	<b>4,042</b>	<b>(4,241)</b>	<b>(3,812)</b>

	31 March 2018	31 March 2017
	£'000	£'000
Due to spend within one year (Short-Term Creditors)	(311)	(1,116)
Due to spend in more than one year (Long-Term Liabilities)	(3,501)	(2,497)
<b>Total</b>	<b>(3,812)</b>	<b>(3,613)</b>

In 2017/18, S106 grants of £20,000 were repaid to developers, as it was not possible to install the relevant facilities at the Meads. In addition, the Council repaid £280,325 to a developer who had agreed to build new facilities at Iwade Recreation Ground; they were treated as a planning gain when the land and buildings were transferred at no cost to the Council and included in the Accounts as donated assets, valued at £201,100. The land is not valued, being treated as a Community Asset. (£nil was repaid in 2016/17).



### 36. 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 2018. This sum will be revised in future years as further information becomes available.

The Council has made a provision of £3,417,000 for business rate appeals based on its best estimates of the actual liability as at 31 March 2018. £1,509,000 has been identified as a long-term provision. See Note 50 for further details.

### 37. 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, (classed as 'soft loans'). This year has seen the final repayment of debt relating to the sale of council houses.

	31 March 2018	31 March 2017
	£'000	£'000
Housing repair loans	2,143	2,163
Rent deposit scheme – gross debt	69	94
Rent deposit scheme – allowance for impairment of debts	(60)	(80)
Assisted car purchase loans	137	208
Opportunities For Sittingbourne	118	118
Faversham Town Football Club	48	50
Queenborough Harbour Trust	37	42
Other long-term loans	22	44
<b>Total</b>	<b>2,514</b>	<b>2,639</b>

### 38. Short-Term Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Central Government bodies	3,031	804
Other local authorities	3,255	1,193
NHS bodies	30	0
Bodies external to general Government	2,668	2,332
<b>Total</b>	<b>8,984</b>	<b>4,329</b>

The increase in debt is mainly due to business rate relief from MHCLG, housing benefit from the Department for Work and Pensions and highways works from KCC.

As at 31 March 2018 the Council has a gross balance for sundry debtors of £5.3m. A review of significant balances suggested that an impairment for doubtful debts of 32% (£1.7m) was appropriate. However, if collection rates were to fall, the cost of covering the impairment of doubtful debts would require an additional £16,700 to be set aside for every 1% reduction in collection rates.

### 39. Cash and Cash Equivalents

	31 March 2018	31 March 2017
	£'000	£'000
Cash (overdrawn) by the Council	(1,422)	(470)
Money Market Funds	10,815	8,520
<b>Total Cash and Cash Equivalents</b>	<b>9,393</b>	<b>8,050</b>

The Council's bank balance has a surplus of £25,064 at 31 March 2018, but cash is shown as overdrawn in the above note because it includes transactions which had not yet appeared on the bank account, of which the most significant were £2m of direct debit payments for 2017/18 which had not yet been charged to the bank account.

## **Leases**

### **40. Leases**

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

Plant and equipment – as at 31 March 2018 the Council had twelve vehicles on a contract hire-operating lease basis (ten service vehicles, one electric car and the mayor's car). During 2017/18 the Council commenced leasing two new vehicles as part of the ongoing replacement of older units. The Council is committed to making payments of £41,000 in 2018/19 and £8,000 in 2019/20.

The expenditure charged to the Cost of Services in the CI&ES during 2017/18 in relation to these leases was £41,830 (£35,500 in 2016/17).

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

The Council holds a number of operating leases with third parties.

<b>Main Classifications of Usage of Operating Leases With Third Parties</b>	<b>Rentals Payable 2018/19 £'000</b>	<b>Rentals Payable 2017/18 £'000</b>
Business premises	349	326
Industrial units	111	111
Other	80	80
<b>Total</b>	<b>540</b>	<b>517</b>

<b>Future Minimum Lease Payments Under Non-Cancellable Leases in Future Years</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Not later than 1 year	89	96
Later than 1 year and not later than 5 years	124	136
Later than 5 years	327	285
<b>Total</b>	<b>540</b>	<b>517</b>

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

Vehicles used within the grounds maintenance contract were previously accounted for as 'embedded leases'. The assets, net of depreciation, had been shown within non-current assets and the notional liability within long-term liabilities. The asset value was depreciated over the life of the vehicles equivalent to the calculated notional lease repayment. However, the Council decided that for 2017/18 the value of this notional leasing was not material and so is not reporting this in this and future statements.

## **Financial Instruments**

### **41. Financial Instruments**

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

#### **a) Financial Instruments – Classifications**

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

#### **b) Financial Instruments – Balances**

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

## Notes to the Core Financial Statements

**Table 1**

Financial Liabilities	Long-Term		Current	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Trade creditors	0	0	(1,683)	(1,613)
Lease liabilities	(140)	(324)	(184)	(188)
<b>Total Financial Liabilities</b>	<b>(140)</b>	<b>(324)</b>	<b>(1,867)</b>	<b>(1,801)</b>

**Table 2**

Financial Assets	Long-Term		Current	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
<b>Loans and Receivables</b>				
Trade debtors	76	103	935	913
Housing interest free loans	2,143	2,163	0	0
Car loans	137	208	0	0
Mortgages	5	5	0	0
Cash and cash equivalents	0	0	(1,431)	(470)
Long-term loans	0	160	0	0
Short-term Investments	0	0	6,000	18,000
<b>Available-for-Sale</b>				
Cash and cash equivalents	0	0	10,815	8,520
CCLA property fund	3,000	3,000	0	0
<b>Total Financial Assets</b>	<b>5,361</b>	<b>5,639</b>	<b>16,319</b>	<b>26,963</b>

c) Employee Car Loans

The Council had loans for car purchase to 34 employees in 2017/18 (41 in 2016/17). The interest charged on new loans is 1.50% and an unsubsidised rate for such loans would have been 2.50%.

d) Gains and Losses on Financial Instruments

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

**Table 3**

	2017/18	2016/17
	£'000	£'000
<b>Financial Liabilities</b>		
Interest costs	55	71
<b>Financial Assets – Interest Income:</b>		
Loans and receivables: fixed term deposits and call accounts	(43)	(92)
Available-for-sale: money market funds	(215)	(163)
<b>Total Interest</b>	<b>(258)</b>	<b>(255)</b>
<b>Net (Gain) for the Year</b>	<b>(203)</b>	<b>(184)</b>

e) Fair Value of Assets and Liabilities

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

In the case of the Council's investments for 2017/18, 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.

### f) 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 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. Currently this would have no impact on the General Fund until the investment was sold, but under IFRS 9 it would be a cost to the General Fund in the year.

### 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 2018. 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 2018.

Table 4

Counterparty (MMF = Money Market Funds)	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2018 £'000				Balance Invested at 31 March 2017 £'000
			Up to 1 month	Greater than 1 month and up to 3 months	Greater than 3 months	Total	
2016/17 Adjustment						0	(8)
Svenska Handelsbanken	Aa2	2				0	3,000
Santander Bank	Aa3	2				0	3,000
Lloyds Bank	Aa3	2	3,000			3,000	3,000
Nationwide Building Society	Aa3	2				0	3,000
HSBC Bank	Aa3	2		3,000		3,000	3,000
Leeds Building Society	A2	2				0	1,500
Close Brothers	Aa3	2				0	1,500
<b>Sub Total Short-Term Investments</b>			<b>3,000</b>	<b>3,000</b>	<b>0</b>	<b>6,000</b>	<b>17,992</b>
Invesco MMF	Aaam	2		3,000		3,000	0
BNP Paribas MMF	Aaa-mf	2		3,000		3,000	3,000
Morgan Stanley MMF	Aaa-mf	2				0	2,520
Black Rock MMF	Aaa-mf	2		1,815		1,815	3,000
Amundi MMF	Aaam	2		3,000		3,000	0
<b>Sub Total Cash &amp; Cash Equivalents</b>			<b>0</b>	<b>10,815</b>	<b>0</b>	<b>10,815</b>	<b>8,520</b>
CCLA Property Fund	Aaa-mf	2			3,000	3,000	2,909
<b>Sub Total Long-Term Investments</b>			<b>0</b>	<b>0</b>	<b>3,000</b>	<b>3,000</b>	<b>2,909</b>
<b>Total</b>			<b>3,000</b>	<b>13,815</b>	<b>3,000</b>	<b>19,815</b>	<b>29,421</b>

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 2018 (nil as at 31 March 2017).

The ratings above are from Moody's credit rating agency. A description of the grading is provided below:

- Aaa-mf, Aaam Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.
- Aa3, Aa2 Investments are judged to be of a high quality and are subject to very low credit risk.
- A2 Investments are considered upper-medium grade and are subject to low credit risk.

The reduction in short-term investments is due to the financing of the Council's capital programme.

## **The Council's Relationship With Other Organisations**

### **42. 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 ring-fenced grants credited to services are shown in Note 12.

## 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 2017/18 is shown on Note 7. During 2017/18, 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 2017/18 financial year from Members and senior officers and there were no transactions considered of material significance to warrant separate disclosure in the Annual Accounts.

During 2017/18, 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 2017/18. The Trust was deemed to be influenced significantly by the Council through its representation on the Trust board.

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

## 43. 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), 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). Due to some administrative issues around this change the Company changed its name again to Faversham Swimming Pool Management Committee Ltd with effect from 17 July 2017. The new Company retained the existing Charity number. On the advice of their auditors the unincorporated charity remained active for the 2017/18 financial year with the new Company recorded as dormant. The new Company started trading from April 2018. Each of the organisations in their respective trading periods operate a swimming pool complex for the benefit of local residents, with a financial turnover of approximately £720,000 per annum (2016/17 figures). Included within the arrangements for 2017/18 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, considers 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 £20.576m. The FSPMC accounts for 2017/18 are due to be approved in August 2018. 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](http://www.charitycommission.gov.uk)
- Opportunities for Sittingbourne Ltd – is a company set up between the Council and Spirit of Sittingbourne LLP (Spirit of Sittingbourne being a venture between the Council and a number of local developers), with an overall aim of regenerating Sittingbourne Town Centre. The 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 (Company Number 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>

## Notes to the Core Financial Statements

- PSP Swale LLP- This partnership was registered on 8 April 2017 and Swale Borough Council is in partnership with PSP Facilitating Ltd, who act as the administrators for the partnership. The Partnership other than the required administrative returns etc. did not carry out any transactions throughout the 2017/18 financial year.

As at the end of 2017/18 the total investment in these 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

#### 44. 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.

	2017/18 Usable Reserves			2017/18	2016/17
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
Pension costs	(2,079)	0	0	2,079	1,404
Financial instruments	2	0	0	(2)	12
Council Tax and Business Rates	(1,074)	0	0	1,074	(2,175)
Holiday pay	133	0	0	(133)	12
Capital grants moved to Capital Grants Unapplied	64	0	(64)	0	0
Reversal of entries for capital expenditure	(4,250)	0	0	4,250	3,600
<b>Total Adjustment to Revenue Resources</b>	<b>(7,204)</b>	<b>0</b>	<b>(64)</b>	<b>7,268</b>	<b>2,853</b>
<b>Adjustments Between Revenue &amp; Capital Resources</b>					
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve (CRR)	158	(158)	0	0	0
Statutory provision for financing of capital investment	216	0	0	(216)	(429)
Capital expenditure charged to the General Fund	241	0	0	(241)	(264)
Financing of Contribution to Capital Receipts Pool	(7)	7	0	0	0
<b>Total Adjustments Between Revenue &amp; Capital</b>	<b>608</b>	<b>(151)</b>	<b>0</b>	<b>(457)</b>	<b>(693)</b>
<b>Adjustments to Capital Resources</b>					
Use of the CRR to finance capital expenditure	0	70	0	(70)	(243)
Capital Grants used to finance capital expenditure	2,860	0	44	(2,904)	(2,448)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	(14)	0	14	0
<b>Total Adjustment to Capital Resources</b>	<b>2,860</b>	<b>56</b>	<b>44</b>	<b>(2,960)</b>	<b>(2,691)</b>
<b>Total Adjustments</b>	<b>(3,736)</b>	<b>(95)</b>	<b>(20)</b>	<b>3,851</b>	<b>(531)</b>

#### 45. Expenditure and Funding Analysis 2016/17

2016/17	Net Expenditure Reported to Cabinet			Budget Responsibility		Net Expenditure Accounting Basis
	£'000	Capital £'000	Pension £'000	£'000	Other £'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

## Notes to the Core Financial Statements

2016/17	Net Expenditure Reported to Cabinet £'000	Capital £'000	Pension £'000	Budget Respon- sibility £'000	Other £'000	Net Expenditure Accounting Basis £'000
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
<b>Cost of Services</b>	<b>17,031</b>	<b>2,113</b>	<b>1,159</b>	<b>(223)</b>	<b>(1,505)</b>	<b>18,575</b>
Financed By	(18,450)					
<b>(Surplus) in Year</b>	<b>(1,419)</b>					
General Fund Balance at 1 April 2016	(5,365)					
(Surplus) in Year	(1,419)					
2015/16 approved rollovers	1,910					
<b>General Fund Balance at 31 March 2017</b>	<b>(4,874)</b>					

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 post-employment benefits rather than the payments made to the Pension Fund; **Budget Responsibility** – the Council reports 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.

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 £'000	Capital £'000	Pension £'000	Budget Respon- sibility £'000	Other £'000	Net Expenditure Accounting Basis £'000
<b>Cost of Services</b>	<b>17,031</b>	<b>2,113</b>	<b>1,159</b>	<b>(223)</b>	<b>(1,505)</b>	<b>18,575</b>
Other Income and Expenditure	(19,311)	(1,056)	2,046	0	(354)	(18,675)
<b>Surplus on Provision of Services</b>	<b>(2,280)</b>	<b>1,057</b>	<b>3,205</b>	<b>(223)</b>	<b>(1,859)</b>	<b>(100)</b>
Adjustments from Accounting Basis	861	(1,057)	(3,205)	223	1,859	(1,319)
<b>Surplus in Year</b>	<b>(1,419)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,419)</b>

### Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of Swale Borough Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates. The 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



## Notes to the Core Financial Statements

### 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 Council as 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 and 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.

<b>Collection Fund 2017/18</b>	<b>Note</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
<b>Income</b>				
Council Tax receivable	47	0	(74,156)	(74,156)
Business Rates receivable	48	(47,751)	0	(47,751)
<b>Total Income</b>		<b>(47,751)</b>	<b>(74,156)</b>	<b>(121,907)</b>
<b>Expenditure</b>				
Precepts, demands and shares:				
Central Government		22,044	0	22,044
Swale Borough Council		17,636	8,569	26,205
Kent County Council		4,790	53,400	58,190
Kent Fire and Rescue Service		441	3,323	3,764
Kent Police and Crime Commissioner		0	7,119	7,119
<b>Sub Total</b>		<b>44,911</b>	<b>72,411</b>	<b>117,322</b>
Cost of collection		182	0	182
Transitional protection payments payable		35	0	35
Other transfers to General Fund		416	0	416
Allowance for debt impairment	49	529	428	957
Allowance for appeals impairment	50	1,402	0	1,402
<b>Sub Total</b>		<b>2,564</b>	<b>428</b>	<b>2,992</b>
<b>Contribution towards previous year's Collection Fund surplus –</b>				
Central Government		1,224	0	1,224
Swale Borough Council		979	141	1,120
Kent County Council		220	867	1,087
Kent Fire and Rescue Service		24	55	79
Kent Police and Crime Commissioner		0	116	116
<b>Sub Total</b>		<b>2,447</b>	<b>1,179</b>	<b>3,626</b>
<b>Total Expenditure</b>		<b>49,922</b>	<b>74,018</b>	<b>123,940</b>
<b>(Surplus)/Deficit Movement for the Year</b>	46	<b>2,171</b>	<b>(138)</b>	<b>2,033</b>
<b>(Surplus) at 1 April 2017</b>	46	<b>(2,444)</b>	<b>(1,278)</b>	<b>(3,722)</b>
<b>(Surplus) at 31 March 2018</b>	46	<b>(273)</b>	<b>(1,416)</b>	<b>(1,689)</b>

<b>Collection Fund 2016/17</b>	<b>Note</b>	<b>Business Rates £'000</b>	<b>Council Tax £'000</b>	<b>Total £'000</b>
<b>Income</b>				
Council Tax receivable	47	0	(69,501)	(69,501)
Business Rates receivable	48	(47,912)	0	(47,912)
Kent County Council (Renewables share)		(80)	0	(80)
<b>Sub Total</b>		<b>(47,992)</b>	<b>(69,501)</b>	<b>(117,493)</b>

## Notes to the Core Financial Statements

Collection Fund 2016/17	Note	Business Rates £'000	Council Tax £'000	Total £'000
<b>Contribution towards previous year's Collection Fund deficit –</b>				
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)
<b>Sub Total</b>		<b>(3,369)</b>	<b>0</b>	<b>(3,369)</b>
<b>Total Income</b>		<b>(51,361)</b>	<b>(69,501)</b>	<b>(120,862)</b>
<b>Expenditure</b>				
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
Kent Police and Crime Commissioner		0	6,689	6,689
<b>Sub total</b>		<b>44,895</b>	<b>67,753</b>	<b>112,648</b>
Cost of collection		184	0	184
Transitional protection payments payable		6	0	6
Other transfers to General Fund		339	0	339
Allowance for debt impairment	49	374	346	720
Allowance for appeals impairment	50	518	0	518
<b>Sub Total</b>		<b>1,421</b>	<b>346</b>	<b>1,767</b>
<b>Contribution towards previous year's Collection Fund surplus –</b>				
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
<b>Sub Total</b>		<b>0</b>	<b>2,144</b>	<b>2,144</b>
<b>Total Expenditure</b>		<b>46,316</b>	<b>70,243</b>	<b>116,559</b>
<b>(Surplus)/Deficit Movement for the Year</b>	46	<b>(5,045)</b>	<b>742</b>	<b>(4,303)</b>
<b>(Surplus)/Deficit at 1 April 2016</b>	46	<b>2,601</b>	<b>(2,020)</b>	<b>581</b>
<b>(Surplus)/Deficit at 31 March 2017</b>	46	<b>(2,444)</b>	<b>(1,278)</b>	<b>(3,722)</b>

### 46. Collection Fund Surplus/ Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £277,000 as at 31 March 2018 (£1,130,000 deficit in 2016/17), and is shown in the Balance Sheet within the Collection Fund Adjustment Account (Note 20). 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 2018 split into its attributable parts:

	2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000	2016/17 Total £'000
Central Government	(137)	0	(137)	(1,222)
Swale Borough Council	(109)	(168)	(277)	(1,130)
Kent County Council	(24)	(1,044)	(1,068)	(1,160)
Kent Fire and Rescue Service	(3)	(139)	(142)	(84)
Kent Police and Crime Commissioner	0	(65)	(65)	(126)
<b>Balance at 31 March 2018</b>	<b>(273)</b>	<b>(1,416)</b>	<b>(1,689)</b>	<b>(3,722)</b>

## 47. 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 45,299.89 (43,959.22 in 2016/17). 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 2017/18 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	1,049.47	6/9	3,731.26
B	1,224.38	7/9	9,111.94
C	1,399.29	8/9	11,904.74
D	1,574.20	9/9	9,292.48
E	1,924.02	11/9	5,984.63
F	2,273.84	13/9	3,217.60
G	2,623.67	15/9	1,869.22
H	3,148.40	18/9	188.02
<b>Total</b>			<b>45,299.89</b>

The detail to the calculation of the Council Tax base can be found in the report to Council on 25 January 2017 by using the following link: <https://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=1697>

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

The level of non-payment provided for in 2017/18 was 1.06% (1.10% in 2016/17). The original anticipated income = 45,299.89 x £1,598.48 (Band D plus average parish precept) = £72,410,968. The actual income was £74,155,836. The difference is attributable to an increase in the number of properties in the Borough.

## 48. 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 2017/18 business rate income after reliefs was £47,751,335 (£47,912,468, 2016/17).

The rateable value for the Council's area at the end of the financial year 2017/18 was £123,589,111 (£115,172,423 for 2016/17). The increase in rateable value is due to a revaluation by the Valuation Office Agency, which increased the rateable values from 1 April 2017.

The rate poundage set for 2017/18 was 47.9p (2016/17 was 49.7p). Small businesses have a lower rate poundage of 46.6p (2016/17 was 48.4p).

The Council has committed to enter into a Kent-wide pilot for the full localisation of Business Rates. The model agreed between the Kent and Medway Councils projected the largest gainer of any of the lower tier Councils being Swale with a projected increase in funding of £700,000.

## 49. Debt Impairment

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

	2017/18 Business Rates £'000	2016/17 Business Rates £'000	2017/18 Council Tax £'000	2016/17 Council Tax £'000
Balance brought forward 1 April	(1,114)	(829)	(1,496)	(1,417)
Less amounts written off	174	89	289	267
Decrease/(Increase) in provision	(529)	(374)	(428)	(346)
<b>Balance at 31 March</b>	<b>(1,469)</b>	<b>(1,114)</b>	<b>(1,635)</b>	<b>(1,496)</b>
Swale Borough Council's proportion	(588)	(446)	(193)	(177)

## Notes to the Core Financial Statements

Amounts written off are charged directly to the provision for debt impairment. Any amounts written off in excess of the provision will be a charge to the Collection Fund. Council Tax provision for debt impairment is based on an analysis of the age of the debt and their recovery stage. At 31 March 2018, the total Council Tax outstanding debt was £4.3m (£3.8m in 2016/17 (restated to exclude cost arrears) of which debt one year old was £2.0m, debt between two to five years old was £1.7m 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 2018, the total Business Rates outstanding debt was £1.9m (£1.6m in 2016/17) of which debt one year old was £0.9m, debt between two to five years old was £0.9m and debt over five years old was £0.1m.

### 50. Provision for Business Rate Valuation Appeals

	2017/18 £'000	2016/17 £'000
Balance brought forward 1 April	(7,760)	(8,096)
Less amounts charged to appeals	620	854
(Increase) in provision	(1,402)	(518)
<b>Balance at 31 March</b>	<b>(8,542)</b>	<b>(7,760)</b>
Swale Borough Council's proportion	(3,417)	(3,104)

Amounts refunded following successful revaluation appeals are charged directly to the provision for business rate appeals. Any amounts refunded in excess of the provision will be a charge to the Collection Fund.

There is a regular reassessment of the rateable valuations (RV) of businesses, carried out in 2005, 2010 and 2017. The provision for appeals for the 2005 and 2010 RV lists is based on outstanding and forecast future appeals for businesses. For the 2017 RV list, the appeals forecast is based on the assumption made at national level of potential appeals, because there is a new appeals process for the 2017 RV list at time of preparing the accounts no appeals had yet been made.

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 £85,000 for every 1% increase in total rateable value under appeal.

## 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.
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 2017/18 (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).
Internal Borrowing	If capital expenditure is spent which is not immediately financed through capital receipts or grants, the Council's underlying need to borrow (its Capital Financing Requirement) increases resulting in a Minimum Revenue Provision (MRP). When the Council reduces its cash balances to cover this expenditure then this is called 'internal borrowing'.
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board 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.

## Glossary

Minimum Revenue Provision (MRP)	A charge to the Council's General Fund balance to make provision for the repayment of the Council's past unfunded capital expenditure.
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.
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 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
FSPMC	Faversham Swimming Pool Management Committee
GDPR	General Data Protection Regulations
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council
LAMIT	Local Authorities' Mutual Investment Trust

LGPS	Local Government Pension Scheme
MHCLG	Ministry for Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services
MMF	Money Market Funds
MRP	Minimum Revenue Provision
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 33
SMT	Strategic Management Team
VAT	Value Added Tax



Mark Radford  
Chief Executive  
Swale Borough Council  
Swale House  
East Street  
Sittingbourne  
Kent ME10 3HT

Grant Thornton UK LLP  
Grant Thornton House  
30 Finsbury Square  
London EC2A 1AG  
T +44 (0)20 7383 5100  
www.grant-thornton.co.uk

26 April 2018

Dear Mark,

## **Planned audit fee for 2018/19**

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

## **Scale fee**

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £46,769.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

## **Scope of the audit fee**

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken

under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Billing schedule**

Fees will be billed as follows:

<b>Audit fee</b>	<b>£</b>
September 2018	11,692
December 2018	11,692
March 2019	11,692
June 2019	11,693
<b>Total</b>	<b>46,769</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures from October 2018 to March 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2019, along with our work on the whole of government accounts return.



<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	October 2018 – March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

### **Our team**

The key members of the audit team for 2018/19 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Iain Murray	020 7728 3328	Iain.g.murray@uk.gt.com
Engagement Manager	Trevor Greenlee	01293 554071	Trevor.Greenlee@uk.gt.com

### **Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

### **Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner, via [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com).

Yours sincerely

A handwritten signature in dark ink, appearing to read 'I Murray', with a stylized flourish at the end.

Iain Murray  
Engagement Lead

For Grant Thornton UK LLP

<b>Audit Committee Meeting</b>	
<b>Meeting Date</b>	30 July 2018
<b>Report Title</b>	Audit Committee Annual Report 2017/18
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley - Cabinet Member for Finance & Performance
<b>SMT Lead</b>	Nick Vickers – Chief Financial Officer
<b>Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer</b>	Frankie Smith – Head of Audit Partnership
<b>Key Decision</b>	No
<b>Classification</b>	Open
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. That the Audit Committee agree the Audit Committee Annual Report for 2017/18.</li><li>2. That the Chairman of the Audit Committee provides the report to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.</li></ol>

## **1 Purpose of Report and Executive Summary**

- 1.1 The report outlines how the Audit Committee has effectively discharged its duties during 2017/18. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee. The report seeks to provide additional assurance to support the Annual Governance Statement.

## **2 Background**

- 2.1 The Audit Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy. This reports sets out how this has been achieved during 2017/18.

### **3 Proposals**

- 3.1 To agree the Audit Committee Annual Report as attached in Appendix I.
- 3.2 That the Chairman of the Audit Committee provides the report to a meeting of Full Council setting out how the committee has discharged its duties.

### **4 Alternative Options**

- 4.1 The production and presentation of an annual report is required by this Committee's terms of reference. Therefore no other alternative could be recommended.

### **5 Consultation Undertaken or Proposed**

- 5.1 We provided this report to the Chairman of the Audit Committee for consultation prior to submission for this meeting.

## 6 Implications

Issue	Implications
<b>Corporate Plan</b>	None identified at this stage.
<b>Financial, Resource and Property</b>	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.
<b>Legal and Statutory</b>	None identified at this stage.
<b>Crime and Disorder</b>	None identified at this stage.
<b>Environmental Sustainability</b>	None identified at this stage.
<b>Health and Wellbeing</b>	None identified at this stage
<b>Risk Management and Health and Safety</b>	The role of the Audit Committee requires it to consider the effectiveness of the Council's risk management arrangements.
<b>Equality and Diversity</b>	None identified at this stage.
<b>Privacy and Data Protection</b>	None identified at this stage.

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Annual Audit Committee Report 2017/18

## 8 Background Papers

8.1 None

This page is intentionally left blank



# **Audit Committee**

# **Annual Report**

## **Municipal Year 2017/18**



## **Introduction by Chair of Audit Committee**

*This report provides an overview of the Audit Committee's activity during the Municipal Year 2017/18. Councillor Nicholas Hampshire A.C.A, B.A (Hons) was the Chair of the Committee for that Municipal Year and I would like to record the Committee's thanks to him for his service to it as Chair.*

*As the new Chair it falls to me to report that the Audit Committee continues to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.*

*During 2017/18 the Committee met four times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors, consideration of the Council's risk management processes and a positive conclusion on the Council's control and governance from our internal auditors.*

*Once again during 2017/18 the Committee is grateful for the contributions of its members, as well as to those officers who support its work.*



*Councillor Nigel Kay F.C.C.A., A.C.I.B., C.T.A..  
Audit Committee Chair*

*30 July 2018.*



## Introduction

Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's Audit Committees - Practical Guidance for Local Authorities as:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Swale Borough Council (the Council) has always supported and understood the value and benefits of having an independent Audit Committee.

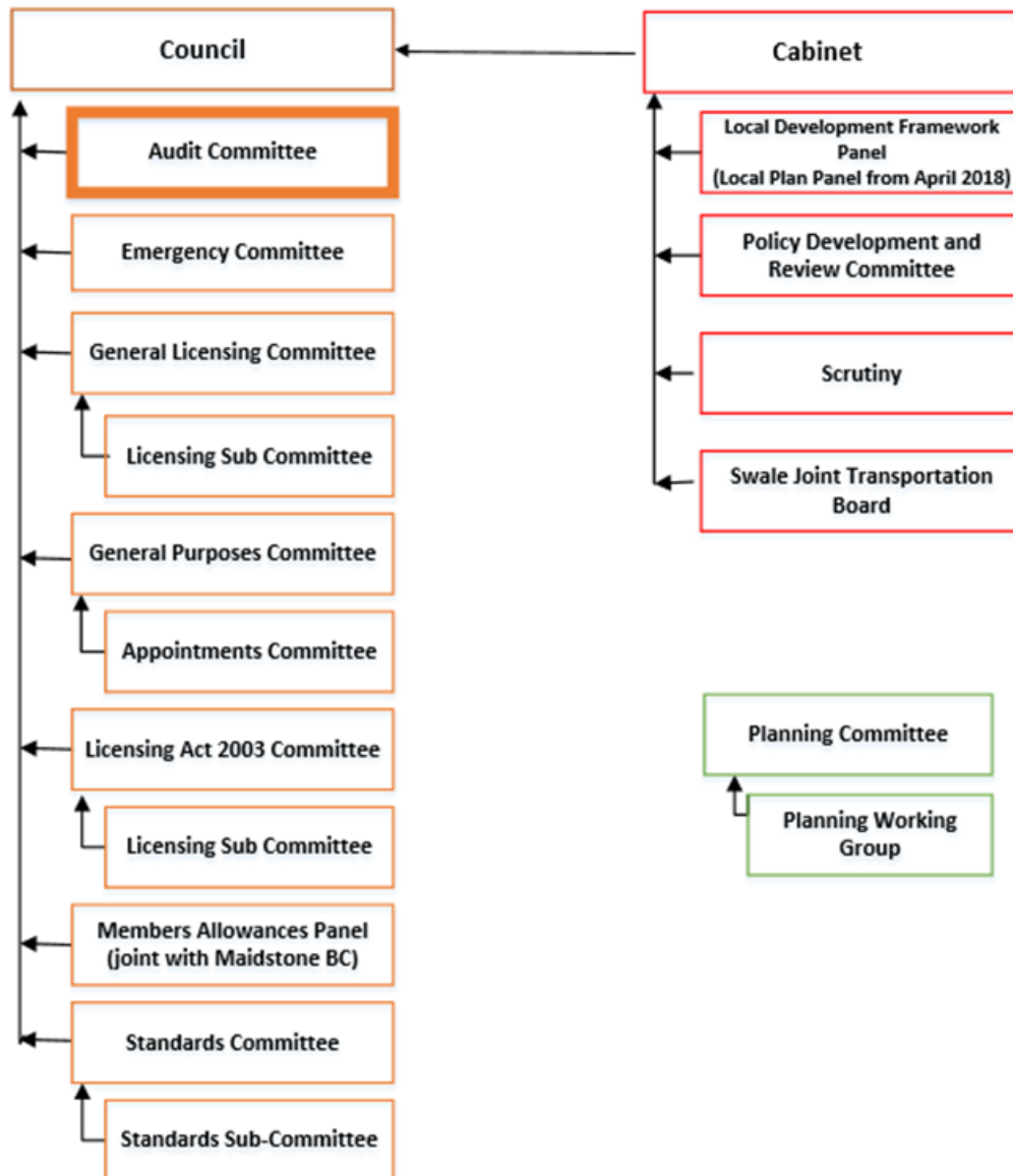
The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines, including to Full Council and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix 2). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the Executive function in the management of internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

## Swale Borough Council Committee Structure 2018

The Audit Committee is part of the Council's committee structure. The following organisational chart illustrates where the Audit Committee sits in the committee structure and its reporting line to Full Council.



## Business

During the year the Committee has reviewed the following:

Audit Activity
<ul style="list-style-type: none"><li>Internal Audit Annual Report and Opinion</li></ul>
<ul style="list-style-type: none"><li>Internal Audit Interim Report</li></ul>
<ul style="list-style-type: none"><li>2018/19 Internal Audit Plan</li></ul>
<ul style="list-style-type: none"><li>Corporate Level Risks &amp; Risk Management Process</li></ul>
<ul style="list-style-type: none"><li>Planning Enforcement Progress Report</li></ul>
External Audit (Grant Thornton)
<ul style="list-style-type: none"><li>Fee Letter</li></ul>
<ul style="list-style-type: none"><li>Audit Plan</li></ul>
<ul style="list-style-type: none"><li>Annual Audit Report</li></ul>
<ul style="list-style-type: none"><li>External Audit – Audit Committee Update</li></ul>
<ul style="list-style-type: none"><li>Certification of Claims &amp; Returns</li></ul>
Finance
<ul style="list-style-type: none"><li>Annual Governance Statement</li></ul>
<ul style="list-style-type: none"><li>Annual Treasury Management Report *</li></ul>
<ul style="list-style-type: none"><li>Annual Financial Report 2016/17 and Audit Findings Report, including Letter of Representation</li></ul>
<ul style="list-style-type: none"><li>Treasury Management Half Yearly Review</li></ul>
Other
<ul style="list-style-type: none"><li>Audit Committee Annual Report 2016/17</li></ul>
<ul style="list-style-type: none"><li>Audit Committee's Work Programme</li></ul>
<ul style="list-style-type: none"><li>Audit Committee Terms of Reference</li></ul>
<ul style="list-style-type: none"><li>MKS Fraud &amp; Compliance Report</li></ul>

\* The Audit Committee provides oversight of Treasury Management reports. All Treasury Management reports are approved by Full Council.

**Appendix A** provides a summary of membership and attendance during 2017/18.

## Sources of Assurance

In drawing the conclusion, the Audit Committee gained assurance from the following sources:

### The work of Internal Audit

Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils.

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2016/17 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been regularly updated with delivery of the Internal Audit Plan, implementation of audit recommendations, and has been kept aware of any emerging risks. The Committee has also requested updates on *weak assurance audit reports*, including Planning Enforcement.

The Internal Audit plan for 17/18 included a breakdown of internal audit assurance work for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

There have been no significant issues raised for the Committee's attention during the year by the Internal Audit team. The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the [Audit Charter](#) which was updated and agreed by the Committee in March 2016.

### The work of External Audit (Grant Thornton)

The Council's external auditors are Grant Thornton, the fifth largest accountancy firm in the UK. Grant Thornton were appointed as the Council's auditors by *Public Sector Audit Appointments Limited (PSAA)*, a wholly owned subsidiary of the Local Government Association. The Council has opted into PSAA's procurement arrangements post-2018 and, under those arrangements, Grant Thornton will continue as the Council's external auditors.

The external auditors report back to the Audit Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements. Particularly, the External Auditors recognised high quality of the Council financial statements and supporting working papers. The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided by Grant Thornton during the year.

## **Finance & Governance Reports**

The Council's accounts are reported to the Audit Committee for approval, along with the Annual Governance Statement. The Committee has provided challenge and questioning to the Section 151 Officer on the finance and governance matters.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

The statement is produced following a review of the council's governance arrangements and includes actions to address any significant governance issues identified. The Committee reviewed and approved the 2016/17 Annual Governance Statement.

## **Terms of Reference**

The Audit Committee also commenced a review of the Committee's Terms of Reference – Appendix 2.

## **Conclusion**

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2017/18, as set out in the respective minutes.

## Appendix 1:

### Membership & Attendance

The following table summarises attendance at all of the Audit Committees held in 2017/18:

Name	Role	21/6/17	13/9/17	29/11/17	14/3/18
<b>Committee Members</b>					
Cllr Nicholas Hampshire	Chair	✓	✓	✓	✓
Cllr Nigel Kay	Vice-Chair	✓	✓	✓	✓
Cllr Andy Booth	Committee Member	✓	✓	✗	✗
Cllr Adrian Crowther	Committee Member	✓	✓	✓	✓
Cllr Angela Harrison	Committee Member	✓	✓	✓	✗
Cllr Mick Galvin	Committee Member	✗	✓	✗	✗
Cllr Peter Marchington	Committee Member	✓	✗	✗	✓
Cllr Roger Clark	Committee Member	✗	✗	✗	✓
Cllr Samuel Koffie-Williams	Committee Member	✓	✓	✗	✓
Cllr Cameron Beart	Substitute Member		✓		
<b>Visiting Members</b>					
Cllr Duncan Dewar-Whalley	Cabinet Member for Finance & Performance	✓		✓	✓
Cllr Alan Horton	Cabinet Member for Safer Families & Communities	✓	✓		✓
<b>Swale BC Officers</b>					
Jo Millard	Democratic Services	✓		✓	
Katherine Bescoby	Democratic Services		✓		
Kellie McKenzie	Democratic Services				
Nick Vickers	Chief Financial Officer	✓	✓	✓	✓
Phil Wilson	Chief Accountant		✓		
Philippa Davies	Democratic Services				
Zoe Kent	Revenues & Benefits Manager		✓		✓
<b>Grant Thornton</b>					
Iain Murray	Engagement Lead	✓	✓		✓
Trevor Greenlee	Audit Manager			✓	✓
<b>Mid Kent Audit</b>					
Rich Clarke	Head of Audit Partnership			✓	
Russell Heppleston	Deputy Head of Audit Partnership	✓	✓		
Frankie Smith	Audit Manager	✓	✓	✓	✓

All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

## Appendix 2:

Audit Committee - Terms of Reference		
Purpose		
The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.		
Audit Activity	Regulatory Framework	Accounts & Report
To consider the Head of Audit Partnership's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council's governance arrangements, and any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	To review any issue referred to it by the Chief Executive or a Director or any Council body.	To review and approve the annual statement of accounts. Specifically, to consider whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Cabinet or the Council.
	To monitor the effective development and operation of risk management and corporate governance in the Council.	
To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the 3 year Strategic Internal Audit Plan.	To monitor council policies on 'Whistleblowing' and the 'Antifraud and Corruption Strategy'.	To consider the external auditor's report to those charged with governance on issues from the audit of the accounts.
To consider the external auditor's annual letter, the report to those charged with governance, and any specific reports as agreed with the external auditor.	To consider and comment on the authority's Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.	To be responsible for ensuring effective scrutiny of the treasury management strategy and policies (Note: Council is responsible for adopting the Treasury Management strategy and policy).
To liaise with the Audit Commission over the appointment of the Council's external auditor, comment on the scope and depth of external audit work and ensure that it gives value for money.	To consider the council's arrangements for governance and whether adequate safeguards are in place to secure compliance with its own and other published standards and controls and best practice.	To present an annual report to the Council providing assurance that the responsibilities of the Committee have been met.

This page is intentionally left blank